



STATE TRADING CORPORATION

2013 Annual Report

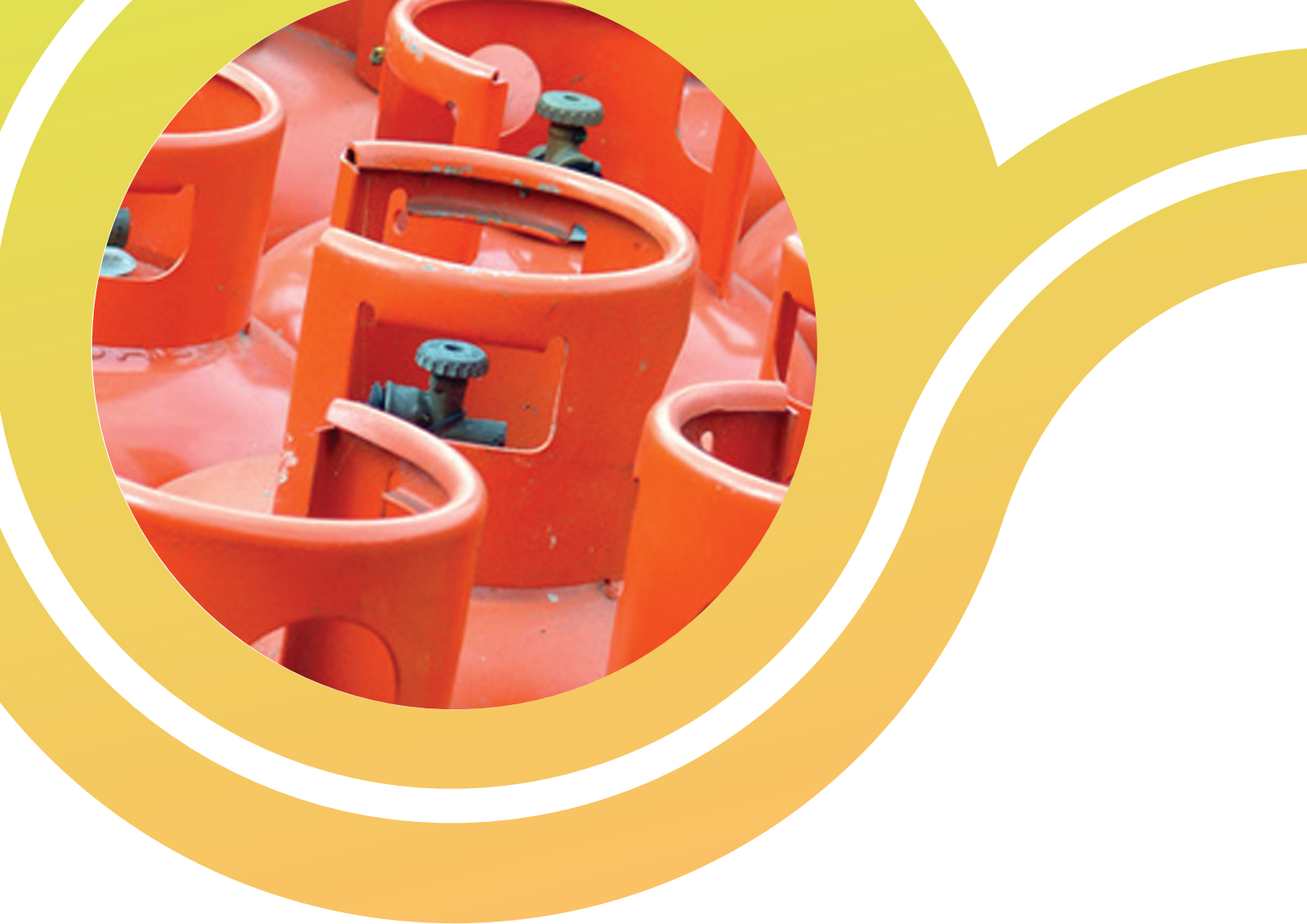


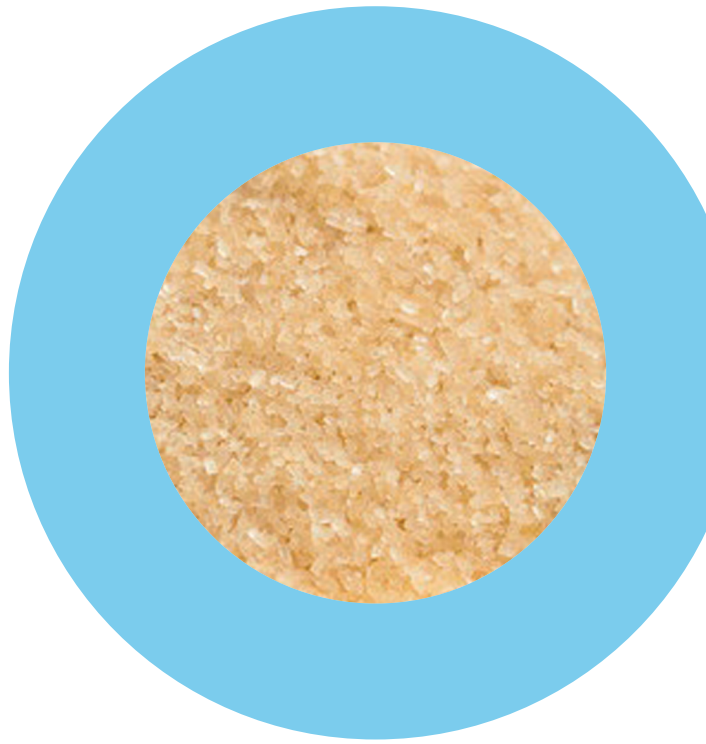




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STC at a Glance

CORPORATE VISION

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

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.

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 have the immense pleasure to submit the Annual Report of the State Trading Corporation (STC) for the year 2013.

During the second year of my chairmanship, STC has been at the forefront of some major strategic decisions, consolidating it as the trading arm of Government, namely:

- i) Facilitating the construction of storage tanks for petroleum products at Mer Rouge by oil companies;
- ii) Construction of a new warehouse for storage of flour and rice away from the Quay area to counter the risks of cyclonic weather and flooding;
- iii) Continued negotiations to bring a more competitive edge to the Contract for procurement of petroleum products;
- iv) Liberalization of bunker fuels to attract more vessels and shipping lines in our region;
- v) Investing in new lines of business – importation, distribution and sale of Basmati rice.

The financial results continued to show a positive influx in 2013, in spite of the world economic uncertainty, which proved once again the sound execution of operations by Management and implementation of strategic decisions by the Board.

STC had at 31 December 2013 a reserve worth Rs 1,3 billion which well shows the healthy disposition of the Corporation.

Respect of Corporate Governance values and discipline in day-to-day management have been evidenced by the emergence of quality deliveries with regard to importation and supply of basic commodities without break. Quality additions to staff strengthened even more the resolve of the Board to provide Management with the necessary tools and strategic direction to face the daily challenges of the business.

STC is prepared to face the new challenges of the energy sector in Mauritius. The Corporation will meet its obligation towards Government and its stakeholders when the first phase of the ambitious Petroleum Hub project will see the light in the near future.

All these would not have been possible without the unfailing dedication of the Senior Management team and the staff. I also place on record the invaluable support of the Board members to me throughout the year.



Eric Ng Ping Cheun
Chairman

Report from CEO

For another year, the State Trading Corporation (STC) has demonstrated its ability to achieve a constructive end result against all odds. It is to be noted that the cash position of the Corporation has significantly improved during the year to reach an amount of Rs1.6 billion at end of the year (i.e a 160.6% increase over 2012).

We achieved a net surplus of Rs 338.4 million this year and the total revenue attained its highest level ever at Rs 39 billion. In its first year of operation in 1983-84, turnover was Rs 600 million. The Corporation does not hold any long term loan in its accounts. This has contributed to a reduction in the gearing ratio showing that it is financially sound and capable to support itself.

On 2 March 2013, the hedging charge of Rs 1.25 and Re 1.00 per litre applying to the price structure of Mogas and Gas Oil, respectively, have been reduced to zero. It is to be noted that an amount of Rs 362.5 million still outstanding in the books of the Corporation at that date shall not be recovered. The item "Hedging" was removed in the price structure of Mogas and Gas Oil in January 2014 and the charges no longer apply since then resulting in the drop of revenue .

Since all buying prices rose against fixed selling prices, profit for the year declined. However, cash flow position shows that the Corporation's financial health has improved considerably during the year.

The Petroleum Pricing System (PPS) was introduced in January 2011 and one of its main objectives was to stabilise the retail prices of Mogas and Gas Oil on the local market. Uncertainties in the global oil market have led to sharp daily fluctuations in fuel prices. On the local front however, the retail prices of Mogas and Gasoil remained stable over long periods of time under the PPS. The avoidance of intermittent price shocks has contributed in containing artificial inflation, thus allowing longer term planning of economic activities including household budget. The last revision in the retail prices of Mogas and Gas Oil were made on 2 March 2013 and since then the prices are maintained at same level.

The balances in the Price Stabilisation Accounts for both Mogas and Gas Oil are positive (Rs 790.2 million) as at 31 December 2013.

The prime objective of the PPS has been largely met in addition to its engagement in the socio-economic development of the country.



The quest for improved productivity at all levels within the organisation has been a priority for Management during the past years. It is in this context that an Enterprise Resource Planning (ERP) system has been implemented to improve work flow between and within departments. The longer term objective of the ERP will be to improve internal communication and minimize the propensity to operate in silos.

The domestic market being fully dependent on rice importation, the persisting volatility and rising international prices of Basmati Rice tend to have a direct impact on our local rice market. Reported facts on the local basmati market in the last few years revealed that prices of Basmati Rice have been steadily rising and no consistency was noted in the quality of the rice under specific brands.

STC was mandated to intervene on the market to stabilise the price of Basmati Rice and provide reliable quality and price references. Two types of Basmati Rice among the most in demand have been introduced as from January 2014, a standard Basmati and Extra Long Basmati under the STC brand.

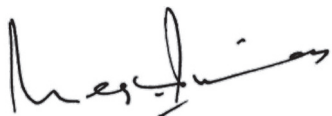
Following protracted negotiations with Mangalore Refinery and Petrochemicals Limited (MRPL), a contract for the supply of our requirements in petroleum products has been renewed for a further period of 3 years starting from 1 August 2013 to 31 July 2016, with various changes in terms and conditions.

The risks and the substantial amounts of financial resources involved in our operations have made the Corporation one with the highest turnover in the country. It reflects the magnitude of its mission in respect of national food and energy security.

In order to ensure the smooth running of the Corporation, a good Corporate Governance Framework has been adopted and adhered to.

The year 2013 was a major one for STC where the financial performance of the Corporation has been exceptional and its employees were among the key elements that contributed to this achievement. The latter have demonstrated great resilience in coping with the dynamic state of the wide range of our mission and delivered a high performance level to the expectation of Management.

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

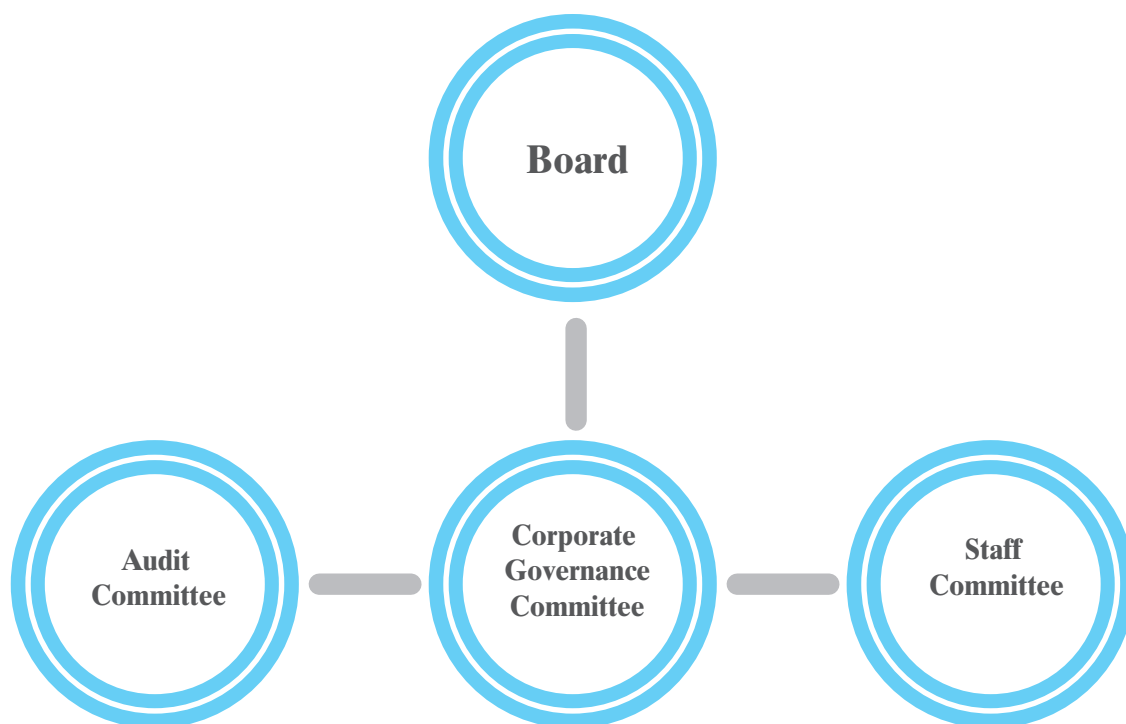
An integrated approach to Governance has been adopted that balances economic and social goals and between individual and communal goals. The governance framework is to promote efficient use of resources but equally providing greater accountability for the stewardship of those resources.

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

Reporting Structure

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

To enable the Board to give closer attention to important issues facing the Corporation, 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.

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 2013**, the members of the Audit Committee were:-

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

The Committee met 3 times during the year 2013 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. There was no meeting of this Committee during the year.

For the year 2013, the members of the Corporate Governance Committee were:

1. Mr. Eric Ng Ping Cheun (Chairman)
2. Ms. A. Burrenchobay
Mr. F. Chuttan (as from February 2013)
3. Mr. 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, Mr. Fareed Chuttan was appointed as Chairman of the Staff Committee in February 2013:-

1. Mr. F. Chuttan
2. Mr. A.K.F. Lan Hing Choy
3. Mr. A.F. Poinosawmy
4. Dr. S.M.H. Naujeer

During the year **January to December 2013**, the Staff Committee met only once.

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 to:

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

During the year 2013 the Board has met 15 times. Board was chaired by Mr. Eric Ng Ping Cheun.

Major decisions were taken on:

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

Board Meeting and Sub-Committees

The members of the Board and Sub-Committees for the year ended 31 December 2013 were as follows:

Name	Board	Audit Committees	Corporate Governance Committee	Staff Committee
Mr. Eric Ng Ping Cheun	●		●	
Mr. F. Chuttan	●		●	●
Mr. I. Bonomaully	●	●		
Mrs. T. A. Mudhoo	●	●		
Mr. D. Gopaul	●		●	
Mr. C. Rogbeer	●	●		
Mr. A.K.F. Lan Hing Choy	●			●
Mr. A.F. Poinoosawmy	●	●		●
Dr. S.M.H. Naujeer	●		●	●

Remuneration of Members

During the financial year a total amount of Rs 972,592 has been paid as Directors fees.

Risk Management

An Enterprise Risk Management Framework is in place to manage risks in the Corporation.

Attendance

Attendance of members of the Board and Sub-Committees for the year ending 31 December 2013 was as follows:

Name	Board	Audit Committees	Staff Committee
Total Number of Meetings	15	3	1
Chairperson Mr. Eric Ng Ping Cheun	15		
Representative of the Ministry of Industry, Commerce and Consumer Protection Mr. F. Chuttan (as from February 2013) Ms. A. Burrenchobay	14 1		1
Ministry of Finance & Economic Development Mr. I. Bonomaully	10	Nil	
Ministry of Agro-Industry & Food Security Mrs. T. A. Mudhoo	8	3	
Ministry of Energy & Public Utilities Mr. D. Gopaul	14		
Mauritius Ports Authority Mr. C. Rogbeer	13	3	
Members appointed by the Minister Mr. A.K.F. Lan Hing Choy Dr. S.M.H. Naujeer Mr. A.F. Poinosawmy	4 5 13		1 Nil 1

Director's Profile



● **Mr. Eric Ng Ping Cheun**
Chairperson

Mr. Eric Ng Ping Cheun, Economist.

Mr. Eric Ng Ping Cheun was appointed on the Board of STC on 27 April 2012.

He is the Managing Director of Pluriconseil, a consultancy firm offering a wide range of customized services.

He has 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 Advisor at the Ministry of Finance in the year 2000.



● **Mrs. Tej Asha Mudhoo**, 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.



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

Mr. I. Bonomaully was appointed on the Board of STC since April 2010 as representative of the Ministry of Finance and Economic Development.

He started his career as Inspector of Taxes (then Income Tax Dept); Joined Management Audit Bureau as Accountant in 1992; conducted a number of management reviews and other consultancy exercises on Ministries/Government Departments and Parastatal Bodies.

Subsequently he joined MoFED as Lead Analyst in 2007, responsible for the portfolio of Increasing Competitiveness, which includes Industry and Business as well as schemes and programs under the National Resilience Fund;

He has also been a member on the following Boards:

- Development Bank of Mauritius Ltd (2012)
- NRF Equity Investment Ltd (2012)
- SME Partnership Fund (2012)
- National Productivity and Competitiveness Council (2013)



- **Mr. Chandradutt Rogbeer**, ACA, ACMA, CILT
Corporate Auditor, Mauritius Ports Authority

Mr. C. Rogbeer was appointed on the Board of STC as representative of Mauritius Ports Authority since September 2008.

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

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

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



● **Mr. Kang Foong LAN Hing Choy**
Independent Member

Mr. Kang Foong LAN Hing Choy was appointed on the Board of STC as an Independent Member since 30 August 2006 and as a member of the Staff Committee.

He is currently the Senior Advisor at the Prime Minister's Office.

During his 35 years spent in United Kingdom he created and worked in his own business in the following fields: Insurance Company for nine years, and Care Home for Physically & Mentally Handicapped persons for more than ten years. He had also invested in immovable property for over 20 years in UK, Mauritius and in a Trading House in Madagascar.



● **Mr. Fareed Chuttan**
Permanent Secretary, Ministry of Industry, Commerce & Consumer Protection

Mr. F. Chuttan was appointed on the Board of STC in February 2013 as representative of the Ministry of Industry, Commerce & Consumer Protection.

● **Mr. Devendre Gopaul**, DMS, BSc (Applied Stats.), LLB, MSc (Applied Eco), LLM (Public Int. Law)
Deputy Permanent Secretary, Ministry of Energy & Public Utilities.

Mr. D. Gopaul was appointed on the Board of STC since May 2012 as representative of the Ministry of Energy & Public Utilities.

He has served 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.

● **Mr. Arnaud Francesco Poinosawmy**
Independent Member

Mr. A.F. Poinosawmy was appointed on the Board of STC as Independent Member since May 2012.

He is involved in sales & marketing activities including strategic marketing planning and business development. He also develops and maintains strong relationships with key players and decision makers to achieve company's objectives. Besides he is also acting as 'Trainee Auctioneer'.

He is the director of "**Furaha Services Ltd**". The company is engaged in buying and selling of second hand goods. He manages all areas of the Business to ensure adherence to the Company's expected performance.

Mr. A.F. Poinosawmy is in partnership in a car hire business.

He occupied the role of Assistant Marketing Executive at **Editions De L'ocean Indien**. During his 5 years mandate there, he coordinated activities to optimise sales and profitability objectives. He generated regular reports to monitor sales and market trends. He also worked on international and local tenders and organised different book sales exhibition.

● **Dr. Mohammad Swale Hoossen Naujeer**
Independent Member

Dr. M.S.H. Naujeer was appointed on the Board of STC as Independent Member since May 2012.

He 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



● **Mr. 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 achievements in the respective sectors. He has also served as Director (Corporate Affairs) of the Financial Services Commission of Mauritius.



● **Mr. H. Hoolash**, FCCA, MBA
Risk and Treasury Manager

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



● **Mr. 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.



● **Mr. 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.



● **Balram Asyrigadoo,**
Acting as Officer-In-Charge of Commercial Division

Mr. Balram 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. He 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.



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

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



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

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



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

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



● **Georges Clency Pompon**
Chief Supplies & Sales Officer

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. In 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.



● **Mr. R. Gungoo**

Human Resource Manager, BA (Hons), MBA

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

- (i) Diploma in Social sciences;
- (ii) Diploma in Human Resource Management;
- (iii) Diploma in Journalism;
- (iv) Diploma in Public Relations; and
- (v) Post-graduate Diploma in Quality 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 MQA trainer in the field of Management and has participated in several seminars, workshops and conferences on a number of themes both locally and abroad.

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



● **A.P 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.



● **Mr. 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.



● **Mr. 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 as Assistant Financial Manager in April 2009.



● **Mr. Pratap Dave Udhin, Diploma in Transport**
Business Development Officer

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

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

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

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

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

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 financial performance and a statement of financial position 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 Bonomally
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 2013, 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 present fairly, in all material respects, the financial position of the State Trading Corporation as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Opinion on Compliance

Statutory Bodies (Accounts and Audit) Act

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

Public Procurement Act

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

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

The Financial Reporting Act

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

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

K. C. Tse Yuet Cheong (Mrs)
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
Port Louis

16 September 2014

Financial Statements



STATE TRADING CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	2013 Rs	2012 Rs
ASSETS			
Current Assets			
Cash and Cash Equivalent	5	1,571,570,333	603,007,586
Receivables	6	7,299,098,599	4,387,766,090
Inventories	7	71,621,758	39,010,392
TOTAL CURRENT ASSETS		8,942,290,690	5,029,784,068
Non Current Assets			
Investment in Associate	8	1,200,925	1,576,374
Other Investment	8	1,125,760	1,125,760
Property, Plant and Equipment	9	15,881,762	20,037,577
Intangible Assets	9	10,311,893	12,261,496
Freehold Land and Building	9	19,695,435	19,962,041
Pension Asset	12	14,257,184	9,766,077
TOTAL NON CURRENT ASSETS		62,472,959	64,729,325
TOTAL ASSETS		9,004,763,649	5,094,513,393
LIABILITIES			
Current liabilities			
Payables	10	5,381,390,921	2,599,298,974
Short Term Borrowings	11	2,272,898,754	1,491,902,301
TOTAL CURRENT LIABILITIES		7,654,289,675	4,091,201,275
NON-CURRENT LIABILITIES			
Employee Benefit Obligations	12	58,621,797	49,867,433
TOTAL LIABILITIES		7,712,911,472	4,141,068,708
NET ASSETS		1,291,852,177	953,444,685
NET ASSETS/EQUITY			
Capital Contributed by Government	13	400,000	400,000
Accumulated Surplus	14	1,291,452,177	953,044,685
TOTAL NET ASSETS/EQUITY		1,291,852,177	953,444,685
No of Shares		40,000	40,000
Net Value of Asset per Share		32,296	23,836

Notes 1 to 22 form an integral part of these financial statements.



Eric Ng Ping Cheun
Chairman



I Bonomaully
Board Member

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended December 2013 Rs	Year ended December 2012 Rs
REVENUE			
Turnover	15	38,278,525,307	36,646,425,569
Revenue from Exchange Transactions	16	587,200,056	876,803,103
Investment Income	17	103,184	82,769
Interest Receivable	17	34,527,147	18,331,859
Other Revenue		23,742,280	22,804,670
TOTAL REVENUE		38,924,097,974	37,564,447,970
EXPENSES			
Cost of Sales	18	38,385,444,921	36,644,778,463
Wages, Salaries & Employee Benefits		139,533,833	113,322,927
Supplies and Consumables		10,671,056	8,235,755
Utilities		4,828,518	5,175,247
Rent		16,821,345	16,641,046
Repairs and Maintenance		6,554,404	5,958,038
Other Expenses		5,940,553	13,103,539
Depreciation/Amortisation	9	7,616,448	8,627,767
Interest payable	19	7,903,955	3,983,942
Total Expenses		38,585,315,033	36,819,826,724
Operating Surplus		338,782,941	744,621,246
Share of loss in Associate	8A	(375,449)	(471,975)
Surplus for the year	18	338,407,492	744,149,271

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital Rs	Retained Earnings Rs	Equity Rs
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
Surplus for the year 2013	-	338,407,492	338,407,492
Balance as at 31 December 2013	400,000	1,291,452,177	1,291,852,177

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013 Rs	31 December 2012 Rs
Cash flows from Operating Activities		
Profit for the year	338,407,492	744,149,271
Share of Loss in Associate	375,449	471,975
Investment revenue recognised in Income Statement	(103,184)	(82,769)
Gain on sale or disposal of property, plant and equipment	(433,026)	(76,551)
Depreciation / amortisation of non current assets	7,616,448	8,627,767
Effects of Exchange Rate changes on the balance of Cash /Lines of Credit held in foreign currencies	(518,696,950)	(368,716,970)
Interest Receivable	(34,527,147)	(18,331,859)
Interest Payable	7,903,955	3,983,942
	(199,456,963)	370,024,806
Movements in Working Capital		
(Increase)/Decrease in trade and other receivables	(2,911,474,111)	1,567,157,378
(Increase)/Decrease in inventories	(32,611,366)	59,557,882
Increase/(Decrease) in trade and other payables	2,790,803,521	(3,435,321,919)
Cash generated from operating activities	(352,738,919)	(1,438,581,853)
Interest Paid	(7,903,955)	(3,983,942)
Net Cash generated from operating activities	(360,642,874)	(1,442,565,795)
Cash flow from investing activities		
Interest received	30,220,434	17,914,168
Dividends received	103,184	82,769
Payments Non Current Assets	(1,786,183)	(20,207,486)
Proceeds from disposal of Non Current Assets	974,783	165,899
Net cash (used in)/generated by investing activities	29,512,218	(2,044,650)
Cash flow from financing activities		
Proceeds from borrowings	24,029,290,408	12,783,667,760
Repayment of borrowings	(22,732,952,484)	(10,922,681,198)
Net cash generated from financing activities	1,296,337,924	1,860,986,562
Net (decrease)/increase in cash and cash equivalents	965,207,268	416,376,117
Cash and cash equivalents at the beginning of the year	603,007,586	186,998,762
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	3,355,479	(367,293)
Cash and Cash equivalents at the end of the Financial Year	1,571,570,333	603,007,586

Note 5

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:

	2013 Rs	2012 Rs
Cash in hand and balances with banks	1,021,570,333	603,007,586
Short Term Deposit	550,000,000	-
Total	1,571,570,333	603,007,586

The Corporation has borrowing facilities of USD75million, out of which there was a balance of USD 74.3 million as at 31 December 2013 and nil is to be used on infrastructure projects.

(b) Property Plant and Equipment/ Intangible Assets

During the year, the Corporation acquired property, plant and equipment and Intangible Assets with an aggregate cost of Rs 1,786,183 of which NIL was acquired by means of capital grants by the Government.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

Particulars	Original Budget	Revised Budget	Actual 2013	Difference	
	2013 (Note i)	2013 (Note ii)		(Note iii)	
	Rs 000	Rs 000	Rs 000	Rs 000	
REVENUE					
Turnover	46,624,912	41,669,593	38,278,525	(3,391,068)	*
Revenue from Exchange Transactions	-	346,144	587,200	241,056	see Note (16)
Investment Income	-	-	103	103	
Interest receivable	25,000	18,000	34,527	16,527	
Other Revenue	-	20,803	23,742	2,939	
Total Revenue	46,649,912	42,054,540	38,924,097	(3,130,443)	*
EXPENSES					
Cost of Sales	45,989,650	41,642,464	38,385,445	3,257,019	
Wages, Salaries and Employee Benefits	160,967	148,617	139,534	9,083	* Lower expenditure mainly due to posts not filled
Supplies and Consumables	17,905	12,588	10,671	1,917	
Utilities	5,673	4,551	4,829	(278)	
Rent	17,748	17,383	16,821	562	
Repairs and Maintenance	11,120	7,518	6,554	964	
Other Expenses	11,729	24,555	5,941	18,614	
Depreciation	10,935	8,862	7,616	1,246	
Interest Payable	21,823	10,086	7,903	2,183	
Total Expenses	46,247,550	41,876,624	38,585,314	3,291,310	
Operating Surplus	402,362	177,916	338,783	160,867	

Note (i) - represents the original approved budget of the Corporation for 2013.

Note (ii) - represents the revised approved budget for 2013.

Note (iii) - represents the difference between revised budget 2013 and actual revenue and expenses on a comparable basis.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

- 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 2013 approved by the Board in September 2012 as per statutory requirement, was based on information available at that time. Thereafter, in September 2013, the document was revised based on actual data available and updated figures and events such as exchange rate fluctuation, quantity, new contract purchase prices for Rice, Flour, LPG, petroleum products and also revision in selling prices.

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.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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).

The Corporation has adopted relevant new and revised IPSAS that are relevant to its operations for the year 2013, namely:

- IPSAS 1- Presentation of Financial Statements.
- IPSAS 2- Cash Flow Statements.
- IPSAS 3- Net Surplus or deficit for the period, Fundamental Errors and Changes in Accounting Policies.
- IPSAS 4- The Effects of Changes in Foreign Exchange Rates.
- IPSAS 7- Accounting for Investments in Associates.
- IPSAS 9- Revenue from Exchange Transactions.
- 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 Financial Statements and Accounting for Controlled Entities.
- IPSAS 8- Financial reporting of Interest in Joint Ventures.
- IPSAS 10- Financial Reporting in Hyperinflationary Economies.
- IPSAS 11- Construction Contracts.
- IPSAS 16- Investment Property.
- IPSAS 22- Disclosure of Financial Information about the General Government Sector.
- IPSAS 27- Agriculture.
- IPSAS 32- Service concession arrangements: Grantor

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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.

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

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

vii) Revenue Recognition

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

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- The organisation has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity.

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

viii) Leases

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

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 7,715,888
- (ii) Later than one year and not later than five years:- Rs 1,842,000
- (iii) Later than five years:- Rs 1,575,000

- (a) Total contingent rents recognized in the statement of financial performance in the period –Rs 16,821,345
- (b) 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 Cavel Street, Port Louis.
 - Two lease agreements for storage of Rice and Flour in the Port Area.
 - One lease agreement for a plot of land at Riche Terre.
 - 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. The minimum value of an individual item to be treated as a Non Current Asset has been set at Rs 25,000 with effect from January 2013.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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) Intangible assets

Computer software

Computer software are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of 5 years. Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

xii) 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.

xiii) 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.

xiv) 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.

xv) Trade Payables

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

xvi) Derivative Financial Instruments

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

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

xvii) Provisions

Provisions are recognised when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

xviii) 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.

xix) Tax

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

xx) 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.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

c) Interest rate risk

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

d) Commodity risk

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

e) Currency Risk

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

Currency exposure arising from commercial transactions is primarily managed through:

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

i) Determination of functional currency of the Corporation

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

ii) Determination of Price Stabilisation Account

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

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

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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

	2013 Rs	2012 Rs
Bank Balances	1,021,559,122	603,007,586
Cash in Hand	11,211	-
Short Term Deposit	550,000,000	-
Total	1,571,570,333	603,007,586

6. RECEIVABLES

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

	31 December 2013 Rs	31 December 2012 Rs
Trade Receivable	7,246,087,911	4,137,272,205
Price Stabilisation Account (see payables)	-	222,690,325
Other receivables	53,010,688	27,803,560
Total	7,299,098,599	4,387,766,090

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

7. INVENTORIES

	31 December 2013	31 December 2012
	Rs	Rs
COMMODITIES		
Ration Rice	28,439,969	20,412,302
Flour	42,593,980	16,889,984
Sugar	587,809	1,708,106
TOTAL	71,621,758	39,010,392

	31 December 2013		31 December 2012	
	COST	Net	COST	Net
	Rs	Realisable	Rs	Realisable
		Value (Rs)		Value (Rs)
COMMODITIES				
Ration Rice	37,715,637	28,439,969	30,321,899	20,412,302
Flour	55,551,634	42,593,980	21,486,029	16,889,984
Sugar (White)	354,059	376,250	1,253,948	1,479,590
Sugar (Raw)	237,714	233,750	454,158	534,520
TOTAL	93,859,044	71,643,949	53,516,034	39,316,396

The cost of inventories recognised as an expense includes Rs 22,237,286 in respect of adjustments of inventory of Rice, Flour and Sugar (Raw) to Net Realisable Value (NRV) during the reporting period. In line with Government policy, the retail price of Rice and Flour are fixed below cost.

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.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

8. INVESTMENTS

Name of Company	Country of incorporation	% Ownership	Consideration	2013 Rs	2012 Rs
STCM Ltd	Mauritius	100	Cash	100	100
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	1,200,925	1,576,374
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				2,326,585	2,702,134

- Note** (i) As at 31 December 2013 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 31 December 2013 STC holds 10 out of 75,000 shares in Afreximbank.
(iii) As at 31 December 2013 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.

8A. INVESTMENT IN ASSOCIATE

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	2013 Rs	2012 Rs
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	1,200,925	1,576,374
At Reporting date				1,200,925	1,576,374

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

For the purpose of applying the equity method of accounting, the financial statements of RTML for the year ended 31 December 2013 has been used.

Summarised financial information of the RTML is set out below:

	2013	2012
	Rs	Rs
Total Assets	5,943,460	8,091,654
Total Liabilities	412,386	4,694,915
Net Assets/Equity	5,531,074	3,396,739
Total revenue	20,055,471	20,521,765
Total expenses	21,687,305	21,701,703
Net loss	(1,631,834)	(1,179,938)
STC's share of net loss in associate	(652,734)	(471,975)
	Rs	Rs
Investment in Associate at 1 January	1,576,374	2,048,349
Investment during the reporting period	-	-
STC's share of net loss period	(652,734)	(471,975)
Prior year adjustment (2011& 2012)	<u>277,285</u>	(375,449)
Investment in associate at reporting date	1,200,925	1,576,374

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

8B. OTHER INVESTMENT

Name of Company	Country of incorporation	% Ownership	Consideration	2013 Rs	2012 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
STCM Ltd	Mauritius	100	Fair Value	100	100
At Reporting date				1,125,760	1,125,760

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.

Investment	% of Shares	2013 Rs	2012 Rs
Unquoted			
a) State Property Development Co Ltd (SPDC) Note (i)	less than 1	400,000	400,000
b) Africa Export-Import Bank (Afreximbank) Note (ii)	less than 1	725,660	725,660
c) Rodrigues Trade & Marketing Note (iii)	40	1,200,925	1,576,374
d) STCM Ltd Note (8B)	100	100	100
		2,326,685	2,702,134

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

9. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Motor Vehicles Rs	Office Equipment & Furniture Rs	Plant & Machinery Rs	Computer Equipments Rs	Total Property, Plants and Equipments
COST					
At 31 December 2012	9,304,929	10,997,836	39,465,723	11,236,742	71,005,230
Additions	-	181,710	-	377,699	559,409
Disposal	(1,264,800)	(126,480)	(193,380)	-	(1,584,660)
At 31 December 2013	8,040,129	11,053,066	39,272,343	11,614,441	69,979,979
DEPRECIATION					
At 31 December 2012	6,163,221	8,073,430	26,694,505	10,036,497	50,967,653
Charge for the year	1,266,688	519,752	1,878,202	508,826	4,173,468
Disposal	(822,120)	(27,404)	(193,380)	-	(1,042,904)
At 31 December 2013	6,607,789	8,565,778	28,379,327	10,545,323	54,098,217
CARRYING AMOUNT					
At 31 December 2012	3,141,708	2,924,406	12,771,218	1,200,245	20,037,577
At 31 December 2013	1,432,340	2,487,288	10,893,016	1,069,118	15,881,762

Note: Other Revenue in the Statement of Financial Performance (Page 2) includes an amount of Rs 433,029 as Gain on Disposal of PPE during the year.

9A. FREEHOLD LAND AND BUILDING

	Building Rs	Freehold Land Rs	Total Freehold Land and Building Rs
COST			
At 31 December 2012	13,330,260	11,107,720	24,437,980
Additions	-	-	-
Disposal	-	-	-
At 31 December 2013	13,330,260	11,107,720	24,437,980
DEPRECIATION			
At 31 December 2012	4,475,939	-	4,475,939
Charge for the year	266,606	-	266,606
Disposal	-	-	-
At 31 December 2013	4,742,544	-	4,742,544
CARRYING AMOUNT			
At 31 December 2012	8,854,321	11,107,720	19,962,041
At 31 December 2013	8,587,715	11,107,720	19,695,435

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

9B. INTANGIBLE ASSETS

Software	2013	2012
	Rs	Rs
COST		
At January 1,	18,262,742	3,051,024
Additions	1,226,774	15,211,718
Disposals	-	-
At December 31,	19,489,516	18,262,742
AMORTISATION		
At January 1,	6,001,246	2,931,690
Charge for the year	3,176,377	3,069,556
At December 31,	9,177,623	6,001,246
NET BOOK VALUES		
At December 31,	10,311,893	12,261,496

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 2013	Year ended 31 Dec 2012
	Rs	Rs
NON-CURRENT LIABILITIES		
Employee Benefit Obligations:		
Bank Sick Leave/Passage		
Benefits/Vacation Leave	58,621,797	49,867,433
CURRENT LIABILITIES		
Government of Mauritius	149,837,016	160,431,853
Mauritius Revenue Authority	714,182,309	404,215,382
Trade Payables	3,719,725,081	2,009,955,120
Price Stabilisation Account	790,164,341	-
		(see note 6- receivables)
Other Payables	7,482,174	24,696,619
TOTAL	5,381,390,921	2,599,298,974

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

11. BORROWINGS - LOANS AND LINES OF CREDIT

	Year ended 31 Dec 2013	Year ended 31 Dec 2012
BORROWINGS		
Short term Lines of Credit	2,272,898,754	1,491,902,301
TOTAL BORROWINGS	2,272,898,754	1,491,902,301

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 58.6 million is made for the estimated liability for bank sick leave passage benefits and vacation leaves. Administrative Expenditure for 2013 includes an amount of Rs 13.4 million in this respect.

(ii) Post Employment Benefits

The amount of Rs 139,533,833 in respect of Wages, Salaries and Employee Benefits includes Rs 13,952,512 contributed by STC in the pension plan managed by SICOM Ltd.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Actuarial report on the defined benefit pension plan for STC Employees For period ending 31 December 2013

	Year ending 31 December 2013 Rs	Year ending 31 December 2012 Rs
Amounts recognised in statement of financial position at end of year		
Present value of funded obligation	391,508,243	295,030,587
(Fair value of plan assets)	(294,324,536)	(265,002,713)
	97,183,707	30,027,874
Present value of unfunded obligation	0	0
Unrecognised actuarial gain/(loss)	(111,440,891)	(39,793,951)
Unrecognised transition amount	0	0
Liability recognised in Statement of Financial Position at end of year	(14,257,184)	(9,766,077)
Amounts recognised in Statement of Financial Performance:		
Current service cost	10,627,077	7,754,824
(Employee contributions)	(4,401,281)	(3,705,180)
Fund expenses	293,757	242,017
Interest cost	23,602,447	28,234,942
(Expected return on plan assets)	(21,303,776)	(24,511,218)
Actuarial loss/(gain) recognized	643,181	992,915
Past service cost recognised	0	0
Total included in staff costs	9,461,405	9,008,300
Movements in liability recognised in statement of financial position:		
At start of year	(9,766,077)	(7,353,509)
Total staff cost as above	9,461,405	9,008,300
Contributions paid by employer	(13,952,512)	(11,420,868)
At end of year	(14,257,184)	(9,766,077)
Actual return on plan assets:	26,726,846	20,359,703
Main actuarial assumptions at end of year:		
Discount rate	8.00%	10.00%
Expected rate of return on plan assets	8.00%	10.00%
Future salary increases	5.50%	7.00%
Future Pension increases	3.50%	5.00%

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.

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Figures for IPSAS 25 ADOPTION FOR : State Trading Corporation for year ended 31 December 2013

	Year ending 31 December 2013 Rs	Year ending 31 December 2012 Rs
Reconciliation of the present value of defined benefit obligation		
Present value of obligation at start of period	295,030,587	282,349,423
Current service cost	10,627,077	7,754,824
Interest cost	23,602,447	28,234,942
(Benefits paid)	(15,471,055)	(15,822,374)
Liability (gain)/loss	77,719,187	(7,486,228)
Present value of obligation at end of period	391,508,243	295,030,587

Reconciliation of fair value of plan assets

Fair value of plan assets at start of period	265,002,713	245,581,353
Expected return on plan assets	21,303,776	24,511,218
Employer contributions	13,952,512	11,420,868
Employee contributions	4,401,281	3,705,180
(Benefits paid + other outgo)	(15,764,812)	(16,064,391)
Asset gain/(loss)	5,429,066	(4,151,515)
Fair value of plan assets at end of period	294,324,536	265,002,713

Distribution of plan assets at end of period

Percentage of assets at end of year	Dec 2013	Dec 2012
Government securities and cash	59.1%	58.8%
Loans	4.9%	6.6%
Local equities	21.9%	21.0%
Overseas bonds and equities	13.4%	12.8%
Property	0.7%	0.8%
Total	100%	100%

Additional disclosure on assets issued or used by the reporting entity

Percentage of assets at end of year	2013	2012
	(%)	(%)
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

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

History of obligations, assets and experience adjustments

Year Currency	2013 Rs	2012 Rs
Fair value of plan assets	294,324,536	265,002,713
(Present value of defined benefit obligation)	(391,508,243)	(295,030,587)
Surplus/(deficit)	(97,183,707)	(30,027,874)
Asset experience gain/(loss) during the period	5,429,066	(4,151,515)
Liability experience gain/(loss) during the period	(77,719,187)	7,486,228
Year	2014	
Expected employer contributions	14,943,728	

13. CAPITAL CONTRIBUTED BY GOVERNMENT

	2013 Rs	2012 Rs
Authorised:		
1 million ordinary shares of Rs10 each	10,000,000	10,000,000
Issued and fully paid:		
40,000 shares of Rs10 each	400,000	400,000

14. ACCUMULATED SURPLUS/(DEFICIT)

	Rs
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
Surplus for the year 2013	338,407,492
Balance as at 31 December 2013	1,291,452,177

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

15. TURNOVER

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

	Metric Tons	2013 Rs	Metric Tons	2012 Rs
Petroleum Products	1,147,448	35,436,926,361	1,067,274	33,840,859,236
Rice	19,606	208,963,613	18,960	195,227,165
Flour	101,921	1,128,241,178	100,091	1,104,249,014
LPG	68,224	1,499,446,340	67,893	1,492,181,364
Sugar	178	4,947,815	432	13,908,790
TOTAL REVENUE		38,278,525,307		36,646,425,569

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

(a) Road Development Authority-Rs 753,591,246

(b) Subsidy for transportation and storage of petroleum products and LPG to Rodrigues -Rs 38,728,109

(ii) 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.

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	92,490,425	92,490,425	-
Accounts receivable	(23,987,319)	-	(23,987,319)
Repayment of foreign currency borrowings	515,341,471	515,341,471	-
Subtotal realised gain/(loss)	583,844,577	607,831,896	(23,987,319)
Bank accounts -unrealised gain/(Loss)	3,355,479	3,355,479	-
TOTAL EXCHANGE GAIN / (LOSS)	587,200,056	611,187,375	(23,987,319)

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

17. INVESTMENT & INTEREST INCOME

	2013 Rs	2012 Rs
Investment Income (Dividend Received)	103,184	82,769
Interest on bank balances and bank deposits, etc.	34,527,147	18,331,859
TOTAL	34,630,331	18,414,628

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 338,407,492 for year ended December 2013 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 Rs	Total Rs
Revenue	208,963,613	1,146,701,946	36,034,454,002	4,947,815	1,527,943,021	1,087,577	38,924,097,974
Cost of Sales	(284,765,603)	(1,665,554,017)	(34,263,459,066)	(4,596,161)	(2,167,070,074)	-	(38,385,444,921)
Gross Surplus/ (Deficit)	(75,801,990)	(518,852,071)	1,770,994,936	351,654	(639,127,053)	1,087,577	538,653,053
Other Expenses	(20,538,625)	(100,752,866)	(77,308,072)	(350,000)	(920,551)	-	(199,870,112)
Loss in Associate	-	-	-	-	-	(375,449)	(375,449)
Profit/ (Loss) for the year	(96,340,615)	(619,604,937)	1,693,686,864	1,654	(640,047,602)	712,128	338,407,492

19. INTEREST EXPENSE

	2013 Rs	2012 Rs
Interest on lines of credit	7,894,833	3,885,674
Interest on overdraft	9,122	98,268
Total interest payable	7,903,955	3,983,942

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

20. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the year 2013, the Corporation sold Petroleum products (Fuel Oil) to the Central Electricity Board (CEB) which is equally owned by the Government of Mauritius.

Sales of goods to CEB:

	Year 2013 Rs	Year 2012 Rs
	4,589,235,381	4,207,154,580

- Sales of goods to CEB were made at market related prices.
- Outstanding balance as at 31 December 2013 – Rs 658 million (Dec 2012: Rs 262 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 2013 Rs	Year ended December 2012 Rs
Short-term benefits	12,860,767	9,288,914
Post-employment benefits	12,112,689	7,961,546
Fees to Board Members	972,592	741,200

The remunerations of Board Members are determined by the parent Ministry and those of key management are determined by the Pay Research Bureau and Government. At 31 December 2013, 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.

22. EVENT AFTER REPORTING DATE

STC imports about 330,000 metric of Gas oil and Fuel Oil annually destined for bunkering purpose. These products generate an annual surplus of about Rs 200 million. In order to enable Mauritius to position itself as an attractive bunker port, Government has decided to partially liberalise the bunker trade as from January 2014. With the implementation of this Government decision, the Corporation will forgo the Surplus normally derived from such Bunker Fuels and will have an impact of the next financial statement.

Trade Statistics



The State Trading Corporation (STC) was set up by an Act of Parliament of October 1982 (amended in 1988), to be the trading arm of the Government of Mauritius. It operates under the aegis of the Ministry of Industry, Commerce and Consumer Protection.

STC has been entrusted with the responsibility of importing certain essential commodities including all petroleum products and Liquefied Petroleum Gas (LPG) traded in Mauritius. STC also supplies the domestic market with all its requirements in Wheat Flour and non-Basmati Rice.

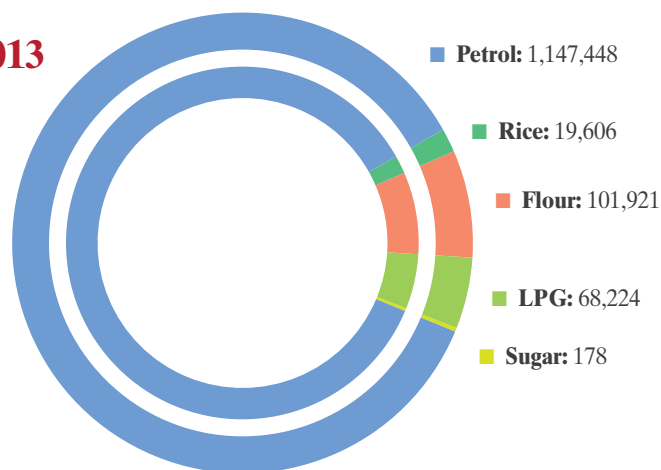
Sales volume and Turnover

The Turnover of State Trading Corporation (STC) which was about Rs 600 million in 1983-1984 when it was created has reached more than Rs 38 billion in 2013. 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 2003 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.

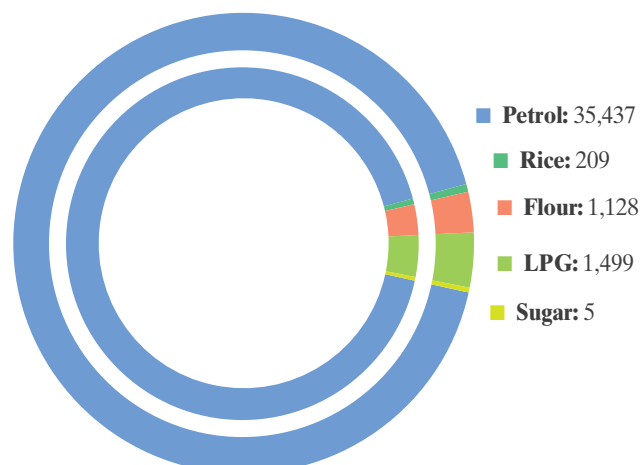
The sales volume of 1.2 million metric tons for 2013 consists mainly of petroleum products as shown below:

Sales Volume - 2013 (MTons)



The Corporation's Turnover for 2013 reached Rs 38.3 billion.

Turnover - 2013 (Rs million)



Petroleum Products

STC imports some 1.2 million metric tons of 7 grades of petroleum products, namely:

White Oils: Super Unleaded Gasoline, Automotive Diesel (50 ppm sulphur), Marine Diesel (2500 ppm sulphur) and Jet A-1;

Fuel Oils: HSFO 180 CST CC, HSFO 180 CST SR and HSFO 380 CST SR.

All these products are sold to four Oil Companies engaged in storage and distribution to meet domestic market needs across Mauritius as well as the international markets for aviation and bunker fuels. STC also covers the needs of the Central Electricity Board in Fuel Oils for power generation.

All petroleum products are currently sourced directly from Mangalore Refinery and Petrochemicals Ltd (MRPL) a refinery located in India which is six to seven sailing days from Port Louis. They are transported by a dedicated tanker under Mauritian flag designed to carry them all in segregated tanks and which operates on a regular 22 days shuttle basis. Additional voyages by other tankers are also required occasionally to carry the entire requirements of Mauritius in Black and White Oils.

Mogas

The annual import of Mogas of 135,000 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 400,000 metric tons. STC imports two grades of Gas Oil, namely 2500 ppm, which is sold as Marine Diesel for bunkering of vessels and Gas Oil 50 ppm with 0.005% sulphur content, which is sold for road transport.

The price of Gas Oil sold for road transport is determined by the PPC.

Any deficit or surplus on Mogas and Gas Oil on the local market is accounted in the Price Stabilisation Account (PSA).

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

Jet A-1

The annual import of 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

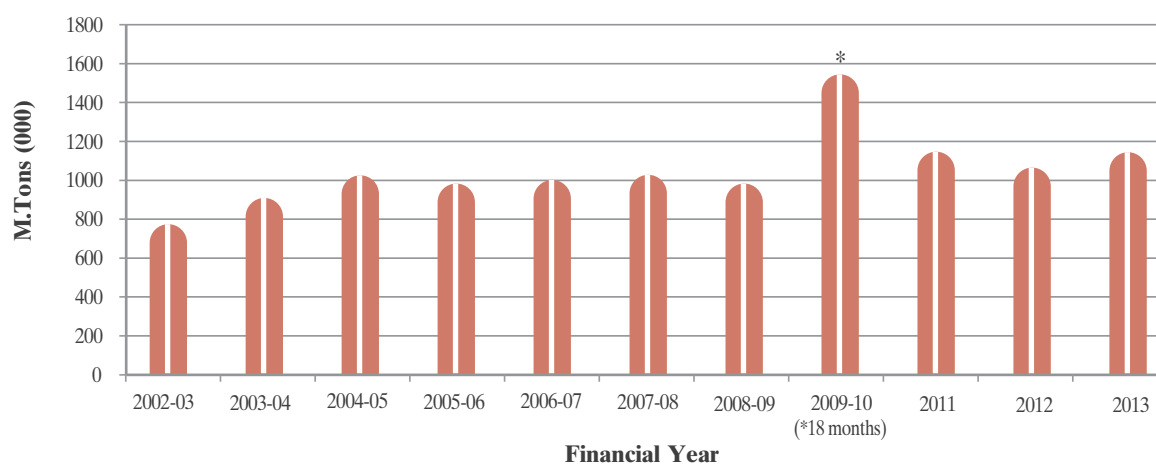
STC imports 275,000 metric tons of Fuel Oil 180 CST Catalytic Cracked (CC) for sale to Oil Companies and another 280,000 metric tons of Fuel Oil 180 CST SR and 380 CST SR for direct sales to CEB.

About 20% of 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.

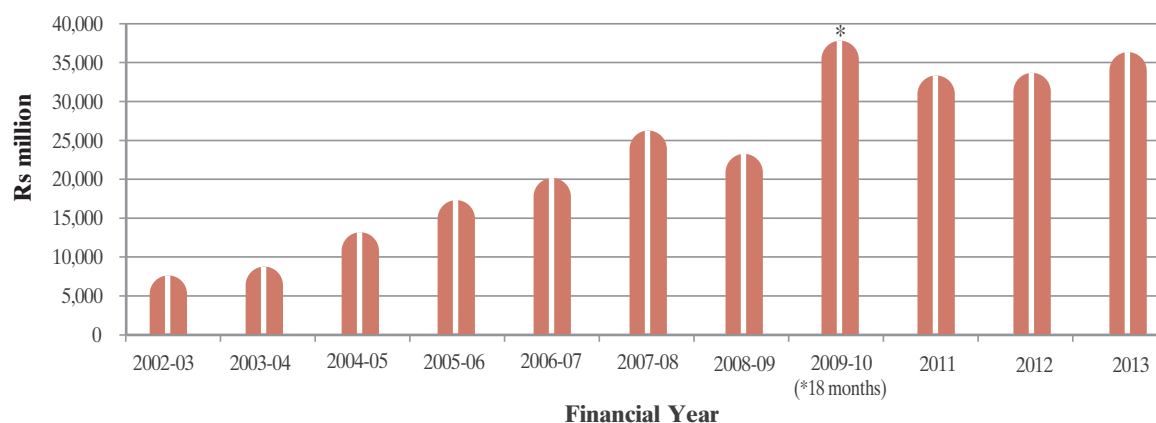
STC has a contract of affreightment with Betamax Ltd for the transport of the total volume of Petroleum Products imported from MRPL. Under its long term contract with STC, Betamax Ltd deployed a newly –built 64,000 MT tanker, the MT Red Eagle, for the transportation of petroleum products since May 2011. The vessel operates on a regular 22 days shuttle basis and is expected to undertake 16 trips annually.

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 2002-2013 Petroleum products



Turnover 2002-2013 Petroleum products



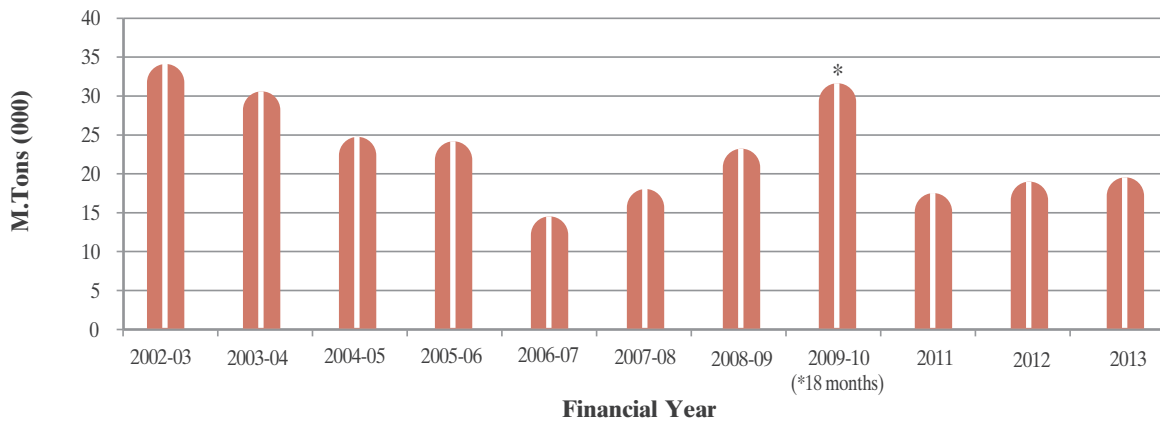
Ration Rice

STC imports basic long-grain white rice (20,000 mt) per annum to meet popular demand representing about 20% of the market which is otherwise liberalized and occupied mainly by various luxury or premium varieties.

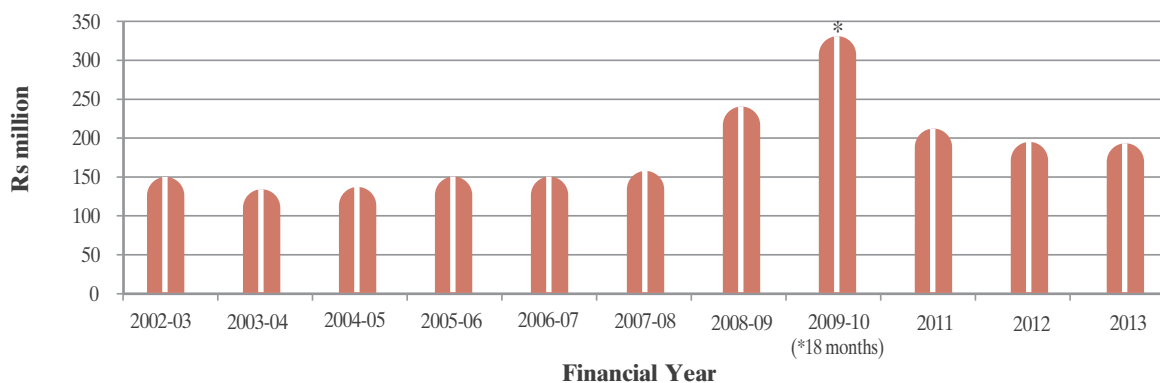
Rice is procured on the world market after periodic Requests for Quotations (RFQ) attracting a large number of offers. This process allows STC to benefit from full market play and obtain better quality at lower prices than it previously obtained by annual tenders. Rice is sold to wholesalers for retail at a heavily subsidized price that has remained unchanged since July 2006.

The sale of Ration rice was 19,606 tons (including 4,265 M.T for Rodrigues) in the year 2013. 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 96 million in 2013. The retail price of ration rice has last been fixed in July 2006 at Rs 5.40 per half kg.

Imports/Purchases 2002-2013 **Rice**



Turnover 2002-2013 **Rice**



Flour

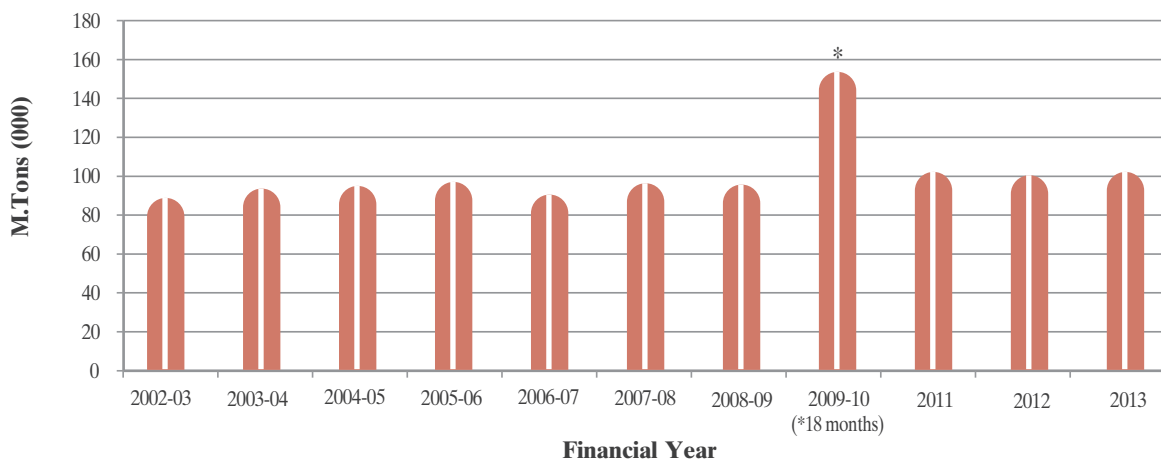
Wheat Flour is purchased annually through International Tenders. STC is required to launch tenders for only 50% of the country's demand as per Government's instructions. The other 50% are allocated to LMLC on the condition that the latter matches the lowest price obtained from the annual tender exercise.

STC supplies the market with 100,000 tons of Wheat Flour yearly at retail prices fixed since December 2008. Wheat Flour remains the main staple food other than rice. Efforts are currently underway to sensitize the market to the benefits of shifting eating habits from refined white Flour to the more nutritious Whole Wheat flour which is now also offered at similarly subsidized prices despite the initially low demand volumes.

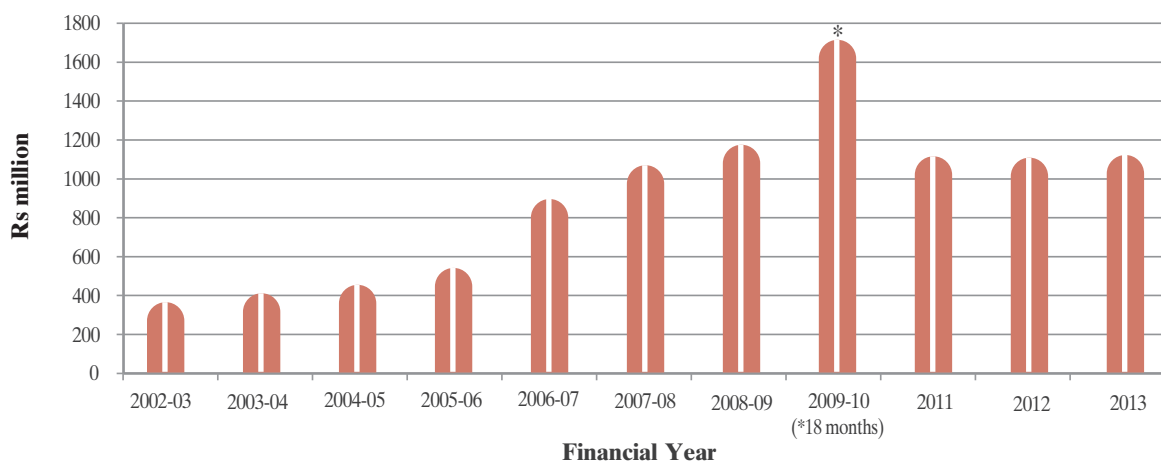
The sale of flour amounted to 101,921 metric tons (including 1,957 M.T for Rodrigues) during 2013. The contract for the procurement of flour for the year was allocated to LMLC. The retail price of flour is also controlled by Government and has been fixed at Rs 5.85 per half kg since 22 December 2008. During 2013 STC incurred a shortfall of Rs 619 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.

Imports/Purchases 2002-2013 **Flour**



Turnover 2002-2013 **Flour**



STC thus executes Government policy aimed at keeping the market fully supplied in those two basic staple foods namely Rice & Flour within reach of the whole population at low prices.

Liquefied Petroleum Gas (LPG)

In 2002, the Government decided that there should be public intervention in the LPG market. The Corporation was instructed by the government to take over the country's total requirements of 47,000 Mt from the existing importers as from 2003.

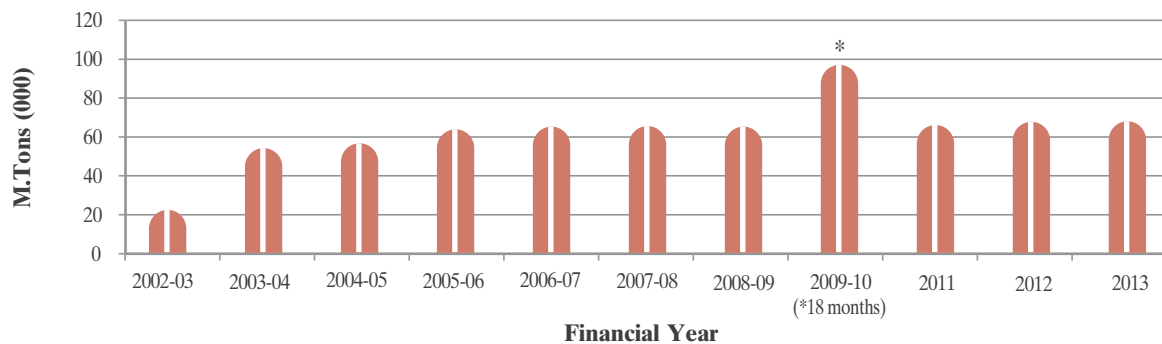
Currently, STC procures and supplies about 68,224 tons of LPG to meet the residential and industrial demand of Mauritius. LPG represents the main source of cooking and water-heating for 98% households and the retail price is heavily subsidized for 5, 6 and 12-kg bottles destined for residential use.

As from February 2006, a dual pricing policy is being implemented for LPG. About 75% of the annual import is sold in cylinders of 5 kg, 6kg and 12 kg. The retail price of LPG destined for domestic market is fixed by Government. The sale of LPG for 2013 amounts to 68,224 metric tons on which a shortfall of Rs 640 million has been incurred.

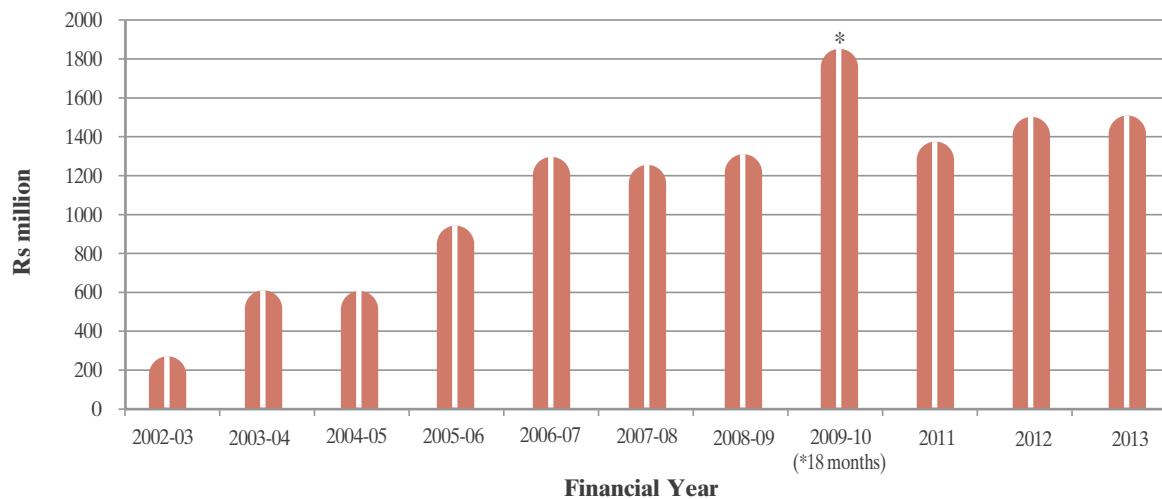
The price of LPG sold for auto gas and in cylinders above 12 kg for non-domestic purpose is reviewed monthly by STC on a cost plus margin basis.

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.

Imports 2002-2013 LPG



Turnover 2002-2013 LPG



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
Ebène

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

Mauritius Post and Cooperative

Bank Ltd
1, Sir William Newton Street,
Port Louis

AfrAsia Bank Ltd

10, Dr Ferriere 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



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

