



STATE TRADING CORPORATION

ANNUAL REPORT
2012





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, Wheat Flour** and **Sugar** with a turnover of more than USD 1.2 Billion.

better together... we aim higher

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01

→ **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, Foodstuff, Petroleum Products and Construction Materials.

CORPORATE MISSION

▪ **Products/Services Aspect**

To ensure the continuous supply and provision of, but not limited to foodstuff, 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 continuously 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 and be a global trading platform.

▪ **Human Capital**

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

→ **STC at a Glance**

QUALITY POLICY

In line with the STC Act 1982, our 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.

Message from the Chairman



I am pleased to submit the Annual Report for the year 2012.

I have been appointed as Chairman of the STC Board with effect from 13 April 2012.

The new Board of Directors has at the very outset appointed the necessary subcommittees to meet the required compliance standards and to support the Management team.

The result for the year 2012 reflected the sound execution of STC's business, and disciplined cost and asset management of the organisation.

STC has also achieved a surplus for the last three years and has also strengthened its resolve as a responsible corporate citizen.

STC remains poised to face the challenges ahead in the energy sector in the short term and long term and in spite of a fragile global economy, is trying through its dynamic Management team and staff to continue to meet its commitments and obligation towards Government and its stakeholders.

STC has an accumulated surplus of Rs 953 million as at 31 December 2012 and is now fully prepared for new projects and new challenges.

A special word of mention for the CEO, the Management team as well as the staff of STC without whose contribution STC would not be riding high again on this wave of success. I also place on record the unfailing support of the Board members to me throughout the year.

A stylized signature in black ink, consisting of several horizontal strokes and a central vertical stroke, representing the name Eric Ng Ping Cheun.

Eric Ng Ping Cheun
Chairman

Report from CEO

For the second year in a row, the State Trading Corporation has posted extremely positive results, despite the gloomy climate that prevailed over the domestic and global economic environment.

We achieved a net surplus of Rs 744 million while maintaining almost all our selling prices on the retail market at the same level as prior to 2011, and against inflationary pressure on operating costs which were contained on all counts.

Total Revenue attained the highest level ever at Rs 37.5 billion although import of Portland cement was withdrawn from our business portfolio. In its first year of operation in 1983-84, turnover reached Rs 600 million.

Cash and cash equivalent balance rose by over 200% to Rs 603 million reducing drastically the need for borrowings and hence payment of interests. As a result of the strong cash position, accumulated surpluses increased by 356% from Rs 208.9 million to Rs 953 million.

As all long-term liabilities had been cleared by 31 December 2011, the net asset value per share grew by 356%, from Rs 5,232 per share to Rs 23,836.

This performance has been made possible by a fair dose of additional financial rigor and discipline coupled with the application of appropriate management and diligent procurement practices to suit the business specificities of the State Trading Corporation.

Throughout the year, there occurred not a single stock-out of any of the range of products that the Corporation supplies the market with. Additionally, major quality improvements were achieved in all of them, particularly in rice and petroleum products at no additional costs to the consumers.



→ Report from CEO

The Petrol Pricing Mechanism (PPM) proved to be an efficient tool to stabilize retail fuel prices which actually remained unchanged throughout the year, notwithstanding constant price fluctuations on the world market with peaks far outnumbering dips. Indeed, there was only one instance in June 2012, where the Platts price of Diesel fell below the reference price utilized to set the price 15 months earlier in March 2011. In the case of Super Unleaded Gasoline, world prices fell below the reference price only twice, in June and November 2012. For the rest of the year, prices hovered well above the reference price and exceeded USD 130 per barrel for Diesel in March and September and USD 1200 per metric ton for Gasoline in March.

Even if the price peaks seemed to rarely attract public attention, for their part, each price dip on the world market somehow never failed to make it to the local media with consequent pressure on STC or the PPC to reduce the price. The mechanism of price stabilization through a trade equalization fund, therefore, remains poorly understood on the market.

Prolonged stability of petrol prices on the market contributed to contain inflation to a large extent and, hence, to social stability as well, considering that price changes triggered civil unrest in several countries including some close to us. In Mauritius, price changes used to be inflicted on the market every month under the defunct Automatic Pricing Mechanism and quarterly under the previous one. Neither the price increases nor the price decreases did any good to the market. Petrol price increases invariably provoked a generalized price rise in goods and services. However, the alternating petrol price decreases were rarely, if ever at all, followed by commensurate price drops of those same goods and services.

By averting periodic price changes, the PPM deprived the market of about six price-hike opportunities, sparing consumers by as many exposures to being ripped-off. The economy was thus discreetly protected from a major source of artificially-fuelled inflation.

Inevitably, after having sustained the world price fluctuations shocks throughout 2011 and 2012 for the sake of stability, the Price Stabilization Account registered an outstanding balance of Rs 211 million as at 31 December 2012. This is but a minor shortfall that will be filled within a few months of a price adjustment given the magnitude of the turnover value of Rs 33.8 billion for Petroleum products. Far more importantly, the trade equalization fund has totally shielded our market from the consequences of price shocks over two years.

Since March 2012, we shifted to low-Sulfur Diesel. This cleaner Diesel, with a maximum sulfur content of 50 parts per million offers three benefits: far less harmful emissions, optimized fuel consumption, and extended engine life. Low-sulfur Diesel fetches a higher price on the world market given the extra refinery cost to remove sulfur from crude oil.

This additional cost has not been immediately passed on to Diesel users and the transport industry as a whole, but contained by the same Price Stabilisation Account.

→ Report from CEO

The Hedging loss balance of Rs 421 million as at 31 December 2012 still outstanding in our books and due for collection from the Gasoline and Diesel price structures have been since entirely waived and absorbed by the Corporation from its own surpluses from other operations.

Some Rs 734 million collected from a charge on Diesel and Super Unleaded in the price structure was paid to the Road Development Authority.

As contribution to the transportation and storage costs of petroleum products to Rodrigues, Rs 37 million were similarly drawn from the price structure and paid out.

Some Rs 398 million were collected for contribution to the MID Levy.

During 2012, the State Trading Corporation imported about 1.2 million tons of 7 categories of petroleum products to supply 4 oil majors to cater for the domestic automotive market and industry, the international maritime and civil aviation requirements, and the CEB.

STC also sold 67,900 tons of LPG on the market, representing about 53 kg per head. The price of LPG on the world market peaked to a level at which it had become dangerous and most imprudent to continue build up subsidies to artificially maintain a retail price of a 12-kg cylinder at Rs 300 fixed five years ago in 2008. The retail price was thus increased to Rs 330 in March 2012. This still required subsidy injection of Rs 717 million compared to Rs 611 million in 2011.

LPG prices on the world market may continue to rise as more and more people in the emerging economies turn to this source of energy for domestic use whereas supply is not growing at the same pace. It will therefore be wise to consider an annual price adjustment to bring retail price closer to actual cost and boost consumer awareness of that cost and the subsidy value being enjoyed.

As regards Rice and Flour, global warming and climate change are impacting more perceptibly on world market prices. These have been so erratic, and rather contrary to what market fundamentals would dictate, that speculation has set in more than ever before on the major Grains Exchanges. Locking-in for a long period with a tender price obtained at a time of high price volatility can expose us to the risks of hedging at the wrong time. Having previously burnt our fingers for that very reason, we opted for periodic Requests for Quotations (RFQ) rather than Annual Tender for the procurement of rice. This method allowed us to realistically assess price trends and secure the lowest possible price for a given quality in a specific time frame, buy more when prices are low and buy just what is needed when prices are high.

→ Report from CEO

Cross-subsidy funding for Ration Rice dropped by 28% to Rs 95 million in 2012 from Rs 132 million in 2011 for a total volume of 18,960 tons even as we maintained retail price at the level of Rs 5.40 a pound fixed as far back as 2006.

While ensuring more competitive pricing through new procurement practices, quality has actually been raised even with lower cost to the Corporation. Throughout 2012, both Mauritius including Rodrigues have benefited from “ration” rice of very high quality standard, long-grain white, doubly-polished, dust free, negligible discolored grains, or chalky kernels with a percentage broken often at only 5% rather than the 25% of the past. The tender specifications have not only been changed for higher quality but the onus is placed on the selected bidder to supply as per sample on the basis of quality analysis results of the Mauritius Standards Bureau. Better quality tendered is taken on board in bid evaluation.

The tender for wheat flour for reduced volumes and for supply to be made in periods less than a year has been under consideration but may not be entirely feasible under current circumstances.

During the year, the Corporation supplied the market with 100,091 tons of Wheat Flour representing annual consumption of about 77 kg per head. Flour Tender prices decreased from USD 503 per ton to USD 442. To maintain retail price at Rs 5.85 a pound fixed in 2008, subsidy to the tune of Rs 309 million had to be injected compared to Rs 425 million in 2011.

STC Management contributed actively in the strategic thinking process launched by the Minister of Commerce to make of Port Louis a petroleum hub and to build-up the petroleum industry as a pillar of the national economy. The procurement process for the construction of storage tanks for Super Unleaded Gasoline and Diesel was initiated but renewed interest of the four oil companies operating on the market to participate in this infrastructural development to enhance security of supply has given a direction to the project.

Management wishes to thank the Board, the Minister of Industry, Commerce and Consumer Protection and the Government of Mauritius for their constant support in its pursuit of the Corporation’s objectives in the national interests.



Megh Pillay, C.S.K.
CEO

→ Corporate Governance

The purpose of setting up the State Trading Corporation (STC) as a parastatal 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.

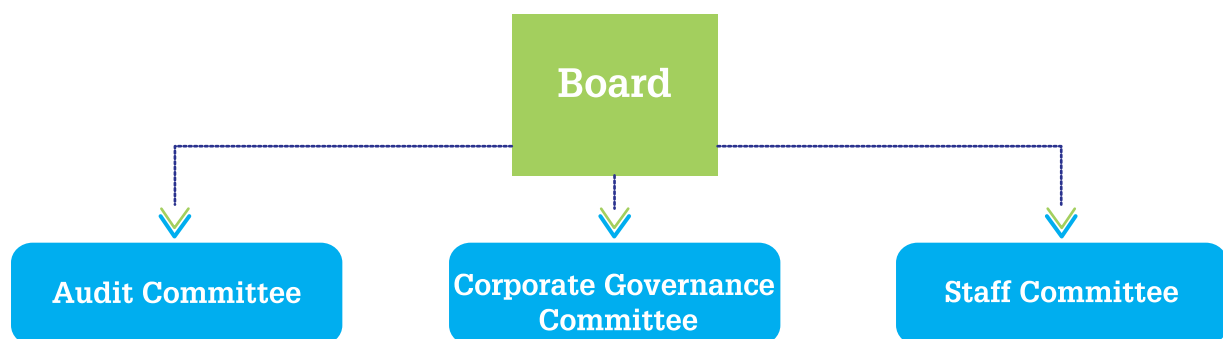
An integrated approach to Governance has been adopted that balances economic and social goals and between individual and communal goals. The governance framework is to promote efficient use of resources but equally providing greater accountability for the stewardship of those resources.

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, three sub-committees have been created.



The memberships in these Sub-committees have been made on the basis of experience, skills and competencies of members.

→ Corporate Governance

Audit Committee

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

During **January to December 2012**, the members of the Audit Committee were:-

1. C. Rogbeer (Chairman)
2. I. Bonomaully
3. T. A. Mudhoo (Mrs)
4. A. F. Poinoosawmy

The Committee met 3 times during the year 2012 to review the internal and external audit reports. Recommendations made, have as far as practicable been implemented forthwith by Management.

Corporate Governance Committee

The Committee was set up on 20 June 2012.

For the year 2012, the members of the Corporate Governance Committee were:

1. Eric Ng Ping Cheun (Chairman)
2. A. Burrenchobay (Ms)
3. D. Gopaul
4. Dr. S. M. H. Naujeer

Staff Committee

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

The following were the members of the Staff Committee:-

1. K. Conhye (Chairman)
2. A. K. F. Lan Hing Choy
3. A. F. Poinoosawmy
4. Dr. S. M. H. Naujeer

During the year January 2012 to December 2012, the Staff Committee met 4 times.

→ Corporate Governance

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, i.e. no conflict of interests and as well contribute constructively to Board decision with their well considered views.

The roles of the Board are:-

- *Provide entrepreneurial leadership*
- *Set Strategic Decisions*
- *Ensure necessary resources are in place to achieve the objectives*
- *Review Management performance*

During the year 2012 the Board has met 14 times. Board has been chaired once by Ms A. Burrenchobay, Permanent Secretary of the parent Ministry and thirteen times by Mr. Eric Ng Ping Cheun, who was appointed on 27 April 2012. 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*
3. *Intervention into New products*

→ Corporate Governance

Board Meeting and Sub-Committees

The members of the Board and Sub-Committees for the year ended 31 December **2012** were as follows:-

Name	Board	Audit Committees	Corporate Governance Committee	Staff Committee
Eric Ng Ping Cheun	√		√	
A. Burrenchobay (Ms) K. Conhye	√		√	√
I. Bonomaully	√	√		
T. A. Mudhoo (Mrs)	√	√		
D. Gopaul	√		√	
C. Rogbeer	√	√		
A. K. F. Lan Hing Choy	√			√
A. F. Poinoosawmy	√	√		√
Dr. S. M. H. Naujeer	√		√	√

Remuneration of Members

During the financial year a total amount of Rs 741,200 has been paid as Directors fees.

Risk Management

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

→ Corporate Governance

Attendance

Attendance of members of the Board and Sub-Committees for the year ending 31 December 2012 was as follows:-

Name	Board	Audit Committees	Staff Committee
Total Number of Meetings	14	3	4
Chairman			
Eric Ng Ping Cheun	13		
Representative of the Ministry of Industry , Commerce and Consumer Protection			
A. Burrenchobay (Ms)	7		
K. Conhye (Chairman - Staff Committee)	6		2
Ministry of Finance & Economic Development			
I. Bonomaully	10	2	
Ministry of Agro-Industry & Food Security			
T. A. Mudhoo (Mrs)	6	1	
Ministry of Energy & Public Utilities			
D. Gopaul	13		
Mauritius Ports Authority			
C. Rogbeer	11	3	
Members appointed by the Minister			
A.K.F. Lan Hing Choy	3		4
Dr S.M.H. Naujeer	6		Nil
A.F. Poinoosawmy	12	2	4

→ Director's profile



Eric Ng Ping Cheun
Chairman

Eric Ng Ping Cheun, joined STC on 27 April 2012.

He is an Economist and Managing Director of Pluriconseil a consultancy firm offering a wide range of customized services.

He had served the following organisations:

- (i) Chairman of the Board of Directors of First City Bank (renamed Bank One) from November 2005 to February 2008.
- (ii) Chairman of the Development Bank of Mauritius from January 2009 to July 2010.
- (iii) During that period, he also served as a non-executive director of State Insurance Company of Mauritius (SICOM) and of Airports of Mauritius Ltd.
- (iv) He had been an Adviser at the Ministry of Finance in the year 2000.



T. A. Mudhoo (Mrs), Diploma in Management (Public Administration & Management);
BSc (Hons) Management (Public Administration & Management); MBA (HRM)
Deputy Permanent Secretary Ministry of Agro Industry & Food Security.

Mrs. T. A. Mudhoo was appointed on the Board of the STC as representative of the Ministry of Agro Industry & Food Security since May 2012.

She has served in several Ministries among others:

- (i) Ministry of Social Security, National Solidarity & Reform Institutions
- (ii) Ministry of Foreign Affairs, Regional Integration and International Trade
- (iii) Ministry of Training, Skills Development and Productivity
- (iv) Ministry of Labour, Industrial Relations & Employment
- (v) Ministry of Education and Human Resources

Mrs. Mudhoo is a member of the Board of the Agricultural Marketing Board (AMB) and of the Food and Agricultural Research and Extension Institute (FAREI). She has also chaired the National Ramsar Committee and the Nature Reserves Board and has served as Member on, inter alia:

- (i) The Construction Industry Development Board;
- (ii) The Industrial and Vocational Training Council;
- (iii) The National Productivity and Competitiveness Council;
- (iv) The ex-DWC Board; and
- (v) The School Management Committee of the IVTB School of Design.

→ Director's profile



I. Bonomaully

Lead Financial Analyst Ministry of Finance & Economic Development

Mr I. Bonomaully, Lead Analyst is from the Ministry of Finance and Economic Development and has been on the Board of STC as from April 2010.



Chandradutt Rogbeer, ACA, ACMA, CILT **Corporate Auditor**

Representative of the Mauritius Ports Authority.

Mr Rogbeer is a Chartered Accountant of the Institute of Chartered Accountants in 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 the representative of MPA on the Board of STC as from March 2008.

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



Kang Foong Lan Hing Choy **Independent Member**

Mr Lan Hing Choy is presently the Senior Adviser at the Prime Minister's Office

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

Mr Lan Hing Choy came back to Mauritius in 1996 .

He was appointed as Member of the Board of the STC on 30 August 2006 and has been a member of the Staff Committee since then till date.

→ Director's profile

A. Burrenchobay (Ms) BA 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:

BA Jt (Hons.) French and Politics, University of Hull, UK (1979).

Diploma in Public Administration, University of Mauritius (1987).

Postgraduate 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 is presently the Chairperson of Accreditation Committee (MAURITAS).

She is also Member on the following Boards :

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

Devendre Gopaul

Deputy Permanent Secretary from the Ministry of Energy & Public Utilities

Mr Devendre Gopaul had been working as an International Civil Servant in the capacity of Administrative Officer and subsequently, Governing Bodies officer of the World Health Organization Regional Office for Africa in Brazzaville, Congo for the past seven years. He has previously worked at the Prime Minister's Office and the Ministry of Health and Quality of Life.

A. F. Poinosawmy

Independent Member

Mr Poinosawmy was employed at the Editions de L'Océan Indien in the past. He is at present a senior partner in a "Car Hire" business.

Dr S.M.H. Naujeer

Independent Member

Dr Naujeer is a private medical practitioner and has his cabinet in Montagne Blanche. Dr Naujeer had been the Chairman of the Sugar Industry Labour Welfare Fund Board from 2004 to 2005.

→ Management profile



Megh Pillay, C.S.K. *BSc (Hons.) MSc*
CEO

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 achievement 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. 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.



Iqbal Peermamode, MBA *Charles Sturt 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.

→ Management profile



Mr. Balam Asyrigadoo joined the Civil Service as Postal Officer at the General Post Office in June 1972. He then shifted to Department of Supplies as Assistant Supplies Officer. Joined STC in August 1985 as Trade and Marketing Officer. Acting as Officer-In-Charge of Commercial Division since June 2009. He possesses Higher Stage of LCCI in Accounting, Marketing and Shipping and Certificates in International Oil and Futures Trading, Communication Skills, Public Procurement and Pratique du Commerce International par les organismes de Commerce d'Etat.

B. Assyrigadoo
Acting as Officer-In-Charge of Commercial Division



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.

K. D. Jugoo (Mrs), *BSc (Hons.) Accounting and Finance, FCCA, MBA*
Audit 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. Domingue (Mrs), *BSc (Hons.) Accounting*
Assistant Risk & Treasury Manager



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.

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

→ Management profile



Mr C.Pompon joined the Department of Supplies as Tally Clerk in May 1972 and worked as Store Clerk in September 1973. He was appointed as Supplies Officer in June 1976 and promoted as Higher Supplies and Sales Officer in September 1988. On October 1995 he was appointed Senior Supplies and Sales Officer and promoted as Principal Supplies and Sales Officer in March 2006. As from January 2013 he has been acted as Chief Supplies and Sales Officer. He was appointed Chief Supplies and Sales Officer in May 2014.

C. Pompon
Chief Supplies & Sales Officer



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) Postgraduate Diploma in Quality Management

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 MOA 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.

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

→ Management profile



A. Vythelingum
Acting Secretary Board

Mr. A.P Vythelingum joined the STC in March 1990 as Clerical /Higher Clerical Officer. He holds a Diploma in Public Administration and Management from the University of Mauritius. Successfully promoted as from 2003 to the grades of Executive Officer, Higher Executive Officer and Administrative Assistant. Is Acting Secretary of the Board of STC as from end 2006.



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.

→ Management profile



Mr Udhin holds a Diploma and an Advanced Diploma in Transport (Chartered Institute of Logistics & Transport, UK). 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.

Pratap Dave Udhin, *Diploma in Transport
Business Development Officer*

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.

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

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

→ Directors' 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
Chairman


.....

I. Bonomaully
Board Member

→ 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 2012, 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.

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 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards.

→ Report of the Director of Audit

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

29 October 2013



→ Financial Statements

STATE TRADING CORPORATION STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Notes	2012 Rs	2011 Rs
ASSETS			
Current Assets			
Cash and Cash Equivalent	5	603,007,586	186,998,762
Receivables	6	4,387,766,090	5,956,918,346
Inventories	7	39,010,392	98,568,273
TOTAL CURRENT ASSETS		5,029,784,068	6,242,485,381
Non Current Assets			
Investment in wholly owned Subsidiary	8	100	100
Investment in Associate	8	1,576,374	2,048,349
Other Investment	8	1,125,660	1,125,660
Property, Plant and Equipment	9	32,299,073	20,542,095
Freehold Land and Building	9	19,962,041	20,228,646
Pension Asset	12	9,766,077	7,353,509
TOTAL NON CURRENT ASSETS		64,729,325	51,298,359
TOTAL ASSETS		5,094,513,393	6,293,783,740
LIABILITIES			
Current liabilities			
Payables	10	2,599,298,974	6,043,177,591
Short Term Borrowings	11	1,491,902,301	-
TOTAL CURRENT LIABILITIES		4,091,201,275	6,043,177,591
NON-CURRENT LIABILITIES			
Employee Benefit Obligations	10	49,867,433	41,310,735
TOTAL LIABILITIES		4,141,068,708	6,084,488,326
NET ASSETS		953,444,685	209,295,414
NET ASSETS/EQUITY			
Capital Contributed by Government	13	400,000	400,000
Accumulated Surplus	14	953,044,685	208,895,414
TOTAL NET ASSETS/EQUITY		953,444,685	209,295,414
No of Shares		40,000	40,000
Net Value of Asset per Share		23,836	5,232

Notes 1 to 21 form an integral part of these financial statements.


Eric Ng Ping Cheun
Chairman


I. Bonomaully
Board Member

→ Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended December 2012 Rs	Year ended December 2011 Rs
REVENUE			
Turnover	15	36,646,425,569	36,305,592,326
Revenue from Exchange Transactions	16	876,803,103	941,748,783
Investment Income	17	82,769	67,308
Interest Receivable	17	18,331,859	4,544,731
Other Revenue		22,804,670	22,827,935
TOTAL REVENUE		37,564,447,970	37,274,781,083
EXPENSES			
Cost of Sales	18	36,644,778,463	36,368,758,743
Wages, Salaries & Employee Benefits		113,322,927	111,982,246
Supplies and Consumables		8,235,755	14,172,099
Utilities		5,175,247	4,645,087
Rent		16,641,046	16,789,594
Repairs and Maintenance		5,958,038	6,360,514
Other Expenses		13,103,539	4,196,305
Depreciation	9	8,627,767	5,174,666
Interest payable	19	3,983,942	8,236,771
Total Expenses		36,819,826,724	36,540,316,025
Operating Surplus		744,621,246	734,465,058
Impairment of Investment in STCM Ltd		-	(999,900)
Share of loss in Associate	8B	(471,975)	(323,518)
Surplus for the year	18	744,149,271	733,141,640

→ Financial Statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share Capital Rs	Retained Earnings Rs	Equity Rs
Balance as at 31 December 2010	400,000	(528,715,425)	(528,315,425)
Change in accounting policy (with adoption of IPSAS)		NIL	NIL
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
Surplus for the year 2012		744,149,271	744,149,271
Balance as at 31 December 2012	400,000	953,044,685	953,444,685

→ Financial Statements

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 Rs	31 December 2011 Rs
Cash flows from Operating Activities		
Profit for the year	744,149,271	733,141,640
Impairment Loss in STCM Ltd	-	999,900
Share of Loss in Associate	471,975	323,518
Investment revenue recognised in Income Statement	(82,769)	(67,308)
Gain on sale or disposal of property, plant and equipment	(76,551)	(290,000)
Depreciation of non current assets	8,627,767	5,174,665
Effects of Exchange Rate changes on the balance of Cash / Lines of Credit held in foreign currencies	(737,801,233)	(740,154,427)
Interest Receivable	(18,331,859)	(4,544,730)
Interest Payable	3,983,942	8,236,771
	940,543	873,705
Movements in Working Capital		
Decrease/(Increase) in trade and other receivables	1,567,157,378	(977,371,669)
Decrease/(Increase) in inventories	59,557,882	(9,574,955)
(Decrease)/Increase in trade and other payables	(3,435,321,919)	1,238,757,838
Cash generated from operating activities	(1,807,666,116)	254,631,243
Interest Paid	(3,983,942)	(8,332,398)
Net Cash generated from operating activities	(1,811,650,058)	246,298,845
Cash flow from investing activities		
Interest received	17,914,168	4,809,913
Dividends received	82,769	67,308
Payments for property, plant and equipment	(20,207,486)	(5,368,978)
Proceeds from disposal of property, plant and equipment	165,899	1,204,999
Net cash (used in)/generated by investing activities	(2,044,650)	713,242
Cash flow from financing activities		
Proceeds from borrowings	12,783,667,760	8,381,926,786
Repayment of borrowings	(10,922,681,198)	(9,204,702,588)
Net cash generated from financing activities	1,860,986,562	(822,775,802)
Net (decrease)/increase in cash and cash equivalents	47,291,854	(575,763,714)
Cash and cash equivalents at the beginning of the year	186,998,762	408,232,246
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	368,716,970	354,530,230
Cash and Cash equivalents at the end of the Financial Year	603,007,586	186,998,762

→ Financial Statements

Notes to Cash Flow

(a) Cash and Cash Equivalents

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

	2012 Rs	2011 Rs
Cash in hand and balances with banks	603,007,586	186,998,762

The Corporation has borrowing facilities of USD107.2 million, out of which there was a balance of USD 48.1 million as at 31 December 2012 and nil is to be used on infrastructure projects.

(b) Property Plant and Equipment

During the year, the Corporation acquired property, plant and equipment with an aggregate cost of Rs 20,207,486 of which NIL was acquired by means of capital grants by the National Government.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

PARTICULARS	Original Budget 2012 (Note 1)	Revised Budget 2012 (Note 2)	Actual 2012	Difference (Note 3)	
	Rs 000	Rs 000	Rs 000	Rs 000	
REVENUE					
Turnover	46,271,316	42,789,025	36,646,426	(6,142,599)	*
Revenue from Exchange Transactions	-	427,297	876,803	449,506	see Note (6)
Interest receivable	-	20,313	18,332	(1,981)	
Other Revenue	-	-	22,887	22,887	
Total Revenue	46,271,316	43,236,635	37,564,448	(5,672,187)	*
EXPENSES					
Cost of Sales	45,693,024	42,246,115	36,644,778	5,601,337	* Lower expenditure mainly due to posts not filled
Wages, Salaries and Employee Benefits	140,673	126,663	113,323	13,340	
Supplies and Consumables	12,653	17,414	8,236	9,178	
Utilities	5,699	5,297	5,175	122	
Rent	16,689	16,900	16,641	259	
Repairs and Maintenance	9,172	10,437	5,958	4,479	
Other Expenses	14,857	8,925	13,104	(4,179)	
Depreciation	10,024	8,727	8,628	99	
Interest Payable	62,219	11,552	3,984	7,568	
Total Expenses	45,965,010	42,452,030	36,819,827	5,632,203	
Share of deficit in Associate	-	-	(472)	(472)	
Net Surplus	306,306	784,605	744,149	40,456	

Note 1- represents the original approved budget of the Corporation for 2012.

Note 2- represents the revised approved budget for 2012.

Note 3 - represents the difference between revised budget 2012 and actual revenue and expenses on a comparable basis.

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Notes to Financial Statement for the year ended 31 December 2012

- 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 components of STC's business as well as exchange rate fluctuations as all the products purchased by the Corporation are paid in US Dollar.
- 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 2012 approved by the Board in September 2011 as per statutory requirement, was based on information available at that time. Thereafter, in September 2012, 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.

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Notes to Financial Statement for the year ended 31 December 2012

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 (until 2011), 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.

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.

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).

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Notes to Financial Statement for the year ended 31 December 2012

The Corporation has adopted relevant new and revised IPSAS that are relevant to its operations for the year 2012, 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.
- IPSAS 31- Intangible Asset.

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.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

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, the STCM Ltd which is still registered with the Registrar of Companies has ceased its operation in May 2010. Thus as there has been no activity during the reporting period, consolidated accounts have not been prepared.

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 reporting 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 Position 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.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

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 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 Corporation's share of the net assets of the associate, less any impairment in the value of individual investment.

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.

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Notes to Financial Statement for the year ended 31 December 2012

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 16,320,664

(ii) Later than one year and not later than five years:- Rs 9,101,888

(iii) Later than five years:- Rs 2,030,000

(b) Total contingent rents recognized in the statement of financial performance in the period- Rs 16,641,046

(c) A general description of the lessee'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 Cavell 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.
- One lease agreement for Granary at Port Mathurin, Rodrigues.

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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are recognised in Income Statement 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.

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Notes to Financial Statement for the year ended 31 December 2012

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, on a pro rata basis in the year of acquisition and disposal 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 income.

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 has been impaired. 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 income statement.

On disposal of the investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

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Notes to Financial Statement for the year ended 31 December 2012

xiii) Trade Receivables

Trade receivables do not carry any interest and are stated at their nominal value. The carrying amount of trade receivables is adjusted to reflect any impairment loss at reporting date and 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 remeasured 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 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.

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Notes to Financial Statement for the year ended 31 December 2012

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.

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Notes to Financial Statement for the year ended 31 December 2012

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 JUDGMENTS 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.

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Notes to Financial Statement for the year ended 31 December 2012

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.

5. CASH AND CASH EQUIVALENT

	2012 Rs	2011 Rs
Bank Balances	603,007,586	186,998,762

Overdraft facilities are guaranteed by Government of Mauritius.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

6. RECEIVABLES

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

	31 December 2012 Rs	31 December 2011 Rs
Trade Receivable	4,137,272,205	5,912,999,856
Price Stabilisation Account	222,690,325	(see payables)
Other receivables	27,803,560	43,918,490
TOTAL	4,387,766,090	5,956,918,346

7. INVENTORIES

COMMODITIES	31 December 2012 Rs	31 December 2011 Rs
Ration Rice	20,412,302	39,257,399
Flour	16,889,984	55,149,600
Sugar	1,708,106	4,161,274
TOTAL	39,010,392	98,568,273

COMMODITIES	31 December 2012 COST Rs	Net Realisable Value (Rs)	31 December 2011 COST Rs	Net Realisable Value (Rs)
Ration Rice	30,321,899	20,412,302	57,663,784	39,257,399
Flour	21,486,029	16,889,984	75,066,657	55,149,600
Sugar	1,708,106	2,014,110	4,161,275	4,342,170
TOTAL	53,516,034	39,316,396	136,891,716	98,749,169

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

The cost of inventories recognised as an expense includes Rs 14,505,642 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, STC did not hold any inventories for Petroleum Products and LPG as the risk in these products passes from the Seller (STC) to the buyers at the time the products pass the vessel's discharge manifold.

8. INVESTMENTS

Name of Company	Country of incorporation	% Ownership	Consideration	2012 Rs	2011 Rs
STCM Ltd	Mauritius	100	Cash	100	100
Rodrigues Trade and Marketing Ltd (RTML)	Mauritius	40	Cash	1,576,374	2,048,349
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				2,702,034	3,174,109

- Note (i) As at 31 December 2012 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 31 December 2012 STC holds 10 out of 75,000 shares in Afreximbank.
(iii) As at 31 December 2012 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	2012 Rs	2011 Rs
STCM Ltd	Mauritius	100	Fair value	100	100
At 31 December				100	100

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

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.

8 B. INVESTMENT IN ASSOCIATE

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	2012 Rs	2011 Rs
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	1,576,374	2,048,349
At Reporting date				1,576,374	2,048,349

For the purpose of applying the equity method of accounting, the financial statements of RTML for the year ended 31 December 2012 has been used.

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

	2012 Rs	2011 Rs
Total Assets	8,091,654	8,754,815
Total Liabilities	4,694,915	4,221,070
Net Assets/Equity	3,396,739	4,533,745
Total revenue	20,521,765	18,778,567
Total expenses	21,701,703	19,587,362
Net loss	(1,179,938)	(808,795)
STC's share of net loss in associate	(471,975)	(323,518)

	2012 Rs	2011 Rs
Investment in Associate at 1 January	2,048,349	2,371,867
Investment during the reporting period	-	-
STC's share of net loss in associate	(471,975)	(323,518)
Investment in associate at reporting date	1,576,374	2,048,349

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

8 C. OTHER INVESTMENT

Name of Company	Country of incorporation	% Ownership	Consideration	2012 Rs	2011 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	2012 Rs	2011 Rs
Unquoted				
a) State Property Development Co. Ltd (SPDC)	<i>Note (i)</i>	less than 1	400,000	400,000
b) Africa Export-Import Bank (Afreximbank)	<i>Note (ii)</i>	less than 1	725,660	725,660
c) Rodrigues Trade & Marketing	<i>Note (iii)</i>	40	1,576,374	2,048,349
d) STCM	<i>Note (9A)</i>	100	100	100
			2,702,134	3,174,109

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

9. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Motor Vehicles Rs	Office Equipment & Furniture Rs	Plant & Machinery Rs	Buildings Rs	Land Rs	Computer System Rs	TOTAL Rs
COST							
At 31 Dec 2010	11,971,994	9,213,184	33,435,346	13,330,260	11,107,720	15,178,648	94,237,152
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	13,330,260	11,107,720	15,864,965	96,434,219
Additions	1,137,161	1,247,954	2,164,000	-	-	15,658,371	20,207,486
Disposal	(754,226)	-	(157,675)	-	-	(2,023,852)	(3,550,455)
At 31 Dec 2012	9,304,929	10,997,836	39,465,723	13,330,260	11,107,720	29,499,484	113,091,250
DEPRECIATION							
At 31 Dec 2010	5,974,363	6,923,296	22,829,761	3,942,729	-	13,075,573	52,745,722
Charge for the year	1,510,613	568,878	2,022,688	266,605	-	805,882	5,174,666
Disposal	(2,135,000)	-	-	-	-	(121,911)	(2,256,911)
At 31 Dec 2011	5,349,976	7,492,174	24,852,448	4,209,334	-	13,759,544	55,663,476
Charge for the year	1,567,471	581,256	1,910,385	266,605	-	4,302,050	8,627,767
Disposal	(754,226)	-	(68,327)	-	-	(2,023,852)	(3,461,107)
At 31 Dec 2012	6,163,221	8,073,430	26,694,506	4,475,939	-	16,037,742	60,830,136
CARRYING AMOUNT							
At 31 Dec 2011	3,572,019	2,257,706	12,606,951	9,120,926	11,107,720	2,105,419	40,770,741
At 31 Dec 2012	3,141,708	2,924,406	12,771,218	8,854,321	11,107,720	13,461,741	52,261,114

Note: (i) Other Revenue in the Statement of Financial Performance includes an amount of Rs 76,551 as Gain on Disposal of PPE during the year.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

(ii) Summary of Non Current Assets as presented in Statement of Financial Position

	2012 Rs	2011 Rs
Property Plant and Equipment	32,299,073	20,542,095
Freehold Land and Building	19,962,041	20,228,646

10. 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 45 days. Management considers that the carrying amount of trade payables approximates to their fair value.

	Year ended 31 Dec 2012 Rs	Year ended 31 Dec 2011 Rs
<u>NON-CURRENT LIABILITIES</u>	<u>49,867,433</u>	<u>41,310,735</u>
CURRENT LIABILITIES		
Government of Mauritius	160,431,853	148,510,761
Mauritius Revenue Authority	404,215,382	572,115,495
Trade Payables	2,009,955,120	5,016,267,241
Price Stabilisation Account	(see receivables)	200,217,470
Other Payables	24,696,619	106,066,624
TOTAL	2,599,298,974	6,043,177,591

11. BORROWINGS – LOANS AND LINES OF CREDIT

BORROWINGS	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Short term Lines of Credit	1,491,902,302	-
TOTAL BORROWINGS	1,491,902,302	-

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

12. EMPLOYEE BENEFIT OBLIGATIONS

(i) Employee Benefit Obligations

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. Beyond this 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.

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 accrual amount of Rs 49.9 million is made for the estimated liability for bank sick leave passage benefits and vacation leaves. Administrative Expenditure for 2012 includes an amount of Rs 3.1 million in this respect.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

(ii) Post Employment Benefits

The amount of Rs 113,322,927 in respect of Wages, Salaries and Employee Benefits includes Rs 11,420,868 contributed by STC in the pension plan managed by SICOM Ltd.

Actuarial report on the defined benefit pension plan for STC Employees For period ending 31 December 2012

	Year ending 31 December 2012 Rs	Year ending 31 December 2011 Rs
Amounts recognised in statement of financial position at end of year		
Present value of funded obligation (Fair value of plan assets)	295,030,587 (265,002,713)	282,349,423 (245,581,353)
	30,027,874	36,768,070
Present value of unfunded obligation Unrecognised actuarial gain/(loss) Unrecognised transition amount	0 (39,793,951) 0	0 (44,121,579) 0
Liability recognised in Statement of Financial Position at end of year	(9,766,077)	(7,353,509)
Amounts recognised in Statement of Financial Performance:		
Current service cost (Employee contributions)	7,754,824 (3,705,180)	7,730,779 (3,529,024)
Fund expenses	242,017	258,683
Interest cost	28,234,942	27,945,833
(Expected return on plan assets)	(24,511,218)	(24,868,147)
Actuarial loss/(gain) recognized	992,915	613,250
Past service cost recognised	0	0
Transition effect of adopting IAS 19	0	0

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

Movements in liability recognised in statement of financial position:

	31 December 2012 Rs	31 December 2011 Rs
At start of year	(7,353,509)	(4,469,199)
Total staff cost as above	9,008,300	8,151,374
(Actuarial reserves transferred in)	0	(213,342)
(Contributions paid by employer)	(11,420,868)	(10,822,342)
At end of year	(9,766,077)	(7,353,509)
Actual return on plan assets:	20,359,703	6,095,265

Main actuarial assumptions at end of years	31 December 2012 Rs	31 December 2011 Rs
Discount rate	10.00%	10.50%
Expected rate of return on plan assets	10.00%	10.50%
Future salary increases	7.00%	7.50%
Future pension increases	5.00%	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.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

Figures for IPSAS 25 ADOPTION FOR: State Trading Corporation for year ended 31 December 2012

	Year ending 31 December 2012	Year ending 31 December 2011
Reconciliation of the present value of defined benefit obligation		
Present value of obligation at start of period	282,349,423	266,150,791
Current service cost	7,754,824	7,730,779
Interest cost	28,234,942	27,945,833
(Benefits paid)	(15,822,374)	(9,012,846)
Liability (gain)/loss	(7,486,228)	(10,465,134)
Present value of obligation at end of period	295,030,587	282,349,423
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of period	245,581,353	234,192,909
Expected return on plan assets	24,511,218	24,868,147
Employer contributions	11,420,868	10,822,342
Employee contributions	3,705,180	3,529,024
Actuarial reserves transferred in	-	213,342
(Benefits paid + other outgo)	(16,064,391)	(9,271,529)
Asset gain/(loss)	(4,151,515)	(18,772,882)
Fair value of plan assets at end of period	265,002,713	245,581,353

Distribution of plan assets at end of period

<i>Percentage of assets at end of year</i>	Year ending 31 December 2012	Year ending 31 December 2011
<i>Government securities and cash</i>	58.8%	50.60%
<i>Loans</i>	6.6%	7.80%
<i>Local equities</i>	21.0%	23.20%
<i>Overseas bonds and equities</i>	12.8%	17.50%
<i>Property</i>	0.8%	0.90%
Total	100%	100%

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

Additional disclosure on assets issued or used by the reporting entity

Percentage of assets at end of year	2012 (%)	2011 (%)
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0

History of obligations, assets and experience adjustments

Year Currency	2012 (%)	2011 (%)
Fair value of plan assets	265,002,713	245,581,353
(Present value of defined benefit obligation)	(295,030,587)	(282,349,423)
Surplus/(deficit)	(30,027,874)	(36,768,070)
Asset experience gain/(loss) during the period		
Liability experience gain/(loss) during the period	(4,151,515)	(18,772,882)
	7,486,228	10,465,134
Year	2013	
Expected employer contributions	12,255,399	

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.

13. CAPITAL CONTRIBUTED BY GOVERNMENT

	2012 (%)	2011 (%)
Authorised:		
1 million ordinary shares of Rs 10 each	10,000,000	10,000,000
Issued and fully paid:		
40,000 shares of Rs 10 each	400,000	400,000

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

14. ACCUMULATED SURPLUS/(DEFICIT)

	Rs
As at July 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
Surplus for the year 2012	744,149,271
Balance as at 31 December 2012	953,044,685

The hedging loss of Rs 4.7 billion has been accounted in the income statement of financial year 2008-2009 resulting in a negative result of Rs 3.2 billion as at 30 June 2009. 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 was reduced to Rs 1.25/litre for Mogas and Rs 1.00/litre for Gas Oil on 30 March 2011 and has been removed in March 2013.

15. TURNOVER

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

	Metric Tons	2012 STC Rs	Metric Tons	2011 STC Rs
Petroleum Products	1,067,274	33,840,859,236	1,158,673	33,431,516,523
Cement	-	-	80,243	159,964,851
Rice	18,960	195,227,165	19,902	211,390,215
Flour	100,091	1,104,249,014	99,891	1,111,979,750
LPG	67,893	1,492,181,364	66,317	1,366,343,901
Sugar	432	13,908,790	748	23,963,650
Butter Beans & others	-	-		433,436
TOTAL REVENUE		36,646,425,569		36,305,592,326

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

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

- (a) Road Development Authority -Rs 733,951,417
 - (b) Subsidy for transportation and storage of petroleum products and LPG to Rodrigues -Rs 36,960,429
- (ii) During the year 2012 an amount of Rs 464,133,147 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 the year, an amount of Rs 464,133,147 has been collected under that item, leaving a balance of Rs 421 million as at 31 December 2012.

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

16. Exchange gains and losses

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	388,590,325	388,590,325	-
Accounts receivable	119,495,808	119,495,808	-
Repayment of foreign currency borrowings	369,084,262	369,084,262	-
Subtotal realised gain/(loss)	877,170,395	877,170,395	-
Bank accounts -unrealised gain/(Loss)	(367,292)	-	(367,292)
TOTAL EXCHANGE GAIN / (LOSS)	876,803,103	877,170,395	(367,292)

17. INVESTMENT & INTEREST INCOME

Description	2012 Rs	2011 Rs
Investment Income (Dividend Received)	82,769	67,308
Interest on bank balances and bank deposits, etc.	18,331,859	4,544,731
TOTAL	18,414,628	4,612,039

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

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 744,149,271 for year ended December 2012 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.

	RICE Rs	FLOUR Rs	PETROL Rs	SUGAR Rs	LPG Rs	Others	TOTAL Rs
REVENUE	195,227,165	1,123,971,621	34,689,514,733	13,908,790	1,518,938,222	22,887,439	37,564,447,970
COST OF SALES	270,587,703	1,378,096,919	32,747,998,920	12,579,905	2,235,515,016	-	36,644,778,463
GROSS SURPLUS/ (DEFICIT)	(75,360,537)	(254,125,298)	1,941,515,813	1,328,885	(716,576,794)	22,887,439	919,669,508
OTHER EXPENSES	17,527,471	84,869,585	70,706,206	1,072,000	873,000	-	175,048,262
LOSS IN ASSOCIATE	-	-	-	-	-	(471,975)	(471,975)
PROFIT /(LOSS) FOR THE YEAR	(92,888,008)	(338,994,883)	1,870,809,607	256,885	(717,449,794)	22,415,464	744,149,271

19. INTEREST EXPENSE

	2012 Rs	2011 Rs
Interest on lines of credit	3,885,674	7,182,604
Interest on overdraft	98,268	1,054,167
Total Interest payable	3,983,942	8,236,771

→ Financial Statements

Notes to Financial Statement for the year ended 31 December 2012

20. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the year 2012, the Corporation sold Petroleum products (Fuel Oil) to the Central Electricity Board (CEB) which is equally owned by the Government of Mauritius.

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

Sales of goods to CEB:

	Year ended December 2012	Year ended December 2011
	4,207,154,580	4,482,257,770

- a. Sales of goods to CEB were made at market related prices.
- b. Outstanding balance as at 31 December 2012 – Rs 262 million (Dec 2011: Rs 985 m)

Compensation of key management personnel

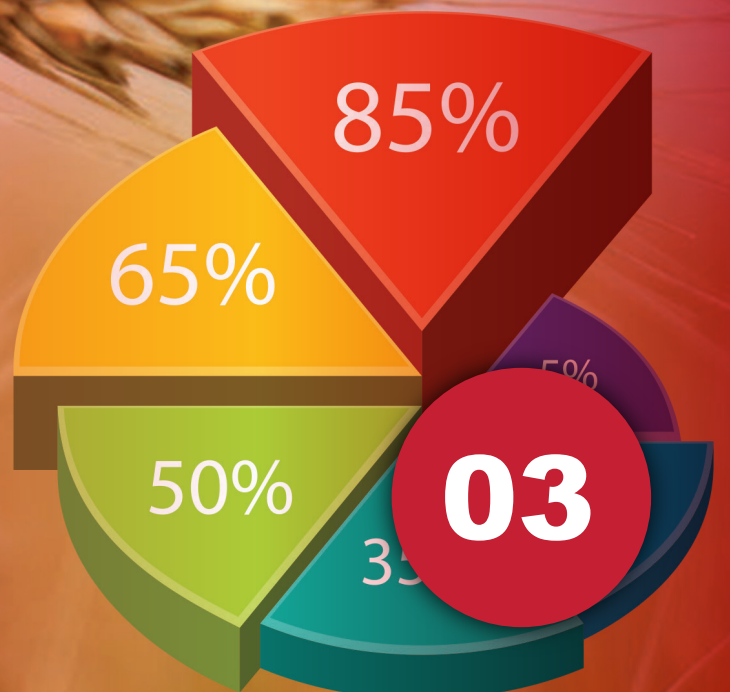
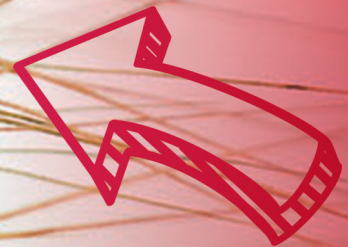
The remuneration of Board Members and other members of key management during the year were as follows:

	Year ended December 2012	Year ended December 2011
Short-term benefits	9,288,914	8,651,025
Post-employment benefits	7,961,546	7,218,494
Fees to Board Members	741,200	725,400

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. CONTINGENCIES

At the reporting date, there were four cases pending at court awaiting hearing.



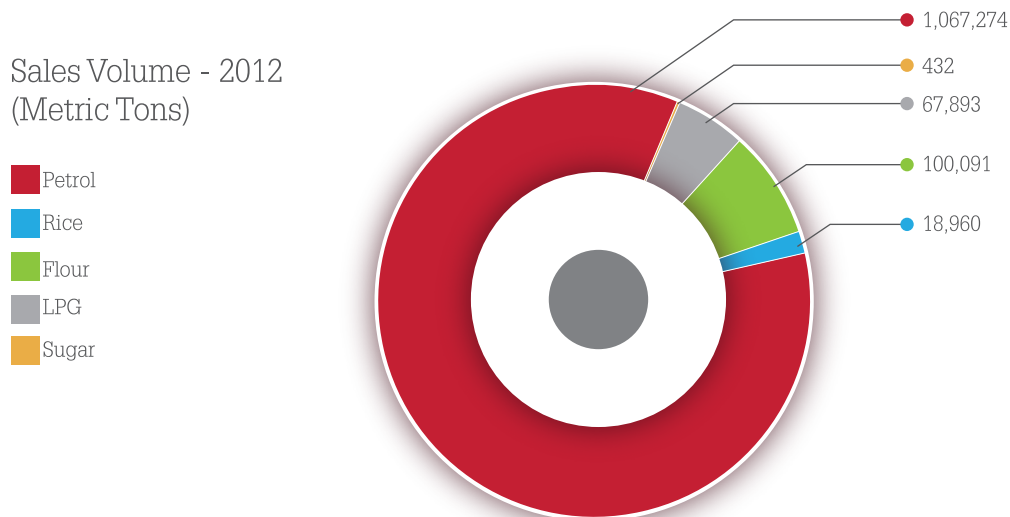
→ Trade Statistics

Sales volume and Turnover

The Turnover of State Trading Corporation (STC) which was about Rs 600 million in 1983-1984 when it was created has reached nearly Rs 37 billion in 2012. During its first years of operation STC took over the activities of the Department of Supplies and dealt only in importation of rice and flour. In 1985, STC started importing petroleum products and subsequently cement and in 1983 took over the country's importation of LPG.

In July 2011 following the liberalization of the imports of Cement, STC stopped its importation. However, as the trading arm of Government, the Corporation may be called to intervene to stabilize the market if the need arises.

The sales volume of 1.2 million metric tons for 2012 consists mainly of petroleum products as shown below:



The Corporation's Turnover for 2012 reached nearly Rs 37 billion.



→ Trade Statistics

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 (Mauritius) 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).

Gas Oil

The total annual importation of Gas Oil is 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 Petroleum Pricing Committee (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 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 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.

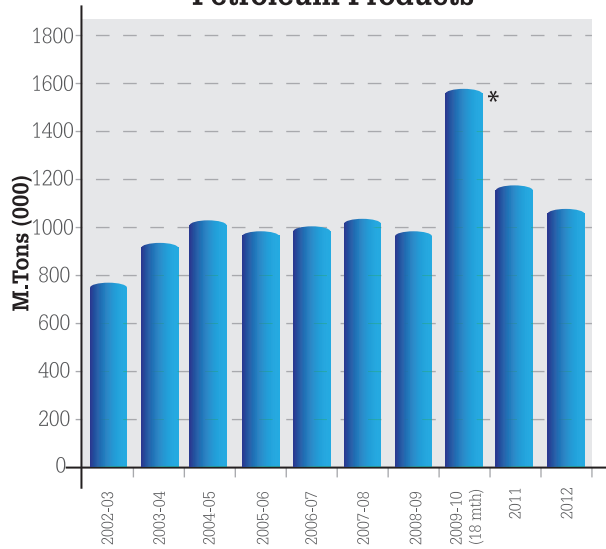
About 20% of tons Metric Tons Catalytic Cracked Fuel Oil 180 CST CC is sold on the local market for industrial purposes and the remaining 80% is sold for bunkering of vessels. The selling price of Fuel Oil for both inland and international trade is fixed by STC for each consignment on a cost plus basis.

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.

→ Trade Statistics

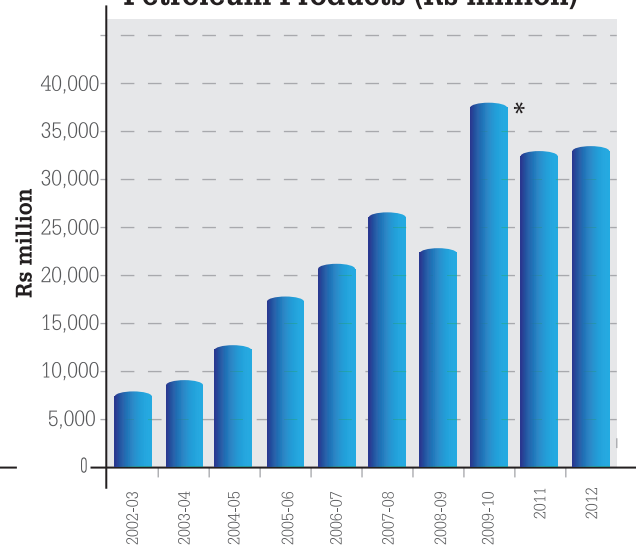
In the event, there are higher demands in products, which are seasonal, Betamax Ltd charters smaller tankers to transport the extra requirements. STC closely monitors stocks to address fluctuations in demand and avoid any shortage in the supply. Storage capacities being very limited, this exercise is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

**Imports 2002-2012
Petroleum Products**



* 18-month year **Financial Year**

**Turnover 2002-2012
Petroleum Products (Rs million)**

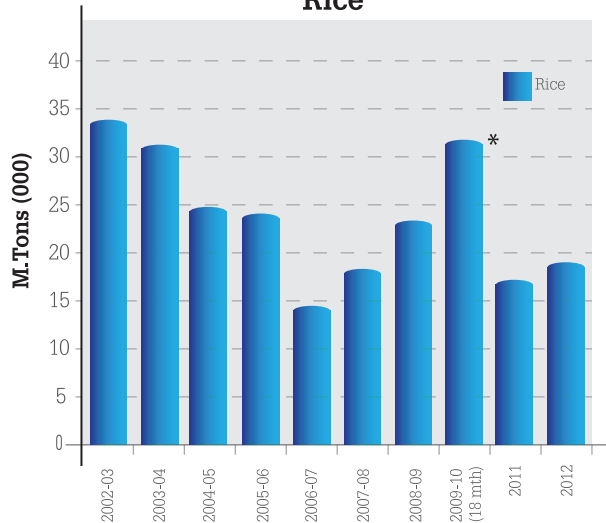


* 18-month year **Financial Year**

Ration Rice

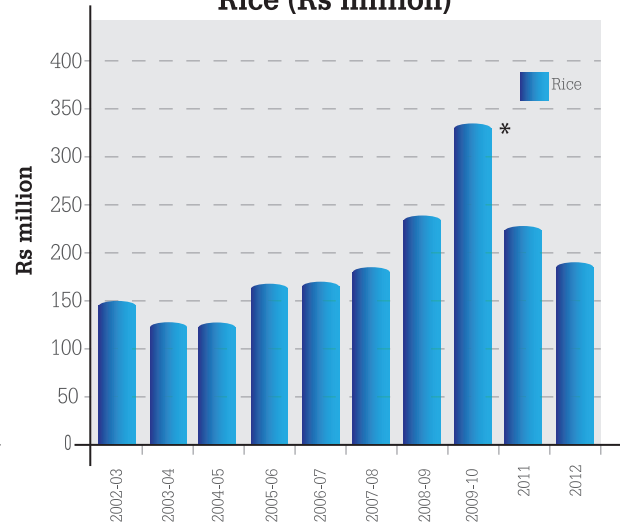
The sale of Ration rice was 18,960 tons (including 4,100 M.T for Rodrigues) in the year 2012. As the selling price of Ration Rice imported by STC is fixed by Government at a lower price than the cost price, STC incurred a shortfall of Rs 95 million in 2012. The retail price of ration rice has last been fixed in July 2006 at Rs 5.40 per half kg.

**Purchases 2002-2012
Rice**



* 18-month year **Financial Year**

**Turnover 2002-2012
Rice (Rs million)**



Financial Year

→ Trade Statistics

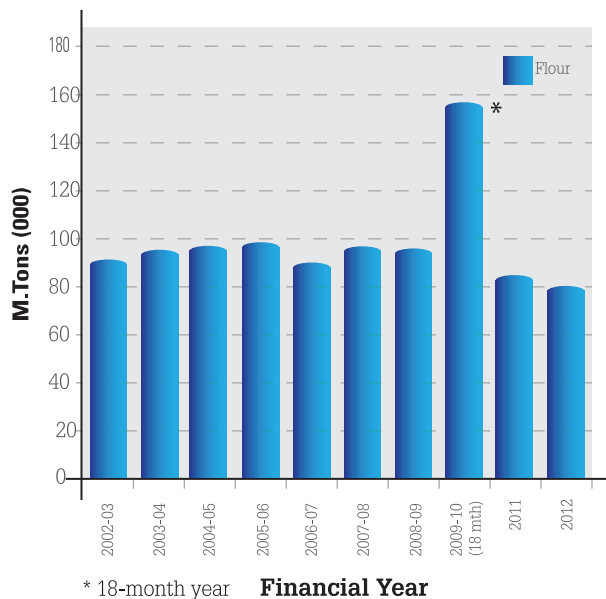
Flour

The sale of flour amounted to 100,091 metric tons (including 1,880 M.T for Rodrigues) during 2012. The contract for the procurement of flour for the year was allocated to LMLC. The retail price of flour is also controlled by Government and has been fixed at Rs 5.85 per half kg since 22 December 2008. During 2012 STC incurred a shortfall of Rs 308 million on Flour.

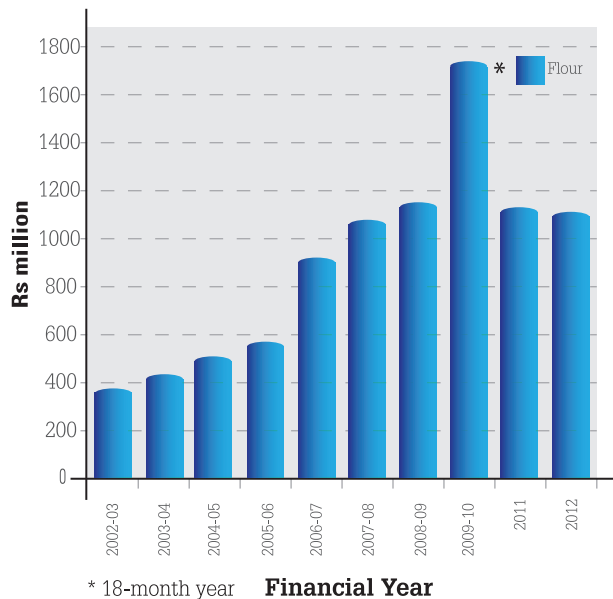
In order to ensure good quality of flour is delivered to consumers, STC regularly tests the flour at Mauritius Standard Bureau (MSB). Baking tests are also carried out in bakeries wherever required.

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.

**Imports / Purchases 2002-2012
Flour**



**Turnover 2002-2012
Flour (Rs million)**



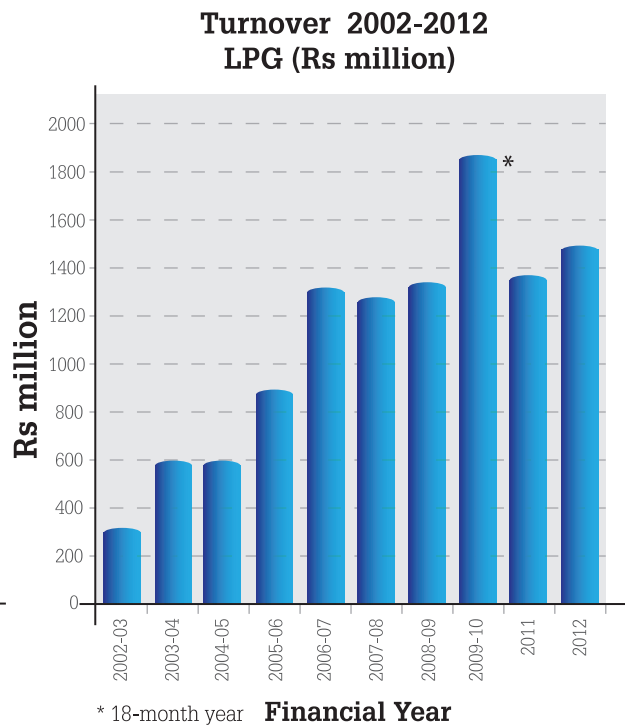
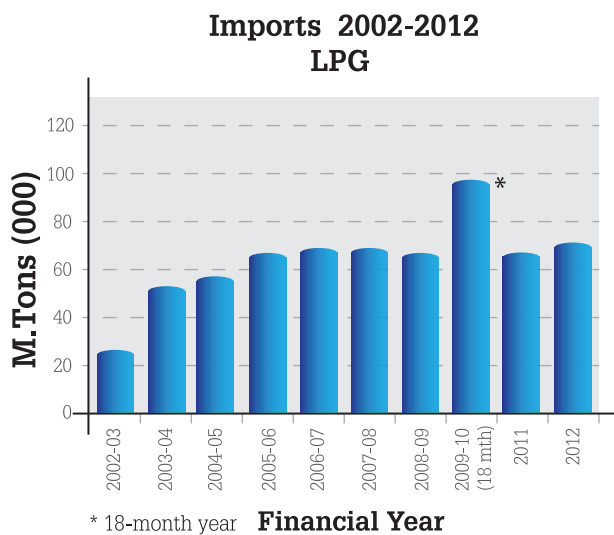
→ Trade Statistics

Liquefied Petroleum Gas (LPG)

STC engaged in the importation of 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. The retail price of cylinders of 5 kg, 6 kg and 12 kg destined for domestic market is fixed by Government. The sale of LPG for 2012 amounts to 67,893 metric tons on which a shortfall of Rs 717 million has been incurred.

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 private companies. Storage capacities are also limited with regard to demand of the country. However, STC closely monitors stocks to avoid any stock out situation.



→ 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 harbor. 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

→ Banking Services

Bank of Mauritius

Sir William Newton Street
Port Louis

SBI (Mauritius) Ltd

SBI Tower
Mindspace Building
Ebène

Barclays Bank PLC

Barclays House
68-68A Cybercity
Ebene

State Bank of Mauritius Ltd

Level 14, State Bank Tower
Port Louis

Mauritius Commercial Bank Ltd

11 Floor MCB Centre
Sir William Newton Street
Port Louis

→ 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 Warehouse**
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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