



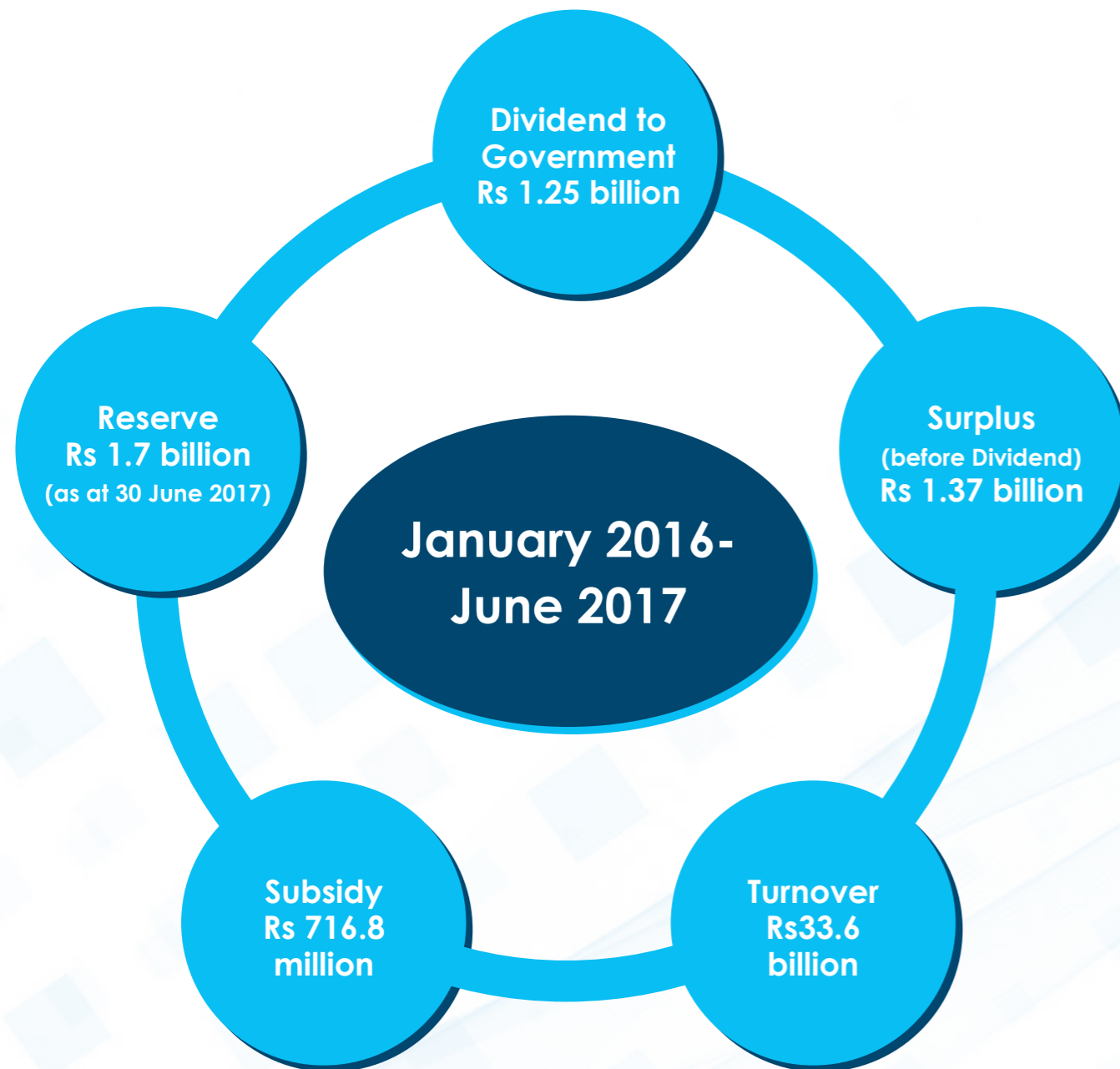
ANNUAL
REPORT 2017

TABLE OF CONTENTS

Overview	4
Background	5
Corporate Strategy.....	5
Vision, Mission & Objectives	5
About This Report	5
Objectives of STC	5
Our Capitals.....	6
Our Value Creation	7
Our People.....	8
Our Culture and Ethics	9
Our Social Responsibilities	9
Our Risk Management System	9
Our Environmental Concern.....	9
Our Safety and Health.....	10
Our Operating Activities	18
Our Division in Rodrigues	19
Procurement of Goods and Services	19
Our Products.....	20
Contributions collected on behalf of third parties.....	23
Message from the Chairman	25
Message from the General Manager	27
Corporate Governance	31
Reporting Structure.....	31
The Role of the Board.....	31
Audit and Risk Management Committee.....	33
Corporate Governance Committee.....	34
Staff and Remuneration Committee	34
Board Meeting and Sub-Committees	36
Attendance on Board and Sub-Committees	37
Director's Profile	38
Management Profile	43
Directors' Responsibilities.....	48
Statement of Compliance.....	50
Report of the Director of Audit	52
Financial Statements	58
Trade Statistics	93
Petroleum Products.....	94
Long Grain White Rice (LGWR).....	99
Flour.....	101
Liquefied Petroleum Gas (LPG)	103
Our Stakeholders	106
Banking Services.....	107



Overview



Background

Establishment of Corporation

The State Trading Corporation (hereinafter referred to as "STC" or "the Company") was established under the STC Act 24 of 1982 on December 6th 1982 and commenced operations on that date. The registered office of the company is 55, Business Zone, Cybercity, Ebène, Mauritius. The company is a parastatal body wholly owned by the Government of Mauritius and reports to 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 Wheat Flour, Basmati and non-Basmati Rice. It operates on a non-profit making basis.

Corporate Strategy

Vision: To be a socially responsible, value-adding organisation doing business based on best practices.

Mission Statement: To consistently deliver quality strategic products at affordable prices to our customers in a socially responsible manner while maintaining high ethical standards in the conduct of our business.

Objectives:

1. Importing and supplying strategic products
2. Enhancing the logistics to secure continuity of supply of strategic products
3. Ensuring end-to-end Consumer Excellence whilst safeguarding the environment
4. Driving the development of Petroleum Hub
5. Optimizing the use of technology to improve processes and quality of service.

About This Report

We have reported on our 18-months financial, social and environmental performance in one integrated report. The STC Integrated, Annual report 2016-17 covers the period 1 January 2016 to 30 June 2017 and takes into consideration the recommendations of the International Integrated Reporting Framework.

The financial reporting presented in the STC Integrated Report includes our Consolidated Financial Statements and our Combined Management Report. Following our integrated reporting approach, the Combined Management Report also provided non-financial information. This non-financial information related to topics derived from our materiality assessment including innovation, human capital, business conduct and climate and energy.

Materiality

By understanding which environmental, social and governance issues are key priorities for our stakeholders, we are better able to allocate time, budget and resources accordingly within our integrated reporting. This report will focus on material developments and issues and will provide pertinent financial and non-financial performance indicators that are relevant to a wide cross-section of stakeholders.

The Audit and Risk Management Committee reviews and recommends the report for approval to the Board. The latter ascertains that all material matters have been identified and disclosed.

Scope and boundary

The 2016-17 Annual Report covers the period 1 January 2016 to 30 June 2017. Any material events after this date and up to the Board's approval have also been included. The report discusses our operations. Our financial statements are prepared in accordance with the International Financial Reporting Standards. Additionally, the report discloses material information that may extend beyond the financial reporting boundary.

Integrated Thinking

The guiding principles of Integrated Thinking are Stakeholders' Relationships, Materiality, Connectivity of Information, Conciseness, Reliability and Completeness, Consistency and Comparability. It provides insights into the organisational strategy and how it relates to the organisation's ability to create value in the short, medium and long term and its use of and effects on the capitals.

The more integrated thinking is embedded into an organisation's activities, the more naturally will the connectivity of information flow into management reporting, analysis and decision-making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the Integrated Report.

As an important player in imports and trading sector, we hope that this report will help the readers to better understand the importance of STC in the socio-economic context of Mauritius.

Our Capitals

All organisations depend on various forms of capital for their success. The capitals are stocks of values that are increased, decreased or transformed through the activities and outputs of the organizations.

At STC, our capitals are Financial, Human, Social, Intellectual and Natural, and are as follows:

Financial Capital:

Financial capital is the pool of funds that is available to an organisation for use in the provision of services obtained through financing, such as debt, equity or generated through operations or investments. For STC, the main source of capital is Retained Earnings and Lines of Credit from banks mainly for payment of Petroleum Products. These funds are managed by the Risk and Treasury Division for the smooth running of the organisation.

Human Capital:

Human capital consists of people's competencies, capabilities and experience; ability to understand, develop and implement an organisation's strategy; and, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate. We motivate our employees and help to develop their career through training and development. We also provide adequate infrastructure and benefits to maximise our staffs' contribution to our growth. We have regular engagement with unions to improve conditions of work and go beyond what law prescribes in certain fields.

Social Capital:

Social capital involves institutions and relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. As a parastatal body, our objective is to provide essential commodities such as Rice, Flour and Petroleum Products to the population without any interrupted supply and at the best affordable prices.

Intellectual Capital:

Intellectual capital is the organisational, knowledge-based intangibles, including intellectual property, as well as tacit knowledge, systems, procedures and protocols. While working with external consultants, we develop our knowledge which is applied to ensure the best possible performance and efficiency within our organisation.

Natural Capital:

Natural capital refers to all renewable and non-renewable environmental resources and processes that provide services to support the past, current or future prosperity of an organisation. It includes air, water, land, minerals and forests, as well as biodiversity and eco-system health. The environmental impact has been taken into consideration while undertaking our activities. We import environmental friendly fuel with low sulphur content that is Gas Oil 50ppm for land transport use in order to reduce pollution in the environment. We also encourage the use of LPG instead of liquid fuel for vehicles. To encourage the use of renewable energy, we have installed a photo voltaic plant in our new building at Ebène.

Our Value Creation

Creating value for our end users is the foundation of our success. We define, measure and manage it by assessing our performance with our stakeholders while focusing on the following:

Customers:

Our customers stand high in our processes. Therefore in almost all situations, the customer needs have to come first. It is essential that we continue to innovate to offer good products and value for money. In order to provide a satisfactory service, we have regular contact with our customers through meetings and other means of communication. We continuously work towards improved hygienic conditions of storage of food commodities.

Employees:

We believe that human capital is our most valuable resource. We are constantly working to promote conducive working environment along with necessary guidance to our personnel so that their goals are aligned with the overall organisational goals and they effectively share the responsibility for reaching the same objectives.

Suppliers:

We maintain a cooperative relationship with trust and willingness to strengthen engagement with both our local and international suppliers. We also maintain a constant communication with our suppliers in order to ensure quality products and at the desired time.

Shareholders:

Value is created when we work hand-in-hand with our Government to meet the expectations of the general public and to fulfil the country's basic needs. We aim to be compliant with regulations and avoid disputes.

Our People

As of June 30, 2017, the company had 278 employees and continue to grow as a firm. After 30 years in Port Louis, the STC moved to its new building in Ebène thereby offering modern infrastructure to ensure continued productivity standards are maintained. This move is in line with our objective of keeping employees content and comfortable.

In line with our mandate of continued improvement, part of our strategic plan envisions the construction of a modern warehouse with all amenities for storage of food commodities in compliance with the Food Act.

In response to our prominent role in driving projects contributing towards economic growth, Management intends to recruit young professionals in all the operational fields. Moreover, Management has created new posts on its establishment to strengthen its personnel with a view to provide our best service to our customers and stakeholders.

Our Culture and Ethics

An Anti-Corruption Framework has been set up at the Corporation. STC is committed to maintain the highest level of integrity and has accordingly developed an Anti-Corruption Policy for the organisation under the guidance of ICAC for the deterrence and detection of corruption.

Our Social Responsibilities

Although the Consumer Protection Act regulates the retail prices of Long Grain White Rice and Wheat Flour on the local market, retailers were selling these commodities at higher prices. To curtail this malpractice, STC has taken the initiative to print the fixed retail price on the bags of both these commodities. Hence, consumers will purchase these commodities at a price not higher than the fixed ones.

Moreover, a survey carried out by STC has shown that consumers prefer to purchase small packets of Rice and Flour which were not easily available in their communities. Subsequently, STC has appointed several Packers/Distributors for the packing and distribution of Long Grain White Rice and Wheat Flour in packets of 2.5 kg and 1 kg with the fixed retail price printed thereon. These products are now available in shops and supermarkets all over the island.

Our Risk Management System

An Enterprise Risk Management Framework is in place to manage risks in the Corporation. Risk Management is being done through direct reporting of Management to Audit and Risk Management Committee and the Board.

A Risk register is maintained to cover all the aspects of risk in the organisation namely: Finance, Commercial, Human Resource, IT, Administration, Secretarial, Supplies and Sales and Treasury.

Our Environmental Concern

Following the Government's decision to introduce a more environmentally friendly fuel which will align with international standards, the STC, in close collaboration with the Ministry of Environment, has started importing Gas Oil with 500 ppm Sulphur instead of 2500 ppm S as from August 2010. In 2011, STC decided to further improve from Gas Oil 500 ppm S to Gas Oil 50 ppm S for land transport sector usage. The importation of this cleaner grade Gas Oil has benefitted the country in terms of carbon footprint.

In a recent meeting with Mangalore Refinery and Petrochemicals Limited (MRPL), we addressed the specification of Mogas and Gas Oil 50 ppm. The sulphur content in Mogas

has been reduced from 0.100% by weight to a maximum of 0.015% by weight and the percentage of Benzene has been reduced from 5% by volume to a maximum of 3% by volume. Moreover, MRPL has agreed to include Aromatic Test with limit of 35% by volume. As for Gas Oil 50 ppm, MRPL has agreed to include Polycyclic Aromatic Hydrocarbon (PAH) in the specification parameters. Hence, better quality of Mogas and Gas Oil 50 ppm which are more environmental friendly will be supplied.

Furthermore, STC has stopped using wooden pallets for stacking rice and flour and is now using plastic pallets as recommended by the Food Act, for hygienic reasons. Plastic pallets have a longer lifespan and require no maintenance.

Contribution for Oil Pollution

The State Trading Corporation, being the bulk importer of Petroleum Products makes an annual contribution to the International Oil Pollution Compensation (IOPC) Funds. This annual contribution is levied upon each Member State which has received total quantities of oil exceeding 150,000 MT in any calendar year, after sea transport in the ports and terminal installations in that State.

Mauritius is a member state of the 1992 Fund of the IOPC Funds; three inter-governmental organisation which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers.

The operation of the IOPC Funds is governed by the 1971, 1992 and supplementary Fund Conventions. In order to implement the conventions, the funds' governing bodies have adopted or approved a number of resolutions, regulations and other documents.

Mauritius forms part of both the 1992 Civil Liability Convention and the 1992 Fund Convention. By making an annual contribution to IOPC Funds, STC aims at protecting the environment. For instance, if a pollution incident occurs, fund is provided to meet the costs for clean-up operations.

Our Safety and Health

Management endeavours to be in strict compliance with Occupational Safety and Health Administration (OSHA) 2005 and additionally Management has devised its own occupational Health and Safety Policy which has been approved by the Board wherein a Committee has been set up to monitor same on a regular basis and report any irregularity to Management.

We ensure that our Health and Safety Officer conducts regular risk assessment to identify hazards and take appropriate remedial action promptly. We also provide all personal protective equipment at the right time and make sure that they are used by our employees on their site of work.

Our employees are empowered through regular in house and external trainings. In June

2017, the Corporation conducted a training on safe driving for Forklift Drivers as well as training for employees involved in unstuffing operations which includes developing proper postures during the handling of bags which has so far proved to be very beneficial to them.

In conformity with OSHA, STC conducts Fire Drill Operations on a regular basis. Accordingly, we have a pool of trained and dedicated Fire Wardens on each floor of our building. STC also ascertains that proper training on Health & Safety is imparted to our employees and we also have a team of trained First Aiders attributed to each division for a safer working environment.

Our Achievements

Dividend payment

After the payment of Rs1.0 billion dividends in the year 2015, an amount of Rs 1.25 billion has been paid during the period January 2016 to June 2017.

Financial performance

The surplus for the 18-month period January 2016 to June 2017 before payment of Dividend amounts to Rs1.37 billion. After payment of Rs1.25 billion as dividend, the Reserve of the Corporation as at 30 June 2017 is Rs 1.66 billion.

Reduction in Retail prices of LPG

STC has played a key role in the reduction of the retail price of LPG in July 2016. The retail price of LPG in 12 kg cylinder was reduced by Rs 60 representing a 18.2 % decrease and has been maintained until now.

Investment in Storage Tanks

During the period under review, STC has invested an amount of Rs 19.1 million in Mer Rouge Oil Storage Terminal Co Ltd (MOST) for the storage of 25,000 MT of Mogas and Gas Oil. The project cost is estimated to be Rs 550 million. The Corporation holds 23.5% of the shares in MOST. The other shareholders are the four Oil Companies namely Vivo Energy Mauritius Ltd, Total Mauritius Ltd, Engen Petroleum (Mauritius) Ltd and Indian Oil (Mauritius) Ltd. The Oil Terminal is scheduled to come into operation in the first quarter of year 2018.

Acquisition of Building

During the period under report, STC has acquired a building to accommodate its Head Office in Ebène at the cost of Rs 297.1 million with enhanced working environment and amenities such as training centre, cafeteria and fitness centre.

Procurement Strategies

STC has adopted several competitive strategies to ensure that the Corporation leverages market forces to benefit from competitive prices for the procurement of its products.



Rice and Flour

STC has embarked on a project to make Rice and Flour available throughout the whole island and to enable consumers to enjoy fully the subsidised retail prices of these products. The first measure has been to ensure that the fixed subsidised prices are printed on the bags and polybags of Rice and Flour put on sales by STC and appoint packers and distributors for the distribution of same.

Petroleum Products

In June 2016 the Corporation has entered into a three-year agreement with Mangalore Refinery and Petrochemicals Limited (MRPL) for the supply of petroleum products on better terms and conditions.

Our Strategic Plan for the next two years

Setting up of a modern warehouse for storage of food commodities and other products

Design & Build Warehouse and Administrative Block Project- with the implementation of the Port Security Master Plan, STC will have to evacuate its current warehouse, being used for the storage and delivery of rice and flour, in the Port Area. The Corporation has therefore started working on the acquisition of a State of the Art Warehouse Complex which will include an Administrative Block of floor area of at least 5,000 sq. m. and a warehouse of floor area of at least 11,500 sq. m.

This modern warehouse will be built in accordance with international norms for warehousing and delivery of food products, food security and hygiene, health and safety and will be set up in a green environment in the vicinity of Port Louis. It will comprise eco-friendly design including rain-water harvesting, wastewater recycling, solar PV system for production of electricity for own consumption and for exporting excess electricity to the CEB grid.

Increase of storage capacity of petroleum products and reduce time/cost for unloading petroleum products

With the coming into operation of MOST, additional storage space of 25,000 MT together with one extra shore discharge pipeline would be available and consequently the unloading time of a tanker of 42,000 MT would be reduced nearly by one third. Two products would be discharged simultaneously, one to the Oil Industry terminal and one to MOST. Hence, demurrage would be drastically curtailed or even eliminated.

Development of Mauritius into a bunkering port

In line with the amendment in the STC Act brought by The Finance (Miscellaneous Provisions) Act 2016, the Corporation is required to engage in the storage of petroleum products and promotion and development of bunkering and petroleum-related activities.

In this vein, STC has prepared a Road Map for Development of Mauritius Bunkering Port which has been presented to the Parent Ministry in April 2017. STC will engage more with stakeholders in the above-mentioned sector and lead in promotion and development initiatives. A bunkering unit will be created at STC to look at all aspects of the sector. The Unit will also ensure that bunkering activities in Mauritius are aligned with international standards.

Joint Working Group (JWG)

In 2014, a Memorandum of Understanding (MOU) was signed between STC, Indian Oil Corporation Ltd (IOCL) and MRPL for setting up of an oil terminal in Mauritius for re-export of petroleum products to African countries. A Joint Working Group (JWG) comprising of the three parties was formed to look at all aspects of the project. A Pre-Feasibility Study (PFS) with regard to marketing of petroleum products in Africa and setting up of oil terminal in Mauritius was carried out by Engineers India Ltd (EIL). The latter submitted its final report in 2016 which showed that the oil terminal project for re-export of petroleum products is viable. In March 2017, an addendum to the MOU was signed to extend the validity of the MOU and also include a petroleum port/jetty in the project at Albion. It was also agreed that EIL will carry out a Detailed Feasibility Study (DFS) for the full project.

Introduction of Liquefied Natural Gas (LNG)

Studies have shown that the production of electricity and transport would be less costly and more environmental friendly with the use of LNG which is considered as a greener fuel. To meet future challenges and to mitigate environmental concerns around carbon emissions and climate change, the Government of Mauritius has set up a programme to diversify the country's energy supply, improve energy efficiency and reduce carbon emissions to a sustainable level. In this respect, Government policy is geared towards a shift to natural gas, as reserves have been identified worldwide and in particular within the region such as East Africa.

In order to ensure that such a project is applicable in Mauritius, the Ministry of Energy & Public Utilities has launched a Request For Proposal (RFP) to appoint a Consultant to advise on this matter. Board of STC has approved to contribute one third of the cost of the consultancy services and STC has actively participated in the evaluation of the RFP.

STC is working with the Ministry of Energy and Public Utilities, CEB and other Stakeholders for LNG to be part of the energy mix for the country.

OUR ACTIVITIES



Our Operating Activities

The Corporation has been entrusted with the responsibility of importing strategic commodities such as Long Grain White Rice, Wheat Flour, Petroleum Products and Liquefied Petroleum Gas (LPG). In line with the STC Act, which allows the Corporation to enter into any such activity as advised by the Minister, the Corporation also commercialises a small quantity of Basmati rice.

In line with Government policy to provide basic necessities at affordable prices to the whole population, STC provides subsidy on Long Grain White Rice, Flour and LPG. Surplus realised on certain other products are utilized to absorb the subsidy cost. Any remaining surplus is paid as dividend to the Government, our sole shareholder.

Subsidy for the 18-month period January 2016 to June 2017 in respect of Long Grain White Rice, Flour and LPG amounted to Rs 716.8 million.

Dividend to the tune of Rs 1.25 billion has been paid to Government during the 18 months ended 30 June 2017.

The volume of commodities sold by the Corporation during the period January 2016 to June 2017 were as follows:

Product	MT
Petroleum Products	1,585,951
Rice	31,201
Flour	152,189
LPG	109,647
Sugar (Rodrigues only)	298

Shed A

The Shed A warehouse has an area of 7,500 m² situated in the port area, at Cargo Peninsula, Quay D, Mer Rouge, with a storage capacity of around 3,000 MT of Long Grain White Rice and around 6,400 MT of Flour. On a daily basis, around 65 MT of Rice and 400 MT of Flour are delivered to traders.

Several major infrastructural developments and safety measures have been implemented to improve the working conditions of all employees such as:

- i. Fixing of netting inside the warehouse and installation of door plastic flaps to prevent proliferation of pigeons, thus leading to a zero-based damaged bags of rice and flour caused by pigeons' droppings;
- ii. Installation of Automatic Boom Gate for better control of vehicles entering and exiting the warehouse;
- iii. Installation of CCTV cameras

Roche Bois

Roche Bois warehouse has an area of 1,800 m² situated at Rue Desbouchers, Roche Bois with a storage capacity of 3,200 MT. This warehouse is used for the storage of basmati rice and packing operations.

Our Division in Rodrigues

The Corporation is responsible for the shipment of Rice, Flour and Sugar to Rodrigues. Thereafter, it ensures the storage and sales of these commodities to wholesalers and retailers. The Corporation is ensuring the smooth, adequate and continuous supply of these commodities with no disruption of stock, which is about 1,000 MT of Rice, Flour and Sugar kept at any point in time. During the 18-month period, 58 consignments were shipped to Rodrigues by MV Mauritius Trochetia and MV Anna as follows.

Product	MT
Rice	7,005
Flour	2,913
Sugar	300

To carry out its mission, the Corporation has a department in Rodrigues which is manned by 13 staff both from Mauritius as well as personnel recruited from Rodrigues. In addition, a team of 62 casual unloaders is contracted for unstuffing and stacking of goods.

As is the case for Mauritius, the retail prices of Rice and Flour are subsidised and the shortfall is funded by STC. Furthermore, in order to keep the retail prices of these two essential commodities at par with those in Mauritius, the Prime Minister's Office refunds STC all expenses incurred for the shipment of Rice and Flour to Rodrigues through the Rodrigues Subsidy Fund.

The warehouse located in the port area is leased from the Mauritius Port Authority. STC has its own building at Camp du Roi which is used as office as well as residence for Mauritian officers posted at Rodrigues.

Procurement of Goods and Services

STC is exempted from the provisions of the Public Procurement Act, by Government Notice No 68 of 29 June 2009, in respect of procurement of goods destined for resale. The exemption applies equally to services incidental to the purchase or the distribution of such goods.

Nevertheless, there is full commitment to exercise sound procurement policies and practices based on open and fair procedures. The principles of fair competition are fully adhered to while inciting market forces to play in the favour of the ultimate customers' expectations of value for money.

All procurement of goods and services are subject to open bidding processes. The bidding documents can be downloaded on-line. However, the bidding terms and conditions are subject to the prevailing market conditions, such as availability of supplies, degree of price stability, quantity required, and degree of urgency.

Methods of procurement

For the procurement of goods and services, the Corporation has recourse to the following methods of procurement:

- Open Advertised Bidding
- Request for quotation
- Spot purchase
- Restricted Bidding
- Request for proposals

Our Products

Rice

Long Grain White Rice

The annual sales of Long Grain White rice are about 20,000 MT (including about 4,800 MT for Rodrigues). As the selling price of Long Grain White Rice is controlled by Government and fixed at a level lower than its cost, the resulting shortfalls are met from contribution for subsidy in the price structures of Mogas and Gas Oil.

Basmati Rice

The domestic market being fully dependent on rice importation, the persisting volatility in international prices of Basmati Rice tend to 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.

In 2013, STC was mandated by Government to intervene on the market in view 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 namely a standard Basmati and Extra-Long Basmati under the STC brand. The presence of STC in Basmati market has to a certain extent avoided an increase in the retail price of that commodity.

Flour

The annual sales of flour are around 100,000 MT (including about 2,000 MT for Rodrigues). The sole supplier of flour for the years 2016 and 2017 was Les Moulins De La Concorde (LMLC). As the selling price of Flour is controlled by Government and fixed at a level lower than its cost, the resulting shortfalls are met from contribution for subsidy in the price structures of Mogas and Gas Oil.

Liquefied Petroleum Gas (LPG)

The annual sales of LPG are about 70,000 MT. Since February 2006, a dual pricing policy is being implemented for LPG. About 80% of the annual imports is sold in cylinders of up to 12 kg. The retail prices of cylinders of 5, 6 and 12 kg are fixed by Government. The latest revision in the retail prices were made in July 2017 when the price of one cylinder of 12 kg was decreased from Rs 330 to Rs 270. Any shortfall on sales of LPG is expected to be met from contribution for subsidy in the price structures of Mogas and Gas Oil and partly from surpluses made on Petroleum Products.

The prices of LPG sold for autogas and in cylinders above 12 kg for commercial purpose are currently reviewed on a monthly basis by STC.

Petroleum Products

The annual importation of petroleum products is about 1.2 million MT, including Fuel Oils for CEB. STC imports the country's total requirements and sells to Oil companies, namely Vivo Energy Mauritius Ltd, Total Mauritius Ltd, Engen Petroleum (Mauritius) Ltd and Indian Oil Mauritius Ltd for storage and distribution.

Mauritius as a Petroleum Hub

In line with the Government vision to develop Mauritius as a Petroleum Hub, Port Louis is well positioned as a competitive and attractive port of call for the bunker trade in the region. It is estimated that the size of the bunker market in the region is of one million MT. Mauritius has a share of 30% only but has the potential to expand especially since the market is projected to increase to 3 million MT in five years' time. In this context, the Corporation has waived its margin on bunker fuel since January 2014.

Furthermore, in order to cater for such a volume of products, upgrading of storage facilities would be required, such as setting up of an Oil Terminal. In this regard, a Joint Working Group has been set up with Indian counterparts to look into the feasibility of constructing an Oil Terminal in Mauritius, which would service both local and regional demand for Petroleum Products. The Corporation will participate in examining the options for financing and implementation of the project.

Petroleum Pricing Committee (PPC)

Since January 2011, the retail prices of Mogas and Gas Oil are determined by the Petroleum Pricing Committee (PPC). Under this 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 this mechanism is to mitigate the effects of world price fluctuations on retail prices. STC operates a Price Stabilisation Account (PSA) for each product in order to shield the market from price fluctuations.

The retail prices are fixed using an estimated average Platts price. Prior to November 2015, this average Platts price was based on the prices paid for the previous six months and the future prices for the following six months provided by Platts, plus a margin of up to 4 per cent.

In November 2015, two changes were brought to the price structure and the PSA:

The first change concerned the Reference Price used to calculate the price of Mogas and Gas Oil.

In order to reflect more promptly changes in world market prices, the average period for the calculation of Reference Price was reviewed from 12 months (6 months actual Platts Prices + 6 Months Future Platts Prices plus up to 4%) to 6 months (3 months actual Platts Prices + 3 Months Future Platts Prices with no margin).

The second change concerned the PSA. Prior to November 2015, there was no provision in the Regulations to allow funds in the PSA to be used to reduce retail prices. Therefore, amendments were made in the Regulations to use funds accumulated in the PSA exceeding Rs1.5 billion (Rs600 million and Rs900 million for Mogas and Gas Oil respectively) to bring down the prices for the benefit of the consumers.

In February 2016, the retail price of Mogas was decreased by Rs2.50 per Litre and that of Gas Oil by Rs3.25 per Litre.

In February 2017, the retail price of Mogas was increased by Rs3.85 per Litre and that of Gas Oil by Rs2.95 per Litre.

Contributions collected on behalf of third parties

During the 18 months ended 30 June 2017, an amount of Rs 12.4 billion has been collected and remitted to Government institutions as follows:



Build Mauritius Fund

The Build Mauritius Fund was introduced by Government in the price structure of Petroleum Products in January 2014 to execute a "Bus Replacement Mechanism". This fund is to be used by bus operators opting to purchase semi-low floor buses.

It is also used as a Special Fund to execute various priority projects such as improvement of water distribution.

This item has been abolished with effect from 1 August 2017 following the adoption of the Finance Act 2017.

Rodrigues Subsidy

The item "Contribution to Rodrigues transportation and storage" of 41 cents per litre of Mogas and Gas Oil is meant to subsidise the cost of freight and other related costs to maintain the price of Petroleum Products, LPG, Cement, Long Grain White Rice and Flour at par with those prevailing in Mauritius.

Road Development Authority

"Contribution to Road Development Authority" is a charge in the price structure of Mogas and Gas Oil to be remitted to Road Development Authority whose objective is to provide a cost efficient mobility in comfort and safety for the Mauritian population and its economic operators to all parts of the island.

MID Levy

This levy of 30 cents is payable on each litre of Petroleum Products and each kilo of Liquefied Petroleum Gas (LPG). The purpose of this levy is to support the efforts to protect the environment through recycling, to encourage more efficient use of energy and to increase reliance on renewable energy.

Message from the Chairman



Dear Readers,

It gives me great pleasure to present to you the Annual Report of the state Trading Corporation of Mauritius for the period January 2016 to June 2017. This extended period is due to accounting changes. I am pleased to report that the STC has performed well in its primary activities, further described in this Report. STC is already within the fabric of everyday life in this country and we would like to play our role better.

You may wish to note that the format of the Report has evolved with the times and the STC is moving towards a more reader friendly approach with more pictorial information, both financial, as previously, but also non-financial information. We are improving our social relevance and also implementing a greener strategy in our business.

The Corporation shows a healthy growth, with a turnover of 33.6 billion Rupees. In line with the Vision of Government to help the population, the subsidies on Cooking gas (LPG), rice and flour amounted to over 716 million rupees over this period; some 40 million rupees every month for these basic but essential items. It is of note that the retail price of the cooking gas decreased by 18.2% from MUR 330 to MUR 270 during the same period. The STC is committed to helping the people living in the Republic with innovative ideas and approaches, thus the packaging of items is more informative and retail prices are printed..

The STC at the same time managed to pay dividends to Government to the tune of 1.25 billion Rupees. Several Government Funds and Subsidy items have also benefited from monies collected by the STC.

Other notable events are the acquisition of our new Office Headquarters in Cybercity Ebene, where our employees have much better working conditions, improved facilities and space. STC is investing in storage facilities for motor gas and Diesel in the port, so the spectre of shortage should disappear.. Internal controls, training and distribution processes, procurement and customer relations have been improved for efficiency and end user friendliness, whilst maintaining and upgrading quality whenever possible. Examples would

be the more stringent specifications attached to the country's new fuel imports so as to reduce further their environmental impact. Customers in Mauritius, Rodrigues and the outlying islands now can be sure of benefiting from the subsidies on rice and flour, with printed bags that include the price and other information. These activities and investments have been accomplished with the use of our own internal resources and with no overall negative impact on our balance sheet.

The STC now planning to acquire new Warehouse facilities for improved food security. Ship refuelling (Bunkering) activities are set to increase and we are committed to align ourselves to best international practices and standards. Environmental concerns are high on our agenda. With this in view, STC is also envisaging setting up a new Oil Terminal both for local use, to build up strategic reserves, and for re-export. STC is also studying the possibility of shifting to greener Liquid Natural Gas (LNG) in the future, for upcoming energy challenges.

In short, the STC has progressed in many fields, both internal and external, over the two years of my tenure and I here would like to place on record the valuable contribution of the Board Members and of Management at the STC. We acknowledge the oversight and support role of the Parent Ministry in our activities.

STC is exploring new avenues of activity and we are preparing the ground to address new challenges, skills requirements and manpower issues. Our customers and client organisations can testify to the new dynamism in our operations and we are resolutely looking forward to Change, Improve and Deliver. Rest assured that this momentum will be maintained for the progress of the Nation.



Dr Ramchandra BHEENICK
Chairperson STC

Message from the General manager



January 2016 to June 2017 has been a period of high achievements for the STC where the objectives set out have been attained.

STC in figures

The Corporation ended the 18-month period January 2016 to June 2017 with a surplus of MUR1.37 billion compared to MUR1.07 billion for the year 2015. Dividend amounting to MUR1.25 billion was also paid to Government during that period. At 30 June 2017, the reserve of the Corporation stood at MUR1.66 billion

We have seized all possible opportunities from a dynamic international market and brought improvements in internal processes in order to secure better prices resulting in lower subsidy provided on rice, flour and LPG. The total subsidy for the 18-month period January 2016 to June 2017 amounted to MUR716.8 million compared to MUR816.5 million for the year 2015. STC stood firm to the overwhelming challenges and therefore delivered a better financial performance.

Our Operations

STC continues to play its role in ensuring that Rice, Flour, LPG and Petroleum Products are readily available at all times in Mauritius and Rodrigues, bringing immense value to the population.

In order to ensure the availability of all these products regularly, we are constantly improving and innovating.

The Corporation has played a key role in Government's decision to reduce the retail price of LPG by MUR60, from MUR 330 to MUR 270, i.e. a decrease of 18.2 % in July 2016.

Regulations governing the Petroleum Pricing Mechanism were also reviewed to allow a better management of the Price Stabilisation Account (PSA).

A socially responsible organisation

Following proposals from STC, the retail price of Brown Bread Flour has been reduced by 31.6 %, that is, from Rs 5.85 to Rs 4.00 per ½ kg, which is more than the reduction brought in the price of white flour which decreased by 17%. These measures led to a decrease in the price of bread.

STC started an awareness campaign highlighting the subsidized price of Brown Bread Flour and the health benefits of consuming same.

Pamphlets illustrating the benefits of using Wheat Flour and free packets of Flour were distributed during fairs and events, to encourage its use.

Improvement in Procurement Strategies

The Corporation has fine-tuned the procurement of freight services for the transportation of petroleum products in a cost efficient manner while ensuring uninterrupted supply flow. STC has adopted several strategies to ensure that the Corporation leverages market forces to benefit from competitive prices for the procurement of its products. Thus, with such innovative procurement strategies, the Corporation has made additional savings of MUR174 million on LPG contract and MUR83 million on Flour contract. Moreover, we are in the process of shifting towards e-procurement and appropriate training is being provided to employees for the implementation of e-procurement.

STC has also embarked on a project to enable consumers to benefit from the subsidised retail price of Rice and Flour. New packaging method for Rice and Flour has been introduced to make our products accessible in every nook and corner of the island, particularly for vulnerable groups. Additionally, the packaging includes information relating to the fixed subsidized price, volume, origin, production and expiry date on the bags and polybags of Rice and Flour. Packers and distributors were also appointed to ensure availability of our products at all corner shops, supermarkets and sales points over the island including Rodrigues.

Our Human Resource: Our greatest asset

Our people are our most important asset. We value our people, encourage diversity and invest in continuous learning and growth by creating a transparent, solid and accessible working environment.

During the period January 2016 to June 2017 nine officers have been recruited to serve in different positions.

Other recruitment campaigns and interviews were conducted for the posts of IT Manager, Facilities Manager, Assistant Risk & Treasury Manager, Board Secretary, Systems Analyst, Accounting Technicians, Clearing & Forwarding Officers, Sales & Supplies Officers.

A review on STC's structure has been carried out, having in view the objectives and new challenges of the Corporation. The consultant submitted its report with recommendation

of appropriate changes to the organization's structures in relation with the need for new divisions/units and/or skills/competencies.

In the aftermath, the working environment has also been given a huge upfront to ensure that all employees work in a safer and healthier environment. Hence, in compliance with OSHA 2005 and other legislations, the Corporation has developed an Occupational Safety and Health Policy for the protection and safety of its employees in particular those posted at the warehouse. Moreover, the Corporation organizes First Aid courses and awareness campaigns on Security at Work and Ergonomics on a regular basis to sensitize its employees.

Headquarters at Ebène

It is a matter of pride for all employees of STC that after more than 30 years of existence, the Corporation has acquired its own building at Ebene. Staff at the Head Office moved into the new building with enhanced working environment and amenities such as cafeteria, training center and gym facilities in June 2016.

One of STC's Mission Statement is to make full use of developments in IT whether by way of technological progress or by business processes to transform STC into an IT based organization.

In this context, STC has implemented a new IT infrastructure with scalable and redundant systems to improve efficiency and productivity in terms of latest hardware networking devices/technology, such as, Windows 10 and Camera Surveillance/Access Control on a 24/7 basis at head office and all its branches.

Most, recently STC has also procured and migrated its Oracle E-Business suite in Oracle MiniCluster S7-2. This has made STC to be the first one to have implemented the Minicluster S7-2 in Mauritius.

Ongoing Projects

For the first time in history, STC is a shareholder of a petroleum tank farm that will help to increase the buffer stock of petroleum products in Mauritius. During the year 2017, STC has invested an amount of MUR19.1 million in Mer Rouge Oil Storage Terminal Co. Ltd (MOST) for the storage of 25,000 MT of Mogas and Gas Oil costing about MUR515 million. The Oil Terminal is scheduled to be commissioned in May 2018.

For the coming Financial year, various projects are underway including the setting up of a State of the Art Warehouse for the storage of food and other commodities; the development of Mauritius into a Bunkering Port/Petroleum Hub to enable the marketing of petroleum products into Africa and the setting up of an Oil Terminal in Mauritius. A feasibility study is also being carried out for the introduction of Liquefied Natural Gas (LNG) in Mauritius.

Appreciation

The realization of strong set of results would not have been possible without the support of all our stakeholders. I would thus like to thank the Chairman, Board Members, the Management team and all staffs for their support and contribution. I look forward to 2017-18 with its greater challenges and I am confident that, together we shall take STC to even greater heights.



Mr Rajanah Dhaliah
General Manager STC

Corporate Governance

The purpose of setting up the State Trading Corporation (STC), as a para-statal body, was to create a body corporate with the commercial freedom required while trading, in an aggressive global business environment fraught with numerous challenges and pitfalls and the energy market which had become more volatile and complex.

STC operates under the aegis of the Ministry of Industry, Commerce and Consumer Protection.

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 are now embedded in the business policies, procedures and practices. There is a clear demarcation between the Board duties and activities from that of the Management of the Corporation. All sitting Board Members have a primary duty to the STC.

Transparency and accountability are the two basic principles of Corporate Governance, which creates and enhances long-term sustainable value for the stakeholders through ethically driven business processes. The philosophy of the Corporation, on Corporate Governance, is to aim for the attainment of the highest levels of transparency, accountability and ethics, in all facets of its operations, with the primary objective of enhancing shareholder value.

The approach to Governance adopted balances economic and social goals as well as individual and communal goals. The governance framework is to promote efficient use of resources but equally to provide greater accountability for the stewardship of those resources.

We believe in the emerging consensus of high standards of Governance that is required to achieve our objectives but not to the detriment of the interest of other stakeholders of the Corporation, inter-alia customers, creditors, suppliers, employees and the Government.

Reporting Structure

In accordance with STC Act, the Corporation has a Unitary Board, headed by a Chairman with eight members, as follows:

- Ministry of Industry, Commerce & Consumer Protection
- Ministry of Finance & Economic Development
- Ministry of Agro-Industry & Food Security
- Ministry of Energy & Public Utilities
- Mauritius Ports Authority
- 3 Independent Directors with relevant experience nominated by the Minister.

The Role of the Board

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, as well as contribute constructively to Board decision with their enlightened 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

The roles and responsibilities of the Board have been set out in the Approved Board Charter. During the 18 months ended 30 June 2017, the Board has met 34 times. Board was chaired by Dr. Ramachandra Bheenick, the Chairman. Major decisions were taken on: -

1. Affreightment of transport for Petroleum Products with dedicated Contracts.
2. Procurement of strategic products of national importance namely, Petroleum Products, Rice, Flour and Liquefied Petroleum Gas (LPG).
3. Financing and project monitoring of the construction of a new office complex at Ebène.
4. Participation in international events/conferences.
5. Improvement in Corporate Governance initiatives and programs within STC.
6. Review of the integrity of staff recruitment processes.
7. Financing of Working Capital.
8. Training and Welfare facilities for STC staff and Board Members.

The Board of the STC for period 1 January 2016 to 30 June 2017, was comprised as follows:

Chairman	
Dr. Ramchandra BHEENICK	
Directors	Post
Mr. Fareed CHUTTAN	Permanent Secretary Ministry of Industry, Commerce & Consumer Protection
Mr. Ishwarlall BONOMAULLY	Director Economic and Finance Ministry of Finance & Economic Development
Mr. Vishnou GONDEEA	Permanent Secretary Ministry of Agro-Industry & Food Security
Mr. Ravi Shankar SONEA	Deputy Permanent Secretary Ministry of Energy & Public Utilities
Mr. Narad DAWOODARRY	Director, Administrative & Legal Services Mauritius Ports Authority
Mr. Feizal JEETOO	Independent Member
Mr. Chetnarain POONEETH	Independent Member
Mr. Eddy LAMARQUE	Independent Member (Resigned on 20 December 2016)

To enable Board to pay closer attention to important issues facing the Corporation, Board counts on the following four sub-committees which have been recently reviewed in line with the National Codes of Corporate Governance 2016.



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

The roles and responsibilities of the Sub-committees of the Board have been set out in their respective Charters as approved by Board.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities for the Financial Reporting process, the systems of Internal control and Risk Management, the audit process and STC's process for monitoring compliance with Laws and Regulations.

The Audit and Risk Management Committee as at end June 2017, comprised of the following members:



The Committee met 5 times during the 18 months ended 30 June 2017 to review the internal and external audit reports as well as reviewing the Financial Statements. Recommendations made, where appropriate, been implemented forthwith by Management.

Corporate Governance Committee

The role of the Corporate Governance Committee is that it shall operate as a Standing Committee of STC Board of Directors and shall oversee all matters concerning Corporate Governance activities of STC aimed at the promotion and achievement of the objectives and such related matters as may be referred to the Committee by the Board of Directors within the limits of their powers and duties.

The Corporate Governance Committee met once during the current period.

The Corporate Governance Committee as at end June 2017, comprised of the following members:

Corporate Governance Committee			
Dr. R. Bheenick Chairperson	Mr. N. Dawoodarry	Mr. C. Pooneeth	Mr. F. Jeetoo

Staff and Remuneration Committee

The role of the Staff and Remuneration Committee is to support and maintain a culture within the organisation where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the system and is built upon partnership and collaboration. Its role is also to ensure that robust arrangements are in place for the implementation of the Staff and Remuneration Governance Standard.

The Staff and Remuneration Committee as at end June 2017, comprised of the following members:

Staff and Remuneration Committee			
Mr. F. Chuttan Chairperson	Mr. V. Gondeea	Mr. E. Lamarque - (resigned on 20/12/2016)	Mr. F. Jeetoo

During the period 1 January 2016 to 30 June 2017, the Staff and Remuneration Committee met eight (8) times.

Finance and Investment Committee

The role of the Finance and Investment Committee is to undertake and be responsible for the oversight of budgeting and financial performance, financial strategy, planning and policy and financial reporting.

During the year January 16 to June 2017, the Finance and Investment Committee met once.

The Finance and Investment Committee as at end June 2017, was comprised of the following members:

Finance and Investment Committee			
Dr. R. Bheenick Chairperson	Mr. F. Chuttan	Mr. N. Dawoodarry	Mr. C. Pooneeth

Board Meeting and Sub-Committees

The members of the Board and Sub-Committees during the 18 months' period ended 30 June 2017 were as follows: -

Name	Board	Audit and Risk Management Committee	Corporate Governance Committee	Staff and Remuneration Committee	Finance and Investment Committee
Dr. R. Bheenick	√		√		√
Mr. F. Chuttan	√			√	√
Mr. I. Bonomaully	√	√			
Mr. V. Gondeea	√	√		√	
Mr. R.S. Sonea	√	√			
Mr. D. Dawoodary	√		√		√
Mr. C. Pooneeth	√				

Remuneration of Members

The amount paid as Directors fees during the period were:

Chairman: Rs 799,710

Board Members: Rs 1,440,640

Attendance on Board and Sub-Committees

Attendance of Board members and Sub-Committees for the period ended 30 June 2017 was as follows:

Name	Board	Corporate Governance Committee	Audit and Risk Management Committee	Staff and Remuneration Committee	Finance and Investment Committee
Total Number of Meetings	34	1	5	8	1
Dr. R. Bheenick	34	1			1
Mr. F. Chuttan (Mrs Dassagne-Alternate)	30 3			7	1
Mr. I. Bonomaully	23		5		
Mr. V. Gondeea	17		4	5	
Mr. R.S. Sonea	31		4	1	
Mr. N. Dawoodary	23	Nil			1
Mr. F. Jeetoo	24	1		7	
Mr. C. Pooneeth	26	1		1	1
Mr. J.E. Lamarque (Resigned on 20 December 2016)	19		2	3	

Director's Profile

1. Dr. Ramchandra Bheenick, M.D. Doctor in Medicine

Chairman



Dr. Ramchandra Bheenick was appointed on the Board of STC on 22 June 2015. He assumed his functions on 1st July 2015. He is also the Chairman of the Corporate Governance Committee and the Finance and Investment Committee, sub-committees of the Board.

Dr. R. Bheenick holds a Diploma in Occupational Safety & Health and a Certificate in Health Services Management. He was the first Mauritian Member of the British Association of Medical Managers.

Dr. R. Bheenick started his career since 1982. He is involved in activities within the medical sector, both public and private sector. Management support and consultancy role to Mauritian enterprises, Health Institutions and to Government Departments since 1987 till now.

He was also Past Member of Medical Council of Mauritius and Past President of the Private Medical Practitioners Association.

He is at present a MQA Registered Trainer and Part-time Lecturer for various instances.

He is also active in various social and socio cultural organisations.

2. Mr. Fareed Chuttan, Brevet International d'Administration Publique Ecole Nationale d'Administration, France

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. He is also the Chairman of the Staff and Remuneration Committee and member of the Finance and Investment Committee.

Mr. F. Chuttan holds a BA (Honours) (Administration) from the University of Mauritius.

Mr. F. Chuttan started his career in the year 1988 as Assistant Secretary in the Ministry of Works and continued as follows:

Since February 2013

Permanent Secretary

Ministry of Industry, Commerce and Consumer Protection
(Commerce and Consumer Protection Division)

2012 – 2013

Permanent Secretary - Ministry of Arts and Culture

2001 – 2012

Principal Assistant Secretary - Ministry of Arts and Culture

2001 – 2001

Principal Assistant Secretary - Ministry of Labour and Industrial Relations

2000 – 2001

Principal Assistant Secretary - Prime Minister's Office

1999 – 2000

Principal Assistant Secretary - Ministry of Training and Skills Development

1990 – 1999

Assistant Secretary - Ministry of Housing and Lands

1988 – 1990

Assistant Secretary - Ministry of Works

He has also been a member on the following Boards:

- (i) Le Morne Heritage Trust Fund
- (ii) Islamic Cultural Centre
- (iii) Malcolm du Chazal Trust Fund
- (iv) Urdu Speaking Union
- (v) Mauritius Film Development Corporation
- (vi) Industrial and Vocational Training Board (IVTB)
- (vii) Scholarship Commission
- (viii) Hotel Training School
- (ix) Mauritius Housing Company Ltd
- (x) National Housing Development Co. Ltd
- (xi) National Transport Authority

3. Mr. Ishwarlall Bonomaully FCCA, MSc Finance (UOM)
Director, 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 (MoFED). He is also the Chairman of the Audit and Risk Management Committee, a sub-committee of the Board.

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)

4. Mr. Ravi Shankar Sonea
Deputy Permanent Secretary Ministry of Energy & Public Utilities.

Mr. Ravi Shankar Sonea joined the STC Board in December 2015 as representative of the Ministry Energy and Public Utilities. He is also a member of the Audit and Risk Management Committee, a sub-committee of the Board.

Mr. R.S. Sonea holds a Diploma in Public Administration and Management and a Masters in Public Administration.

He started his career as Clerical Officer in 1983 and was promoted to Executive Officer in 1989.

In 1992 he was appointed as Administrative Officer and promoted in 2005 to Deputy Permanent Secretary (Previously Principal Assistant Secretary).

5. Mr. Vishnou Gondeea
Permanent Secretary, Ministry of Agro Industry & Food Security.

He was a member on the Board of the STC from November 1996 to March 2000 and as from March 2007 to May 2010. He has been reappointed as Member of the Board in March 2015.

Mr. V. Gondeea is also member of the Audit and Risk Management Committee and Staff and Remuneration Committee, sub-committees of the Board.

Mr. V. Gondeea holds a Diploma in Public Administration & Management.

Mr. Gondeea is at present the Permanent Secretary at the Ministry of Agro-Industry & Fisheries. He joined the Public Service in the year 1973 and has subsequently worked in the following Ministries:

- (a) Ministry of Trade & Shipping from 1973 -1 996 in various administrative posts as Assistant Secretary and Principal Assistant Secretary
- (b) Ministry of Commerce & Industry - from 1996 to 2000
- (c) Ministry of Information Technology & Communication from 2000 to 2005
- (d) Ministry of Health from October 2005 to Feb 2006
- (e) Ministry of Environment & NDU from March to July 2006

He has also been a member on the following Boards:

Mauritius Sugar Industry Research Institute (MSIRI)
 Tea Board
 Mauritius Post Ltd
 State Informatics Ltd
 MPCB
 National Computer Board
 Mauritius Telecom
 Business Park Mauritius Ltd

6. Mr. Narad Dawoodarry
Director, Administrative & Legal Services, Mauritius Ports Authority



Mr. Dawoodarry was appointed as Board Member on 6 October 2015. He is also member of Finance and Investment Committee and Corporate Governance Committee, sub-committees of the Board.

Mr. Dawoodarry holds a Bachelor degree from the University of Punjab since the year 1979.

He is a qualified Chartered Secretary since 1990 before reading for a Masters Degree in Public Sector Management at the University of Technology in 2003.

He is a Fellow of the Chartered Institute of Logistics and Transport since 2008.

Mr. Dawoodarry took employment with the then Mauritius Marine Authority in 1993 as Secretary before being promoted to the post of Administration Manager in 1999.

In December 2010, he was appointed as Director, Administrative & Legal Services.

7. Mr. Chetnarain Pooneeth
Board Member



Mr. C. Pooneeth was appointed on the Board of STC as an Independent Member since 22 June 2015. He is also a member of the Finance and Investment Committee and Corporate Governance Committee, sub-committees of the Board.

8. Mr. Feizal Jeetoo
Board Member



Mr. F. Jeetoo was appointed on the Board of STC as Independent Member since 22 June 2015.

He is also a member of the Staff and Remuneration Committee and Corporate Governance Committee sub-committees of the Board.

9. Mr. Jean Eddy Lamarque
Board Member

Mr. J.E. Lamarque was appointed on the Board of STC as Independent Member since 22 June 2015. He was also a member of the Staff and Remuneration Committee and Audit and Risk Management Committee, sub-committees of the Board.

Mr. J.E. Lamarque has also been the Director of Best Metal Co. Ltd, a company involved in the construction and heavy metal engineering industry.

He is the Holder of a "Brevet d'Etudes Professionelles".

Mr. J.E. Lamarque started his career as Maintenance Manager at the Compagnie Mauricienne de Textile Ltee. Thereafter, he also offered consultancy services for structural works within the Sugar Industry, namely at Mtibwa SE, Tanzania.

He also followed a course in Tender Procedures and Contract Management under the aegis of the "Construction Industry Development Board."

Management Profile

Mr Rajanah Dhaliah
General Manager (as from July 2015)



Mr. R.Dhaliah started his career as a Lubricant Sales Engineer with Shell in 1990. Since then, he has occupied several posts namely Retail Manager, Business Process Re-engineering and Competence and Learning Manager within the Shell Group and finally Business to Business Manager for Vivo Energy Ltd. During a career spanning over twenty-five years in the energy sector, he has spearheaded numerous projects in Mauritius and the African region.

Mr. Dhaliah is a Registered Professional Mechanical Engineer with the Mauritius Council of Registered Professional Engineer and he also has an MBA from the University of Mauritius. Since joining the STC in July 2015, Mr Dhaliah has embarked himself on a transition journey for the Corporation where the work of all employees is highly valued. His aim is to put his years of experience in the private sector at the service of his country.

H. Hoolash, FCCA, MBA
Risk and Treasury Manager

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

R. R. Bapamah, FCCA, MBA
Financial Manager



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

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



Mrs K.D. Jugoo joined STC as Senior Internal Auditor in June 2007. Before joining STC, she was Examiner of Accounts at the National Audit Office. From 2006-2007 she worked as Accountant at the Mauritius Society of Authors. The post of Senior Internal Auditor was restyled as Audit Manager, in the PRB Report 2008.

Pratap Dave Udhin, Diploma & Advanced 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.

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 was restyled as Assistant Financial Manager, in the PRB Report 2008.

K. Ramdenee, FCCA, MBA
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.

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. 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.

A.P Vythelingum
Acting Secretary of the Board

Mr. A.P Vythelingum holds a Diploma in Public Administration and Management from the University of Mauritius. He joined STC in March 1990 as Clerical /Higher Clerical Officer and has been subsequently appointed as Executive Officer, promoted as Higher Executive Officer and appointed as Administrative Assistant in a career spanning over 20 years. He is presently the Acting Secretary of the Board of STC.

Mr Riyaz Ahmad Idris Varsally, Dip. Public Administration
Ag. Chief Supplies & Sales Officer

Mr. R. Varsally holds a Diploma in Public Administration and Management from the University of Mauritius. He joined the Department of Supplies in March 1979 as Assistant Supplies Officer and promoted as Supplies & Sales Officer. He was then appointed as Senior Supplies & Sales Officer in May 2014. He was acting Principal Supplies & Sales Officer since April 2017 and he is presently acting as Chief Supplies & Sales Officer since May 2017.

Mr. Sundeshwar Geerdharry, Diploma (Marketing)
Assistant Commercial Manager

Mr. S. Geerdharry holds a Diploma in Sales and Marketing from the University of Mauritius. He joined the Department of Supplies in July 1976 as Assistant Supplies Officer. He was promoted as Supplies & Sales Officer in September 1978. He was appointed Trade & Marketing Officer in December 1991. The post of Trade & Marketing Officer was restyled as Commercial Analyst in July 2003. He has a career spanning over 41 years and has been promoted as Assistant Commercial Manager since January 2017.

Mr. Shurya Kumar Demkah, Dip. HRM, B.SC (Hons)HRM
Human Resource Management Officer

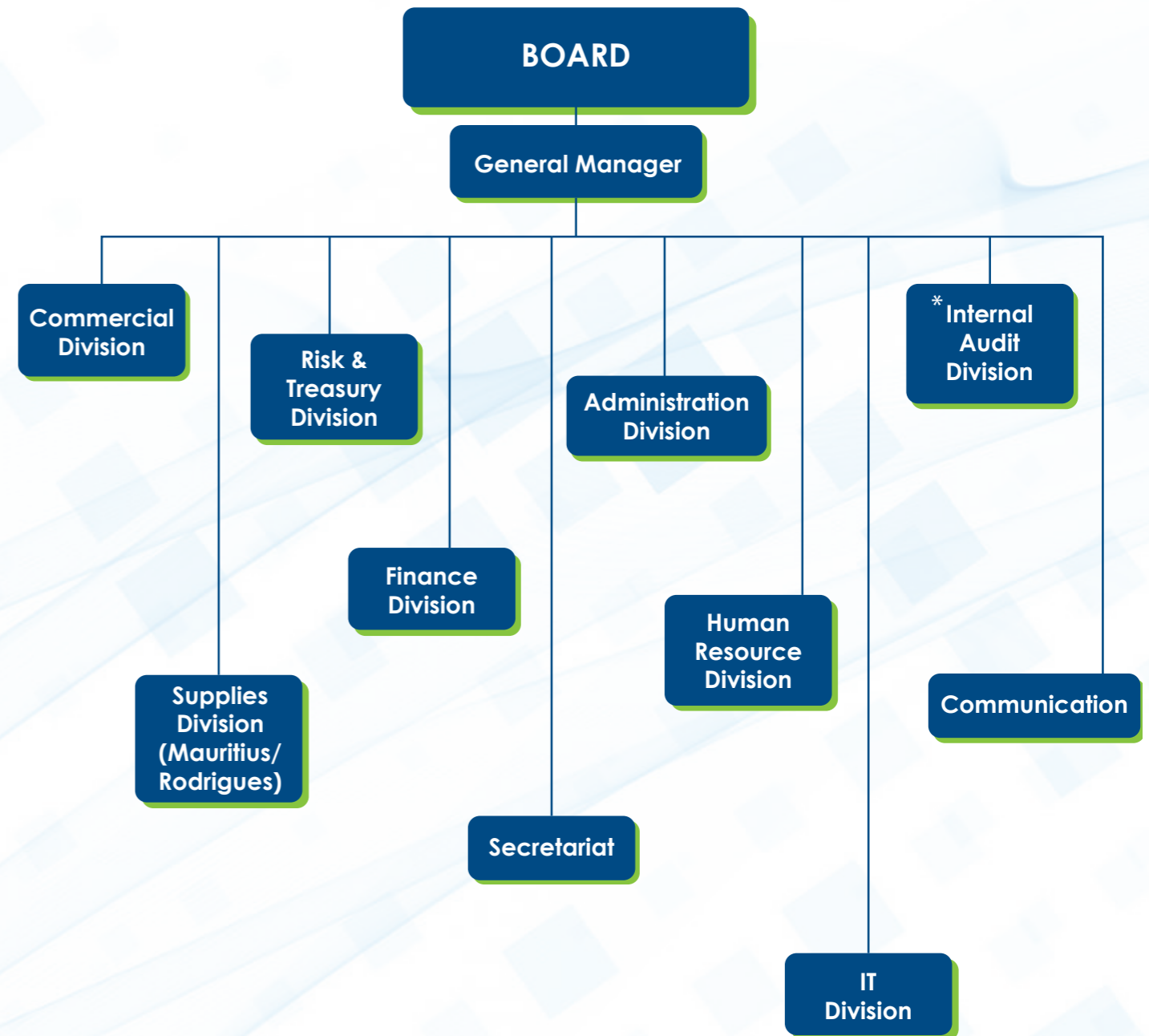
Mr. S. Demkah holds a Diploma in Human Resource Management and a B.SC (Hons) degree in HR Management. He joined STC in March 1990 as Clerical /Higher Clerical Officer and has been subsequently appointed as Executive Officer, promoted as Higher Executive Officer and appointed as Human Resource Management Officer in October 2012. He is presently the Acting Human Resource Manager.

Mrs. Enkamah Appalasami, B.SC (Hons) Information Technology
Ag.IT Manager

Mrs. E. Appalasami holds a B.SC(Hons) degree in Information Technology from the Guildhall University. She joined STC in March 1990 as Clerical /Higher Clerical Officer and was subsequently appointed as Accounts Clerk in December 1997. She was appointed as Systems Analyst in April 2005. She is presently acting as Information & Technology Manager.

Organisational Chart

The Organigram of the Corporation is as follows:



*The Internal Audit Division functionally report to the Audit & Risk Committee of the Board

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.

Adequate accounting records and an effective system of internal controls and risk management have been maintained. Moreover, an adequate security system has been put in place to ensure protection of data and information of the Corporation.

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, the National Audit Office, 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 external auditors are responsible for reporting on whether the financial statements are fairly presented

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 Audited Financial statements has been authorised for issue on 30 May 2018

In preparing the Financial statements, it has been ensured that:

- suitable accounting policies have been applied on a consistent basis using reasonable and prudent judgement.
- appropriate accounting standards and International Financial Reporting Standards (IFRS) have been adhered to in conformity with the changes in presentation.

The Board has set up an Internal Audit Division which is under the responsibility of an Audit Manager assisted by an Ag. Internal Auditor and other staff. The Audit Manager reports to the Audit and Risk Management Committee, a sub-committee of the Board which is chaired by a non-executive director. The Internal Audit Division carries out their duties in compliance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The Audit Manager has ready and unrestricted access to the Chairman of the Board and Audit Committee. The Officers of the Internal Audit Division and the External Auditors are authorized full, free and unrestricted access to all records,

physical properties and personnel, pertinent to carrying out their duties. Meetings of the Audit Committee and attendance of its members have been disclosed in the section of Corporate Governance.

The Board has the overall responsibility for the Systems of Internal Control and Risk Management as well as the governance practices. To discharge these duties, the Audit and Risk Management Committee assists the Board by focusing on the following areas:

- Review and approve the Internal Audit Plan prepared by the Internal Audit Division;
- Consider the risk areas and the risk mitigating measures proposed by Management;
- Examine issues raised by the Internal and External Auditors. STC's Audit Manager attended all the meetings of the Audit and Risk Management Committee. The Committee also met the External Auditors to discuss their findings and recommendations following the audit exercise;
- Review the Financial Statements prior to recommending same for Board approval.
- Follow up and implementation of recommendations of External Auditor in order to improve the process and ensure proper accountability is regularly adhered to.

The Audit and Risk Management Committee reports important matters to the Board. Over the years STC has developed sound systems of the Internal Control and Risk Management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business.

The Financial Statements have been prepared on a going concern basis and there is no reason to believe that the STC will not continue as a going concern in the year ahead.

During the 18-month period, there was no case of conflict of interest in respect of matters discussed at Board level.

The Directors confirm that STC has adhered to the requirements of the Code of Corporate Governance and other applicable Regulatory requirements. It is also confirmed that the Financial Statements comply with the Statutory Bodies/Accounts and Audit Act 1982.

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



Dr R Bheenick
Chairman



I Bonomaully
Board Member

Statement of Compliance

(Section 75 (3) of the Financial Reporting Act)

Name of PIE: State Trading Corporation

Reporting Period: 1 January 2016 to 30 June 2017

We, the Directors of the State Trading Corporation (STC), confirm that to the best of our knowledge, the STC has complied with all of its obligations and requirements under the Codes of Corporate Governance.

Signed by:



Dr R Bheenick
Chairman



I Bonomally
Board Member





NATIONAL AUDIT OFFICE

REPORT OF THE DIRECTOR OF AUDIT

To THE BOARD OF THE

STATE TRADING CORPORATION

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the State Trading Corporation, which comprise the statement of financial position as at 30 June 2017, and the statement of profit and loss and other comprehensive income, statement of changes in equity and the cash flow statement for the 18-month period then ended and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements give a true and fair view of the financial position of the State Trading Corporation as at 30 June 2017, and of its financial performance and its cash flows for the 18-month period then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Mauritius, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 27 to the financial statements wherein it is reported that a private company has challenged the decision of the Corporation not to avail its services for transportation of petroleum products since February 2015 and submitted a claim of US\$ 176,345,494 plus interest, legal fees and costs.

04 MAY 2018

14th Floor, Air Mauritius Centre, John Kennedy Street, Port Louis – Mauritius
Tel.: 212 2096-971 211 0882 Fax: (230) 21 1 0880

REPORT OF THE DIRECTORS OF AUDIT

The claim was referred to arbitration. On 5 June 2017, the Corporation was ordered to pay damages of about Rs 4.2 billion plus interest to the private company. The Corporation has made an application to the Supreme Court to set aside the award.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there is nothing to report in this regard.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report of the Corporation, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with information appearing in the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in compliance with the Statutory Bodies (Accounts and Audit) Act and the Financial Reporting 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.

Those charged with governance are responsible of overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSA is will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSA is, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. I describe these matters in my auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Statutory Bodies (Accounts and Audit) Act

I have obtained all information and explanations I have required for the purpose of my audit. In my opinion, in all material respects:

- the Corporation has complied with the Act and any directions of the Minister to whom its responsibility is assigned, in so far as they relate to the accounts;
- as far as could be ascertained from my examination of the financial statements submitted to me, expenditure incurred were not of an extravagant or wasteful nature, judged by normal commercial practice and prudence;
- the Corporation has been applying its resources and carrying out its operations fairly and economically.

Public Procurement Act

The Corporation is responsible for the planning and conduct of its procurement. 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 examination of the relevant records.

Financial Reporting Act

The Directors are responsible for preparing the Corporate Governance Report. My responsibility is to report on the extent of compliance of the Code of Corporate Governance as disclosed in the Annual Report and on whether the disclosure is consistent with the requirements of the Code.

In my opinion, the disclosure in the Annual Report is 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

30 April 2018

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		30 JUNE 2017	31 DEC 2015
	Notes	Rs	Rs
ASSETS			
Non Current Assets			
Property, Plant and Equipment	5	62,536,780	18,237,910
Land and Building	6	255,845,643	19,162,225
Intangible Assets	7	6,727,331	3,745,151
Investments	8	20,472,407	1,778,265
Total Non Current Assets		345,582,161	42,923,551
Current Assets			
Inventories	9	82,674,599	82,325,018
Trade and Other Receivables	10	2,777,931,673	3,229,053,387
Work in progress		-	35,466,377
Cash and Cash Equivalent	11	1,482,404,974	3,708,626,496
Subsidy and Projects Development Account	11	1,476,931,877	-
Total Current Assets		5,819,943,123	7,055,471,278
TOTAL ASSETS		6,165,525,284	7,098,394,829
EQUITY AND LIABILITIES			
Capital And Reserves			
Share Capital	12	400,000	400,000
Retained Earnings	14	1,665,031,665	1,543,225,622
Total Equity		1,665,431,665	1,543,625,622
Non-Current Liabilities			
Employee Benefit Obligations	15	63,787,420	62,122,339
Current Liabilities			
Trade and Other Payables	16	1,322,039,995	5,436,324,006
Subsidy and Projects Development Reserve Fund	11	1,476,931,877	-
Short Term Borrowings	17	1,566,467,998	-
Pension Liability	15	70,866,329	56,322,862
Total Current Liabilities		4,436,306,199	5,492,646,868
Total Liabilities		4,500,093,619	5,554,769,207
TOTAL EQUITY AND LIABILITIES		6,165,525,284	7,098,394,829
No of Shares		40,000	40,000
Net value of Shares		41,636	38,591

FINANCIAL STATEMENTS

Notes 1 to 28 form an integral part of these financial statements.
The Audited Financial Statements were approved by the Board on 28 March 2018.



Dr R Bheenick
Chairman



I Bonomally
Board Member

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
18-MONTH PERIOD ENDED 30 JUNE 2017**

	Notes	18-month ended 30 June 2017 Rs	Year ended 31 December 2015 Rs
Revenue	18	33,633,072,586	26,016,297,284
Cost of Sales	25	(33,329,423,761)	(25,843,451,420)
Gross Profit		303,648,825	172,845,864
Contribution for Subsidy on LPG , Rice and Flour	23	1,914,073,834	793,187,767
Investment and Interest Income	19	48,260,222	37,293,543
Other Revenue		447,518	528,530
Net Foreign Exchange Gain	20	726,026,833	280,231,150
Administrative Expenses	21	(385,842,496)	(215,301,691)
Interest Expense	22	(16,282,795)	(4,058,777)
Operating Profit		2,590,331,941	1,064,726,386
Share of Loss in Associate		(346,758)	(548,420)
Transfer (to)/from Subsidy Fund	23	(1,197,239,840)	-
Net Profit for the period/year		1,392,745,343	1,064,177,966
OTHER COMPREHENSIVE INCOME			
Pension Contribution recognized in Income Statement	15	(20,939,300)	(52,840,135)
Total Comprehensive Income		1,371,806,043	1,011,337,831

STATEMENT OF CHANGES IN EQUITY FOR THE 18-MONTH PERIOD ENDED 30 JUNE 2017

	Share Capital Rs	Retained Earnings Rs	Total Equity Rs
Balance as at 1 January 2015	400,000	1,531,887,791	1,532,287,791
Profit for the year 2015	-	1,011,337,831	1,011,337,831
Dividend paid		(1,000,000,000)	(1,000,000,000)
Profit for the year 2015 after Dividend		11,337,831	11,337,831
Balance as at 31 December 2015	400,000	1,543,225,622	1,543,625,622
Profit for the 18-month period ended 30 June 2017	-	1,392,745,343	1,392,745,343
Dividend paid (Note 13)		(1,250,000,000)	(1,250,000,000)
Pension Contribution recognised in Income Statement		(20,939,300)	(20,939,300)
Balance as at 30 June 2017	400,000	1,665,031,665	1,665,431,665

Statement of Cash Flow
For 18-month period ended 30 June 2017

	Notes	18-month ended 30 June 2017 Rs	Year ended 31 December 2015 Rs
Cash flows from Operating Activities			
Total Comprehensive Income		1,371,806,043	1,011,337,831
Dividend Paid		(1,250,000,000)	(1,000,000,000)
Share of Loss in Associate		346,758	548,420
Investment revenue recognised in Income Statement		84,000	(180,316)
Investment Income recognised in Profit & Loss		(133,088)	
Gain / (Loss) on sale or disposal of property, plant and equipment		822,220	(344,546)
Depreciation of non current assets	5-7	20,214,055	7,772,278
Adjustment for Non Current Assets		-	(1,899,158)
Effects of Exchange Rate changes on the balance of Cash /Lines of Credit held in foreign currencies		(641,460,314)	(294,340,086)
Dividend Payable to Government		1,250,000,000	1,000,000,000
Interest Receivable	19	(48,127,134)	(37,113,228)
Interest Payable	22	16,282,795	4,058,777
		719,835,335	689,839,972
Movements in Working Capital			
(Increase)/Decrease in trade and other receivables		457,855,772	273,894,162
(Increase)/Decrease in inventories	9	(349,581)	38,902,600
Increase/(Decrease) in trade and other payables		(4,098,075,462)	1,683,545,215
Cash generated from operating activities		(2,920,733,936)	2,686,181,949
Interest Paid	22	(16,282,795)	(4,058,777)
Net Cash generated from operating activities		(2,937,016,731)	2,682,123,172
Cash flow from investing activities			
Interest received		76,859,557	52,901,141
Dividend Paid to Government		(1,250,000,000)	(1,000,000,000)
Investment in MOST		(19,125,000)	-
Acquisition of Non Current Assets	5-7	(305,697,229)	(3,733,253)
Investment revenue recognised in profit or loss		133,088	180,316
Proceeds from disposal of Non Current Assets		696,485	428,933
Net cash (used in)/generated by investing activities		(1,497,133,099)	(950,222,863)
Cash flow from financing activities			
Proceeds from borrowings		22,128,319,385	15,224,203,981
Repayment of borrowings		(19,905,369,738)	(16,032,291,872)
Net cash generated from financing activities		2,222,949,647	(808,087,891)
Net (decrease)/increase in cash and cash equivalents		(2,211,200,183)	923,812,418
Cash and cash equivalents at the beginning of the period		3,708,626,496	2,779,901,916
Effects of Exchange Rate changes on the balance of cash held in foreign currencies		(15,021,339)	4,912,162
Cash and cash equivalents at the end of the period		1,482,404,974	3,708,626,496

Notes to Cash Flow

(a) Cash and Cash Equivalent

Cash and Cash Equivalent consist of cash in hand, balances with banks and investments in money market instruments. Cash and cash equivalent at 30 June 2017 included in the cash flow statement comprise the following:

	30 Jun 2017 Rs	31 Dec 2015 Rs
Cash in Hand	69,203	18,353
Bank Balances	840,053,244	573,224,528
Short Term Deposits	2,119,214,404	3,135,383,615
Gross Total	2,959,336,851	3,708,626,496
Transfer to Subsidy and Projects Development Account	(1,476,931,877)	-
Net Cash and Cash Equivalent	1,482,404,974	3,708,626,496

(b) Subsidy Account

An amount of Rs 2.70 per litre is collected on the sales of Mogas and Gas Oil in respect of subsidy on Rice, Flour and LPG. During the period January 2016 to June 2017 an amount of Rs 1.9 billion has been collected under this item. Total subsidy on Rice, Flour and LPG for the period amounted to Rs 714 million and a balance of Rs 1.2 billion has been credited to the Subsidy Reserve Fund to meet future requirements.

(c) Storage Tank Development Account

An amount of Re 0.10 per litre on sales of Mogas and Gas Oil and Re 0.10 per kg on LPG is collected for the construction of storage facilities and is credited to this account.

(d) Bunker Fuel Development Account

A Bunker Fuel Account has been created to promote marine bunker fuel oil business in Mauritius.

(e) Property Plant and Equipment/ Intangible Assets

During the 18 months ended 30 June 2017, the Corporation acquired Land & Building, Property, Plant and Equipment (PPE) and Intangible Assets with an aggregate cost of Rs 305.7 million. STC does not receive any capital grant from the Government for the acquisition of PPE.

**Statement of Comparison of Budget and Actual Amounts for the
18-month period ended 30 June 2017**

PARTICULARS	Budget	Actual	Difference	Remark
	1 Jan 2016 - 30 Jun 17 (Note i)	1 Jan 2016 - 30 Jun 2017	Note (ii)	
	Rs 000	Rs 000	Rs 000	
Revenue	40,588,375	33,633,073	(6,955,302)	*see below
Cost of Sales	(40,311,392)	(33,329,424)	6,981,968	*see below
Gross profit	276,983	303,649	26,666	
Contribution to Subsidy on LPG ,Rice and Flour	1,994,855	1,914,074	(80,781)	
Investment and Interest Income	45,000	48,260	3,260	
Other Revenue	129,943	448	(129,495)	
Net Foreign Exchange Gain	450,210	726,027	275,817	
Wages, Salaries and Employee Benefits	(216,242)	(241,814)	(25,572)	Refer to Note 5
Supplies and Consumables	(24,527)	(36,347)	(11,820)	
Utilities	(6,949)	(7,611)	(662)	
Rent	(23,572)	(21,839)	1,733	
Repairs and Maintenance	(14,920)	(9,591)	5,329	
Other Adm. Expenses	(99,552)	(48,427)	51,125	
Depreciation	(21,779)	(20,214)	1,565	
Interest Payable	(8,174)	(16,283)	(8,109)	
Share of loss in Associates	-	(347)	(347)	
Transfer to Subsidy Fund	(1,218,737)	(1,197,240)	21,497	
Operating Surplus	1,262,539	1,392,745	130,206	
Dividend paid to Government	(2,150,000)	-	2,150,000	
Pension Contribution	-	(20,939)	(20,939)	
Total Comprehensive Income/ (Deficit)	(887,461)	1,371,806	2,259,267	

	Budget	Actual	Difference	
	1 Jan 2016- 30 Jun 2017 (Note i)	1Jan 2016- 30 Jun 2017	(Note ii)	
	Rs	Rs	Rs	
Office Equipment & Furniture	2,500,000	34,251,350	(31,751,350)	Refer to Note 5 Passenger lift, water pump and standby generator were approved in budget of Building
Plant and Machinery	5,200,000	8,070,000	(2,870,000)	
Computer System & Equipment	1,300,000	21,611,057	(20,311,057)	Refer to Note 5
Warehouse	800,000,000	-	800,000,000	Project not yet realised
TOTAL	809,000,000	63,932,407	745,067,593	

Note (ii)- represents the difference between budget for 18-month period January 2016 to June 2017 and actual revenue and expenses on a comparable basis.
Note (iii) The Financial Statements as well as the Budget are prepared on an accrual basis.

*The actual turnover and cost of sales figures differ from the budgeted figures mainly due to the movement of world prices of Petroleum Products and LPG which are the main 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 18 months January 2016 to June 2017 approved by the Board of STC in September 2015 as per statutory requirement, was based on information available at that time. Thereafter, in March 2017, the document was revised based on actual data available and updated figures, 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 55, Business Zone, Ebène Cybercity 72201, Ebène, Réduit, Mauritius, as from June 2016. Previously, the business address was Fon Sing Building, Edith Cavell Street, Port Louis. STC is engaged in the importation of essential commodities such as Petroleum Products, Liquefied Petroleum Gas, 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The measurement base applied is historical cost adjusted for revaluations of assets.

Comparative information for the Statements of Financial Position, Profit or Loss and Other Comprehensive Income and Cash Flow have been provided.

The Financial Statements comply with the Statutory Bodies (Accounts and Audit) Act and with the Financial Reporting Act. STC also complied with Minister's directives in accordance with section 14 of STC Act. The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) 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 Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). STC first adopted the IFRS to prepare its financial statements for year ended June 2007. Thereafter,

following amendment in the Statutory Bodies (Accounts and Audit) Act in 2010, the International Public Sector Accounting Standards (IPSAS) was adopted for years 2011, 2012 and 2013.

The Statutory Bodies (Accounts and Audit) Act has been further amended in 2013 and requires STC to report under IFRS.

The Corporation has adopted relevant new and revised IFRS that are relevant to its operations for the 18 months ended June 2017.

While the comparative figures for the previous reporting periods were prepared on a calendar year basis, Statutory amendments required this report to be exceptionally prepared for an 18 - month period starting 1st January 2016 and ending on 30th June 2017. Consequently, the figures for the current financial period are not fully comparable with those of the previous financial year. The STC's financial year will henceforth start on 1st July to end on the subsequent 30th June.

ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Corporation has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016.

At the date of authorisation of these financial statements, a number of new Standards and Interpretations were in issue but not yet effective. None of these is expected to have a significant effect on the financial statements of the Corporation.

The following Standards and Interpretations were issued but not yet effective:

1. IFRS 1 (Amendment) First Time Adoption of International Financial Reporting Standards (1 January 2018);
2. IFRS 2 (Amendment) – Share- based payment (1 January 2018);
3. IFRS 3 Business Combination (1 January 2019)
4. IFRS 4 (Amendment) Insurance Contracts (1 January 2018);
5. IFRS 9 Financial Instruments (1 January 2018);
6. IFRS 11 Joint Arrangement (1 January 2019);
7. IFRS 15 (Amendment) Revenue from Contracts with Customers (1 January 2018);
8. IFRS 16 Leases (1 January 2019);
9. IFRS 17 Insurance Contracts (1 January 2021);
10. IAS 12 Income Tax (1 January 2019);
11. IAS 23 Borrowing Costs (1 January 2019);
12. IAS 28 (Amendment)- Investment in Associates and Joint Ventures (1 January 2018);

13. IAS 40 (Amendment) Investment Property (1 January 2018);
14. IFRIC 22 Foreign Currency Transactions and Advance Consideration (1 January 2019);
15. IFRIC 23 Uncertainty over Income Tax Treatment (1 January 2019).

(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 has been removed from the Registrar of Companies under Section 308 of the Companies Act 2001 as from 29 March 2016.

(iv) Accounting Period

The Financial Statements for the current period have been prepared for the eighteen months ended 30 June 2017 with comparative information for the twelve months ended 31 December 2015.

(v) 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.

(vi) Retirement and other Benefits

The Corporation as well as its employees contribute to two separate pension schemes managed by SICOM Ltd for:

- (i) Defined Benefit Pension Plan for permanent employees up to 31 December 2012.
- (ii) Defined Contribution Pension Plan for new entrants as from 01 January 2013.

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

Defined Benefit Pension Plan

Contributions in respect of employees who were on Permanent and Pensionable Establishment at 31 December 2012, were paid in a Defined Benefit Pension Plan managed by SICOM Ltd.

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.

Defined Contribution Pension Scheme

The 2013 PRB report has recommended the implementation of a contributory Defined Contribution (DC) Pension Scheme for new entrants as from 01 January 2013. The pension plan is managed by SICOM Ltd. Under a DC Scheme, usually the pension benefit at retirement is not known in advance as it will depend on the level of contributions made which in turn depend on the salaries of each employee during his employment, the level of investment returns earned on these contributions and the cost of converting the sum built up into a pension at time of retirement.

Once a full time and permanent employee joins the DC Scheme set up for the Public Sector, an account in his respect will be opened. The account will be credited each month with cash contributions both from the employer and the employee. These cash contributions net of expenses will be invested in order to build up a sum which will buy the employee a pension on retirement.

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.

(vii) Investment

For the purpose of measurement, these investments have been categorised as financial assets at fair value through profit and loss.

Investment in Associate

An associate is an entity over which the entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is

the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

(viii) Other 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 Statement of Profit or Loss.

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

(ix) 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.

In accordance with VAT Act, all products sold by the Corporation during the 18 months ended 30 June 2017 are Taxable supplies. As such revenue is accounted net of Value Added Tax (VAT). 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.

(x) 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) One year: - Rs 987,825
- (ii) Later than one year and not later than five years: - Rs 3,800,961
- (iii) Later than five years: - Rs 9,651,012

(a) Total rents recognized in the Statement of Profit or Loss and Other Comprehensive Income during the 18-month period ended 30 June 2017- Rs 21,839,045

- (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 of land for its Administrative block at Ebène.
 - One lease agreement for a plot of land at Riche Terre.
 - One lease agreement for Granary at Port Mathurin, Rodrigues.
 - One lease agreement for sales unit at Fon Sing Building, Port Louis.

(xi) Foreign Currencies

The Organisation 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 Statement of Profit & Loss and Other Comprehensive Income in the period in which they arise.

(xii) 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 40,000 with effect from Financial Year 2014.

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
Computer System	20
Office Equipment and Furniture	10
Plant and Machinery	10
Building	2

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 Statement of Profit or Loss.

(xiii) Intangible assets

Computer software and ERP

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. During the reporting period, the economic life of the ERP software has been extended by another five years as it is still in use.

(xiv) 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.

(xv) 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.

(xvi) Trade Payables

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

(xvii) Financial Instruments

Financial Assets and Liabilities are recognised in the Statement of Financial Position when the Corporation has become a party to the contractual provisions of the instrument.

(xviii) Impairment

At each reporting date, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of the fair value less costs to sell, and value

in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized as an expense immediately. Following an impairment survey carried out, no impairment charge has been recognized during the current financial period.

(xix) 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.

(xx) Pricing

Prices of commodities sold by the Corporation are fixed by Government in accordance with the Consumer Protection Regulations and by STC. In order to adhere to Government policy of selling products of basic necessity namely Rice, Flour and LP Gas for domestic consumption at affordable prices, the Corporation meets any shortfall on these products.

(xxi) 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 25.

(xxii) Tax

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

(xxiii) The Statement of Cash Flow is prepared using the direct method.

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.

(i) 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. Our Customers have never default payment to us and therefore the risk is very minimal.

(ii) 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. The Corporation does not use derivative financial instruments to hedge risk exposure.

(iii) 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.

(iv) 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 in Mauritian Rupees. 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 purchasing of foreign currency in advance.
- ii) Entering to some 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 in January 2011 to provide for a Petroleum Pricing Committee (PPC). With this 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.

The gains or losses have been recognized on the basis that the realisation of income or loss is virtually certain and are either credited or debited in the Price Stabilisation Account.

(iii) Post-Employment Benefits

The determination of employee's post-employment benefit costs and related provisions, as detailed in Note 16 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. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Motor Vehicles Rs	Office Equipment & Furniture Rs	Plant & Machinery Rs	Computer Equipments Rs	Total Property, Plants and Equipments Rs
COST					
At 1 January 2016	11,634,376	7,936,165	33,192,463	7,529,208	60,292,212
Additions	-	34,251,350	8,070,000	16,435,468	58,756,818
Disposal	(1,149,110)	(178,150)	(9,290,966)	(52,723)	(10,670,949)
Derecognised	-	(1,721,387)	-	-	(1,721,387)
At 30 June 2017	10,485,266	40,287,978	31,971,497	23,911,953	106,656,694
DEPRECIATION					
At 1 January 2016	7,720,077	6,189,431	21,042,789	7,102,005	42,054,302
Charge for the year	1,819,456	3,626,807	4,011,324	3,481,655	12,939,242
Disposal	(1,149,110)	(165,559)	(7,844,635)	(39,273)	(9,198,577)
Derecognised	-	(1,675,053)	-	-	(1,675,053)
At 30 June 2017	8,390,423	7,975,626	17,209,478	10,544,387	44,119,914
CARRYING AMOUNT					
At 31 December 2015	3,914,299	1,746,734	12,149,674	427,203	18,237,910
At 30 June 2017	2,094,843	32,312,352	14,762,019	13,367,566	62,536,780

- (i) Other Revenue in the Statement of Profit or Loss includes an amount of Rs 822,220 as Loss on Disposal of PPE during the year.
- (ii) In line with the capitalization policy as approved by the Board of STC all individual item above Rs 40,000 have been accounted as PPE. Out of total purchases of furniture and equipment amounting to Rs 43,500,979 during the period under review, Rs 12,801,222 have been treated as tools and equipment and Rs 30,699,757 have been capitalised.

6. LAND AND BUILDING

During the period under report, STC has acquired a building in Ebène at the cost of Rs 297.1 million and has been accounted under different items as follows:

- Land- Rs 17.0 million
- Building-Rs 224.5 million
- Plant and Machinery-Rs 8.8 million (Rs 3.9 million has not been capitalized at 30.6.2017)
- Office Equipment and Furniture-Rs 30.9 million
- Computer Equipment-Rs 3.1 million
- Tools and Equipment- Rs 12.8 million

	Building Rs	Land Rs	Total Rs
COST			
At 1 January 2016	13,330,260	11,107,720	24,437,980
Additions	224,574,822	17,000,000	241,574,822
At 30 June 2017	237,905,082	28,107,720	266,012,802
DEPRECIATION			
At 1 January 2016	5,275,755	-	5,275,755
Charge for the year	4,891,404	-	4,891,404
At 30 June 2017	10,167,159	-	10,167,159
CARRYING AMOUNT			
At 31 December 2015	8,054,505	11,107,720	19,162,225
At 30 June 2017	227,737,923	28,107,720	255,845,643

Note: The figures accounted in respect of the Building at Ebène are still provisional at the time of reporting and will be adjusted following certification of figures by our Consultant after the defect liability period.

7. INTANGIBLE ASSETS

	30 June 2017 Rs	31 Dec 2015 Rs
COST		
At 1 January, 2016 (Jan 2015)	19,564,516	19,489,516
Additions	5,365,589	75,000
At 30 June 2017 (31 Dec 2015)	24,930,105	19,564,516
AMORTISATION		
At 1 January, 2016 (Jan 2015)	15,819,365	12,494,119
Charge for the year	2,383,409	3,325,246
At 30 June 2017 (31 Dec 2015)	18,202,774	15,819,365
NET BOOK VALUES		
At 30 June 2017 (31 Dec 2015)	6,727,331	3,745,151

8. INVESTMENTS

Name of Company	Country of incorporation	% Ownership	Consideration	30 Jun 2017 Rs	31 Dec 2015 Rs
STCM Ltd	Mauritius	-	-	Nil	100
Rodrigues Trade and Marketing Co Ltd	Mauritius	21.05	Cash	305,747	652,505
Landscape (Mauritius) Ltd	Mauritius	0.3	Cash	316,000	400,000
Africa Export –Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
Mer Rouge Oil Storage Terminal Co Ltd (MOST)	Mauritius	23.5	Cash	19,125,000	-
At Reporting date				20,472,407	1,778,265

8A INVESTMENT IN ASSOCIATED COMPANY

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	30 Jun 2017 Rs	31 Dec 2015 Rs
Rodrigues Trade and Marketing Co. Ltd	Mauritius	21.05 (2015 - 40%)	Cash	305,747	652,505
At Reporting date				305,747	652,505

For the purpose of applying the equity method of accounting, the financial statements of RTMC for the year ended 31 December 2015 which was received in May 2017, has been used. At the time of issue of this report, the Financial Statements of RTMC for the year 2016 has not been submitted. Therefore, no adjustment has been made to the statement in respect of year 2016.

Summarised financial information of the RTMC for the year 2015 is set out below:

	31 Dec 2015 Rs	31 Dec 2014 Rs
Total Assets	8,497,809	4,810,578
Total Liabilities	(589,937)	(952,977)
Net Assets/Equity	7,907,872	3,857,601
Total revenue	4,341,461	12,118,140
Total expenses	5,988,766	(13,489,189)
Net loss	(1,647,305)	(1,371,049)
STC's share of net loss in associated company	(346,758)	(548,420)

	31 Dec 2015 Rs	31 Dec 2014 Rs
Investment in Associated Company at 1 January	652,505	1,200,925
Investment during the reporting period		
STC's share of net loss period	(346,758)	(548,420)
Investment in associate at reporting date	305,747	652,505

8 B OTHER INVESTMENT

Name of Company	Country of incorporation	% Ownership	Consideration	30 Jun 2017 Rs	31 Dec 2015 Rs
STCM Ltd	Mauritius	-	-	-	100
Landscape (Mauritius) Ltd	Mauritius	0.03	Cash	316,000	400,000
Africa Export –Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
At reporting date				1,041,660	1,125,760

The wholly owned subsidiary company of STC, the STCM Ltd has ceased its activity in May 2010 and has been removed from the register of companies under Section 308 of the Companies Act 2001 as from 29 March 2016.

Investment	% of Shares	30 Jun 2017 Rs	31 Dec 2015 Rs
Unquoted			
a) STCM Ltd Note (8B)	-	-	100
b) Rodrigues Trade & Marketing Co. Ltd	21.05	305,747	652,505
c) Landscape (Mauritius) Ltd)	less than 1	316,000	400,000
d) Africa Export-Import Bank (Afreximbank)	less than 1	725,660	725,660
e) MOST Co Ltd	23.5	19,125,000	-
Total		20,472,407	1,778,265

9. INVENTORIES

COMMODITIES	30 Jun 2017	31 Dec 2015
	Rs	Rs
Rice	42,548,503	47,423,303
Flour	39,190,015	34,178,531
Sugar	936,081	723,184
TOTAL	82,674,599	82,325,018

COMMODITIES	30 June 2017		31 December 2015	
	COST Rs	Net Realisable Value Rs	COST Rs	Net Realisable Value Rs
Long Grain Rice	57,177,744	37,279,678	41,590,734	31,067,444
Basmati Rice	5,268,825	6,610,120	6,273,869	7,256,410
Basmati Rice	-	-	17,232,570	10,081,990
Flour	49,635,438	39,190,015	48,837,011	34,178,531
Sugar (White)	713,692	749,700	437,748	463,550
Sugar (Raw)	222,389	234,525	285,436	302,260
TOTAL	113,018,088	84,064,038	114,657,368	83,350,185

The cost of inventories recognised as an expense includes Rs 30,343,489 in respect of adjustments of inventory of Rice and Flour 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 30 June 2017, 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.

10. TRADE AND OTHER RECEIVABLES

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

	30 Jun 2017	31 Dec 2015
	Rs	Rs
Trade Receivables	2,603,365,367	3,169,045,505
Price Stabilisation Account	153,530,727	(See note 16)
Other receivables	21,035,579	95,474,259
TOTAL	2,777,931,673	3,264,519,764

11. CASH AND CASH EQUIVALENT

	30 Jun 2017	31 Dec 2015
	Rs	Rs
Cash in Hand	69,203	18,353
Bank Balances	840,053,244	573,224,528
Short Term Deposits	2,119,214,404	3,135,383,615
Gross Total	2,959,336,851	3,708,626,496
Transfer to Subsidy and Projects Development Account	(1,476,931,877)	-
Net Cash and Cash Equivalent	1,482,404,974	3,708,626,496

Note: As approved by the Board in Revised Budget for January 2016 to June 2017 an amount of Rs 1.477 billion has been transferred to Subsidy and Projects Development Account as detailed below:

- (i) Rs 1,197.2 million to Subsidy Account;
- (ii) Rs 115.9 million to Storage Tank Development Account;
- (iii) Rs 163.7 million to Bunker Fuel Development Account.

12. SHARE CAPITAL

	30 Jun 2017 Rs	31 Dec 2015 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

13. DIVIDEND PAID TO GOVERNMENT

During the 18- month period ended 30 June 2017, an amount of Rs 1.25 billion has been paid as Dividend to Government of Mauritius.

14. RETAINED EARNINGS

	Rs
Balance as at 1 January 2015	1,531,887,791
Surplus for the year 2015	1,011,337,831
Dividend paid	(1,000,000,000)
Surplus for the year 2015 after payment of Dividend	11,337,831
Balance as at 31 December 2015	1,543,225,622
Surplus for the 18-month period ended 30 June 2017 before payment of Dividend	1,392,745,343
Dividend paid	(1,250,000,000)
Surplus for the 18- month period ended 30 June 2017	1,685,970,965
Pension Contribution recognized in Income Statement	(20,939,300)
Balance as at 30 June 2017	1,665,031,665

15. 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 recognised 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 Profit or Loss and Other Comprehensive Income.

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 Profit or Loss and Other Comprehensive Income.

An accrual amount of Rs 63,787,420 is made for the estimated liability for bank sick leave, passage benefits and vacation leaves. Administrative Expenditure for the 18 months ended 30 June 2017 includes an amount of Rs 14.4 million in this respect.

(ii) Post Employment Benefits

As explained at note 2 (vi) the Corporation as well as its employees contribute to two separate pension schemes managed by SICOM Ltd namely:

- (a) Defined Benefit Pension Plan (DB) for permanent employees up to 31 December 2012; and
- (b) Defined Contribution Pension Plan (DC) for new entrants as from 01 January 2013.

The amount of Rs 241.8 million in respect of wages, salaries and employee benefits (see note 21) includes Rs 20,971,931 contributed by STC in the Defined Benefit Pension Plan and Rs 1,230,322 in the Defined Contribution Pension Scheme managed by SICOM Ltd.

Actuarial Report on the defined benefit pension plan for STC employees

FIGURES FOR IAS 19 ADOPTION FOR: State Trading Corporation for period ended 30 June 2017

FIGURES FOR IAS 19 ADOPTION FOR: State Trading Corporation for period ended 30 June 2017

	18 month ended 30 June 2017	Year ended 31 December 2015
Amounts recognised in statement of financial position at	Rs	Rs
Defined benefit obligation	487,791,144	458,698,052
Fair value of plan assets	<u>(416,924,815)</u>	<u>(402,375,190)</u>
Liability recognised in balance sheet at end of year	<u>70,866,329</u>	<u>56,322,862</u>
Amounts recognised in Income Statement:		
Service cost:		
Current service cost	14,487,637	11,196,059
Past service cost	-	-
(Employee contributions)	(6,622,715)	(4,426,097)
Fund Expenses	417,738	295,073
Net Interest expense/ (income)	<u>6,293,438</u>	<u>934,211</u>
P&L Charge	14,576,098	7,999,246
Remeasurement:		
Liability (gain)/loss	13,509,753	28,502,972
Assets (gain)/loss	<u>7,429,547</u>	<u>24,337,163</u>
Total Other Comprehensive Income (OCI) recognised	<u>20,939,300</u>	<u>52,840,135</u>
Total	<u>35,515,398</u>	<u>60,839,381</u>
Movements in liability recognised in balance sheet:	Rs	Rs
At start of year	56,322,862	9,499,454
Amount recognised in P&L (Contributions paid by employer)	(20,971,931)	(14,015,973)
Amount recognised in Other Comprehensive Income	<u>20,939,300</u>	<u>52,840,135</u>
At end of year	<u>70,866,329</u>	<u>56,322,862</u>
Actual return on plan assets:	32,486,086	5,686,954

The plan is a defined benefit arrangement for the employees and it is funded. The assets of the funded plan are held independently and administered by SICOM Ltd.

FIGURES FOR IAS 19 ADOPTION FOR: State Trading Corporation for period ended 30 June 2017

	18- month period ended 30 June 2017	Year ended 31 December 2015
	Rs	Rs
Reconciliation of the present value of defined benefit obligation		
Present value of obligation at start of period	458,698,052	412,148,286
Current service cost	14,487,637	11,196,059
Interest cost	44,723,060	30,911,121
(Benefits paid)	(43,627,358)	(24,060,386)
Liability (gain)/loss	<u>13,509,753</u>	<u>28,502,972</u>
Present value of obligation at end of period	<u>487,791,144</u>	<u>458,698,052</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of period	402,375,190	402,648,832
Expected return on plan assets	38,429,622	29,976,910
Employer contributions	20,971,931	14,015,973
Employee Contributions	6,622,715	4,426,097
(Benefits paid + other outgo)	(44,045,096)	(24,335,459)
Asset gain/ (loss)	<u>(7,429,547)</u>	<u>(24,337,163)</u>
Fair value of plan assets at end of period	<u>416,924,815</u>	<u>402,375,190</u>
Distribution of plan assets at end of period		
Percentage of assets at end of year	30 June 2017	31 December 2015
Government securities and cash	56.6%	58.1%
Loans	4.4%	4.3%
Local equities	15.8%	15.9%
Overseas bonds and equities	22.6%	21.0%
Property	<u>0.6%</u>	<u>0.7%</u>
Total	<u>100%</u>	<u>100%</u>
Additional disclosure on assets issued or used by the reporting entity		
	30 June 2017	31 December 2015
Percentage of assets at end of year	%	%
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
Components of the amount recognised in OCI		
Year	30 June 2017	31 December 2015
Currency	Rs	Rs
Asset experience gain/ (loss) during the period	(7,429,547)	(24,337,163)
Liability experience gain/ (loss) during the period	<u>(13,509,753)</u>	<u>(28,502,972)</u>
	<u>(20,939,300)</u>	<u>(52,840,135)</u>
Year	2017/18	
Expected employer contributions	14,094,513	
(Estimate to be reviewed by State Trading Corporation)		
Weighted average duration of the defined benefit obligation (Calculated as a % change in PV of liabilities for a 1% change in discount rate)	12 years	

The plan is exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	18- month Period ended 30 June 2017	Year ended 31 December 2015
Expected rate of return on plan assets	6.50%	7.50%
Future salary increases	4.00%	5.50%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables-rated down by 2 years	

Retirement age -As per second Schedule in the Statutory Bodies Pension Funds Act

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

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 50.7 M (increase by Rs 61.0 M) if all other assumptions were held unchanged.

- If the expected salary growth would increase (decrease) by 100 basis point, the defined benefit obligation would increase by Rs 19.4 M (decrease by Rs 17.5 M) if all assumptions were held unchanged.

- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 13.4 M (decrease by Rs 13.4 M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependences between the assumptions.

16. TRADE AND OTHER PAYABLES

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

Management considers that the carrying amount of trade payables approximates to their fair value as follows:

	30 Jun 2017 Rs	31 Dec 2015 Rs
NON-CURRENT LIABILITIES		
Employee Benefit Obligations:		
Bank Sick Leave/Passage Benefits/ Vacation Leave	63,787,420	62,122,339
CURRENT LIABILITIES		
Government of Mauritius	697,787,489	684,436,950
Mauritius Revenue Authority	326,510,146	663,240,248
Trade Payables	259,796,916	1,953,839,305
Price Stabilisation Account	(See note 10)	2,061,720,525
Other Payables	37,945,444	73,086,978
TOTAL	1,322,039,995	5,436,324,006

17. SHORT TERM BORROWINGS

BORROWINGS	30 Jun 2017 Rs	31 Dec 2015 Rs
Short term Lines of Credit	1,566,467,998	-
TOTAL BORROWINGS	1,566,467,998	-

18. REVENUE

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

	18- month period ended 30 June 2017		Year ended 31 Dec 2015	
	Metric Tons	Rs	Metric Tons	Rs
Petroleum Products	1,585,951	29,870,068,130	1,127,902	23,238,952,421
Rice	31,201	358,292,548	21,542	268,948,573
Flour	152,189	1,673,317,716	101,490	1,134,769,898
LPG	109,647	1,722,727,067	72,460	1,368,168,262
Sugar	298	8,667,125	212	5,458,130
TOTAL	1,879,286	33,633,072,586	1,323,606	26,016,297,284

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

- (a) Road Development Authority-Rs 1,236,815,928
- (b) Build Mauritius Fund- Rs 2,750,594,991
- (c) Subsidy for transportation and storage of Petroleum Products and LPG to Rodrigues -Rs 308,536,594

(ii) The selling prices of Rice, Flour and LPG are fixed by Government. Shortfalls on these products are met from:

- (a) amount collected under the item 'Contribution to Subsidy on LPG, Rice and Flour' in the price structure of Mogas and Gas Oil; and
- (b) surpluses on sales of other products.

19. INVESTMENT & INTEREST INCOME

	18-month period ended 30 Jun 2017 Rs	Year ended 31 Dec 2015 Rs
Investment Income (Dividend Received)	133,088	180,316
Interest on bank balances and bank deposits, etc.	48,127,134	37,113,227
TOTAL	48,260,222	37,293,543

20. NET FOREIGN EXCHANGE GAIN AND LOSS

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 amounting to Rs 726,026,833 recognised in the Statement of Profit and Loss for the 18 - month period ended 30 June 2017 is made up of :

Description	Gain Rs	Loss Rs	Net impact Rs
Accounts payable	114,501,339	(5,231,610)	109,269,729
Accounts receivable	820,318	(37,015,712)	(36,195,394)
Repayment of foreign currency borrowings	667,973,835	-	667,973,835
Subtotal realised gain/(loss)	783,295,492	(42,247,322)	741,048,170
Bank accounts -unrealised gain/(Loss)	996,300	(16,017,637)	(15,021,337)
TOTAL EXCHANGE GAIN / (LOSS)	784,291,792	(58,264,959)	726,026,833

21. ADMINISTRATIVE EXPENSES

Administrative Expenses amounting to Rs 385,842,496 for the 18 – month period ended 30 June 2017 are made up as follows:

	18-month period ended 30 Jun 2017 Rs	Year ended 31 Dec 2015 Rs
Wages Salaries & Employee Benefits	241,812,976	138,069,289
Supplies and Consumables	36,346,665	10,956,510
Utilities	7,610,854	4,422,526
Rent	21,839,045	17,129,620
Repairs and Maintenance	9,591,543	6,284,794
Other Expenses	48,427,358	30,666,674
Depreciation	20,214,055	7,772,278
TOTAL	385,842,496	215,301,691

22. INTEREST EXPENSE

	18- month period ended 30 Jun 2017 Rs	Year ended 31 Dec 2015 Rs
Interest on Lines of Credit	16,257,525	4,058,777
Interest on Overdraft	25,270	-
Total	16,282,795	4,058,777

23. SUBSIDY ON LPG, RICE AND FLOUR

The selling prices of Long Grain White Rice, Flour and LPG in cylinders of up to 12 kg are controlled by Government and fixed at a level below cost. In order to finance these shortfalls, Government has included in the price structure of Mogas and Gas Oil an amount of Rs 2.70 per litre under the item 'Contribution for subsidy on LPG, Rice and Flour'. An amount of Rs 1.9 billion has been collected under this item during 18-month period ended 30 June 2017. The total subsidy requirements for the 18-month period ended 30 June 2017 amounted to Rs 716.8 million and the balance of Rs 1.2 billion has been transferred to Subsidy Account.

24. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the 18-month period ended 30 June 2017, 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:

18-month period ended 30 Jun 2017	Year ended 31 Dec 2015
Rs	Rs
3,657,327,123	2,633,229,501

- (a) Sales of goods to CEB were made at market related prices.
 (b) Outstanding balance as at 30 June 2017 was NIL (Dec 2015: Rs 269 m)

Compensation of key management personnel

The remuneration of Board Members and other members of key management during the 18-month period ended 30 June 2017 were as follows:

	18-month period ended 30 Jun 2017 Rs	12-month ended 31 Dec 2015 Rs
Short-term benefits	14,595,072	10,390,768
Post-employment benefits	12,221,216	10,754,166
Fees to Board Members	2,240,350	1,096,125

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 30 June 2017, out of 5 key management personnel, two were on contract and three on substantive capacity.

25. OPERATING SEGMENTS

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 selling prices of Rice, Flour and LPG are fixed by Government. Deficits on these products are met from contribution for subsidy in the price structures of Mogas and Gas Oil and from surpluses on sales of other products.

The surplus of Rs 1,371.8 million for the 18-month period ended 30 June 2017 before payment of dividend amounting to Rs 1.25 billion to Government, is made up as shown below.

	RICE	FLOUR	PETROLEUM PRODUCTS	SUGAR	LPG	BASMATI RICE	OTHERS	TOTAL
	Rs Million							
REVENUE	329.4	1,673.3	29,870.1	8.7	1,722.7	28.9	-	33,633.1
COST OF SALES	(447.3)	(1,942.4)	(28,974.9)	(8.0)	(1,928.7)	(28.2)	-	(33,329.5)
GROSS Profit/ (Loss)	(117.9)	(269.1)	895.2	0.7	(206.0)	0.7	-	303.6
Contribution for SUBSIDY			1,914.1					1,914.1
Net Foreign Exchange Gain	0.3	46.7	633.6	-	45.4	-	-	726.0
OTHER Revenue	-	-	-	-	-	-	0.6	0.6
OTHER Expenses	(36.4)	(178.3)	(157.2)	(0.5)	(1.5)	-	(1.0)	(374.9)
Share of Loss in Associate	-	-	-	-	-	-	(0.3)	(0.3)
PROFIT/ (LOSS) BEFORE SUBSIDY	(154.0)	(400.7)	3,285.7	0.2	(162.1)	0.7	(0.7)	2,569.1
Subsidy	154.0	400.7	-	-	162.1	-	-	716.8
Contribution for SUBSIDY			(1,914.1)					(1,914.1)
NET PROFIT/(LOSS)	-	-	1,370.6	0.2	-	0.7	(0.7)	1,371.8

26. CONTINGENCIES

At the reporting date, there were two cases for staff matters pending at court awaiting hearing.

27. ARBITRATION

On 27 November 2009, STC entered into a fifteen-year agreement with Betamax Ltd for the transportation of Petroleum Products from Mangalore to Mauritius. However, since February 2015, STC no longer avails itself of the services of the company.

Following this decision of STC, Betamax Ltd has submitted a claim of USD 176,345,494.52 plus interest, legal fees and costs. The claim is under dispute and has been referred to Arbitration.

On 5 June 2017, the Singapore International Arbitration Centre issued an award in favour of Betamax Ltd ordering STC to pay damages about Rs 4.2 billion plus interest and STC has made an application to the Supreme Court to set aside the award.

In November 2017, Betamax initiated legal action in the High Court of Karnataka, at Bengaluru, India directing the New Mangalore Port Trust to refrain from providing any clearance to the STC's vessel - Pacific Diamond with a cargo of 40,000 Metric Tons of petroleum products destined to Mauritius.

Thereafter, in December STC applied to the same Court to vacate the order granted by the Court against STC.

As end of February 2018, the matter was still being considered by the Court.

28. COMMITMENTS

- (i) On 15 June 2016, the Corporation has entered in a three years' agreement with Mangalore Refinery and Petrochemicals Limited (MRPL) for the period August 2016 to July 2019 for the supply of Petroleum Products.
- (ii) In the Corporation's Budget for the 18-month period ended 30 June 2017, the Board has given its approval for:
 - Payment of Dividend of Rs 2.15 billion to Government out of which an amount Rs 1.25 billion had been paid.
 - Construction of Warehouse for the storage of Rice and Flour for a total cost of Rs 800 million which has not yet been realized.

Trade Statistics

The 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.

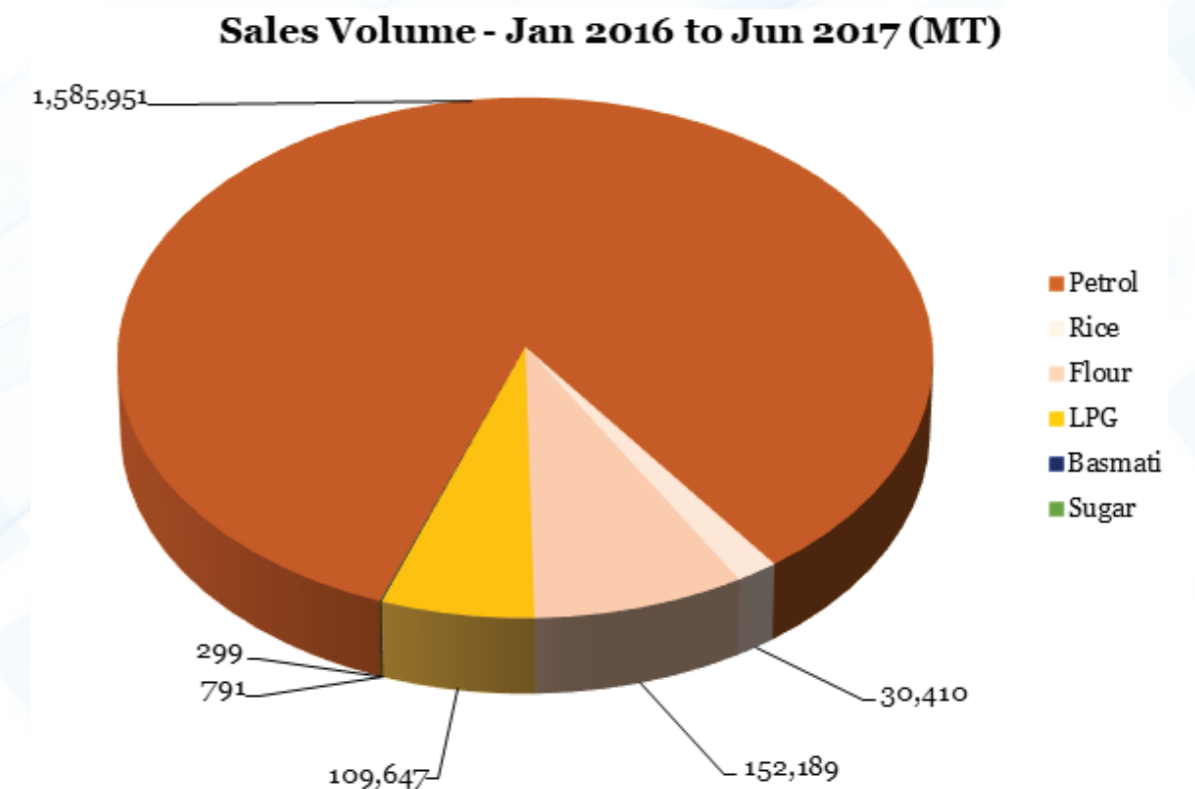
STC has been entrusted with the responsibility of importing certain essential commodities including all Petroleum Products and Liquefied Petroleum Gas (LPG) traded in Mauritius. STC also supplies the domestic market with all its requirements in Wheat Flour, Basmati and non-Basmati Rice.

Sales volume and Turnover

The Turnover of STC which was about Rs 600 million in 1983-1984 when it was created has reached more than Rs 33 billion in 2017. During its first years of operation STC took over the activities of the Department of Supplies and dealt only in importation of rice and flour. In 1985, STC started importing Petroleum Products and subsequently cement and in 1983 took over the country's importation of LPG.

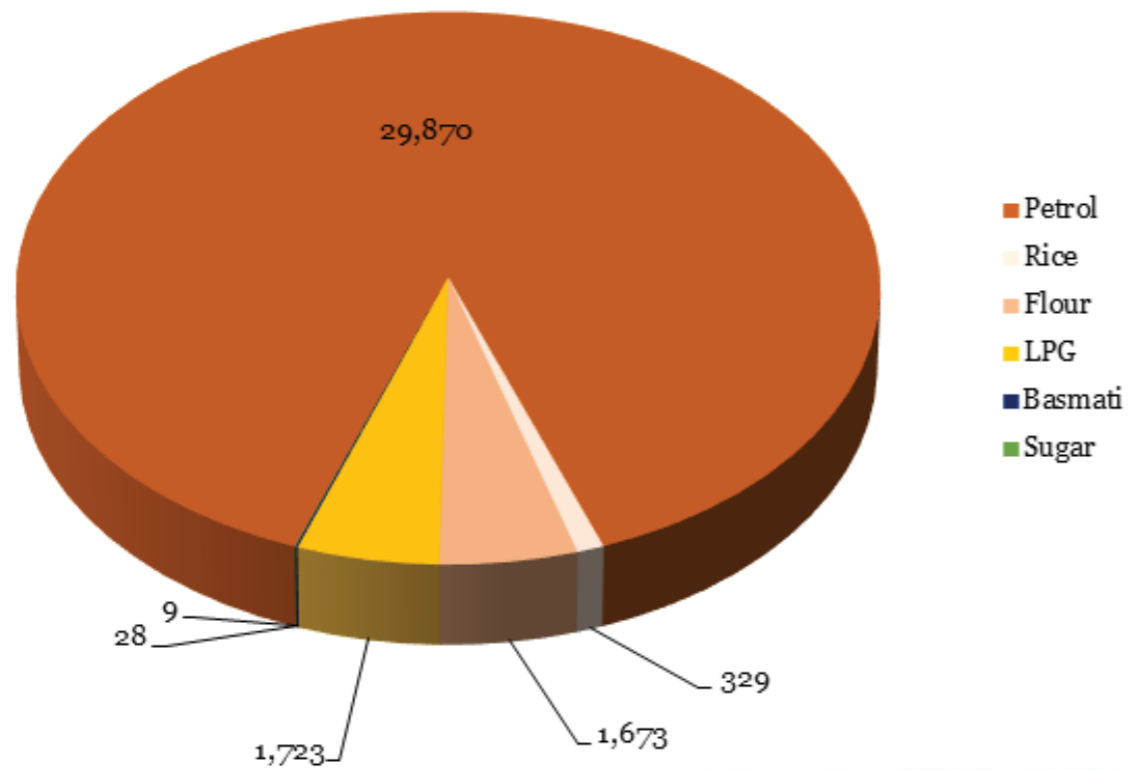
In July 2011 following the liberalization of the imports of Cement, STC stopped its importation. However, as the trading arm of Government, the Corporation may be called to intervene to stabilise the market if the need arises.

The sales volume of 1.8 million MT for the 18-month period ended 30 June 2017 consists mainly of Petroleum Products as shown below:



The Corporation's Turnover for the period reached some Rs 33 billion.

Turnover - Jan 2016 to Jun 2017 Rs Million



Petroleum Products

STC is responsible for the importation of all the country's requirements of Petroleum Products. These include the demands for the running of public transport, industrial and commercial activities, motor vehicles for personal and commercial use, the needs of the Central Electricity Board in fuel oils for its power plants, the needs for aircraft refueling at the SSR International Airport and the needs of bunker fuels for international shipping.

Upon arrival of the tanker at the New Oil Jetty of Port Louis Harbour, those products are pumped out and delivered through pipelines into fuel tanks owned and operated individually or jointly in the Port Area by local oil companies. They also operate a Jet Fuel tank near SSR Airport.

The local oil companies are represented by:

1. Vivo Energy (Mauritius) Ltd
2. Total Mauritius Ltd
3. Engen (Mauritius) Ltd
4. Indian Oil (Mauritius) Ltd

The Oil Companies market, distribute and retail the products through their respective networks of retail outlets across the country. Some also operate barges to carry out their bunker supply operations at sea. During the year 2014, the bunkering trade was partly liberalised allowing the Oil Companies to import part of their bunkering requirement on their own. This decision was taken in view of making Mauritius a petroleum hub in the region.

All Petroleum Products are currently sourced directly from Mangalore Refineries and Petrochemicals Ltd (MRPL), a refinery located in India some six to seven sailing days from Port Louis. Our agreement with MRPL is a standard supply agreement covering quality, quantity, delivery schedule and quality control parameters. For the past ten years, we have worked together and we are satisfied with this arrangement thanks to which we obtain all seven grades of Petroleum Products from the same refiner.

Although our total annual demand for 1.1 million MT may look large, the imports are being made in regular small shipments over the annual contract period. Seven grades of product are being imported in small quantities, which is unviable for the larger Middle-East oil suppliers. MRPL has been very flexible, taking into consideration our storage constraints and keeping its supply in line with our low-volume and high frequency demand.

Moreover, the fact that MRPL is a subsidiary of ONGC (Oil and Natural Gas Corporation) which is one of India's largest oil refiners, is a big source of comfort to STC.

Even in a remote situation when MRPL would not be able to meet its commitments, ONGC guarantees that our contract will be honoured.

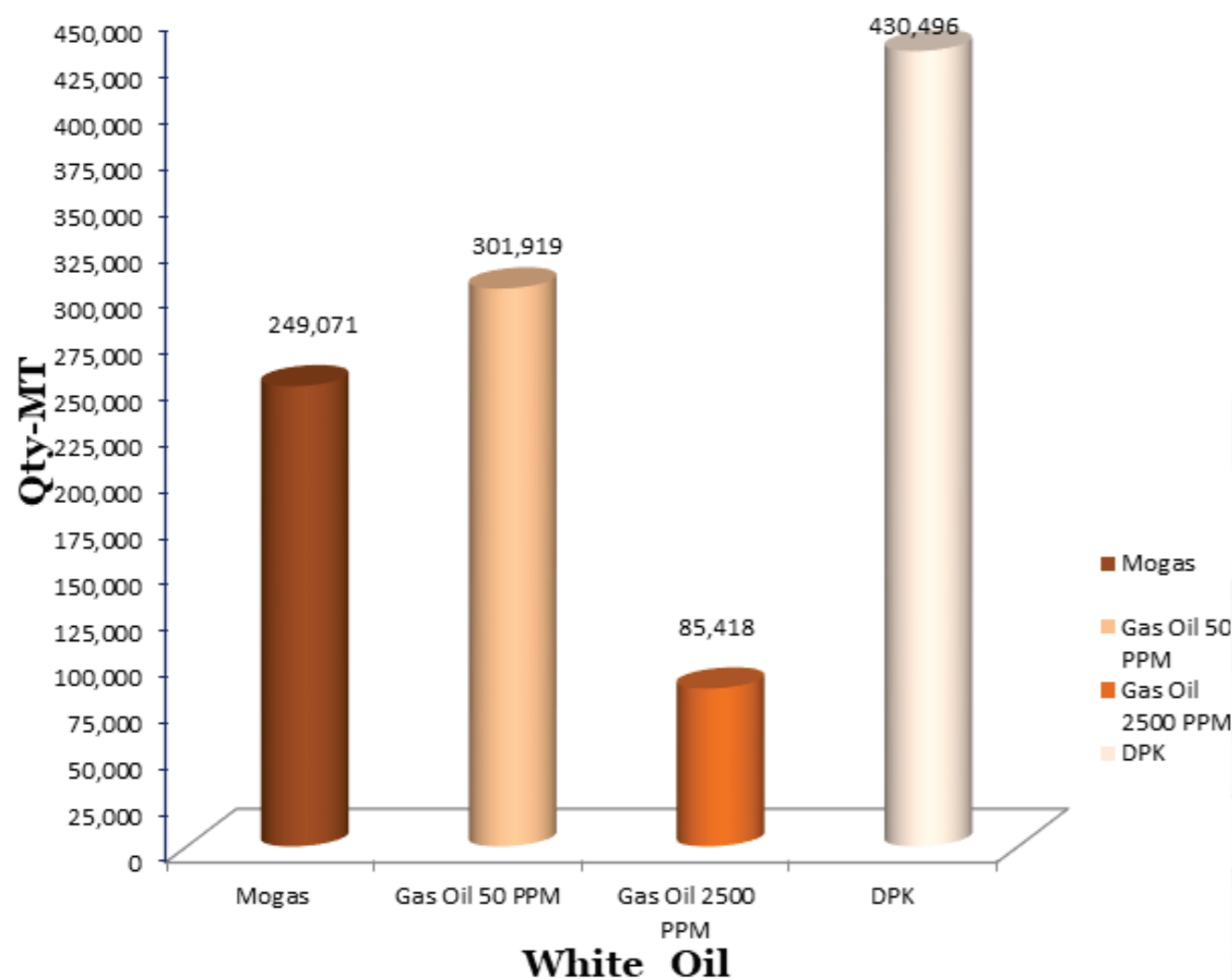
For the 18-month period, STC imported some 1.6 million MT of 7 grades of Petroleum Products, namely:

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

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

White Oil

**Petroleum Products
White Oils
2016 -2017**



Mogas

The import of 249,071 MT of Mogas for the 18-month period is sold entirely on the local market and the retail price is determined by the Petroleum Pricing Committee (PPC).

Gas Oil

The total importation of Gas Oil for the 18-month period is 387,337 MT. STC imports two grades of Gas Oil, namely 2500 ppm, which is sold as Marine Diesel for bunkering of vessels and Gas Oil 50 ppm with 0.005% sulphur content, which is sold for road transport. The price of Gas Oil sold for road transport is determined by the Petroleum Pricing Committee (PPC).

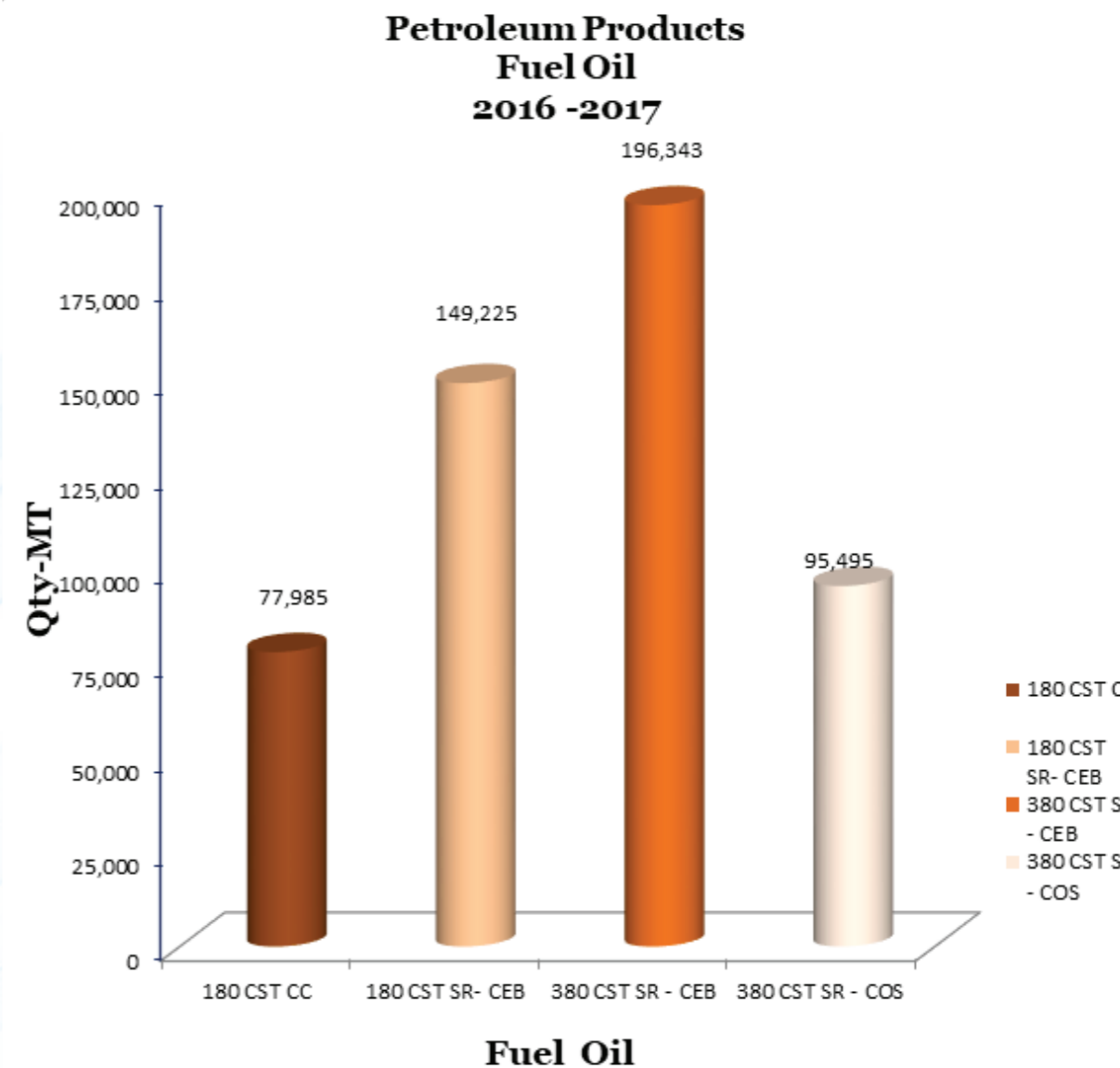
Any deficit or surplus on Mogas and Gas Oil on the local market is accounted in the Price Stabilisation Account (PSA).

The selling price of Gas Oil 2500 ppm for bunkering purpose is fixed by STC for each consignment on a cost plus basis.

Jet A-1

The import of 430,496 MT of Jet A-1 for the period, 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 77,985 MT of Fuel Oil 180 CST Catalytic Cracked (CC) for sale to oil companies and another 345,568 MT of Fuel Oil 180 CST SR and 380 CST SR for direct sales to CEB.

About 55% of Catalytic Cracked Fuel Oil 180 CST CC is sold on the local market for industrial purposes and the remaining 45% is sold for bunkering of vessels. STC has started selling Fuel Oil 380 CST SR to Oil Companies for bunkering purpose since January 2014, for the 18-month period some 95,496 MT of this product has been sold to the Oil companies. The selling price

of Fuel Oil for both inland and international trade is fixed by STC for each consignment on a cost plus basis.

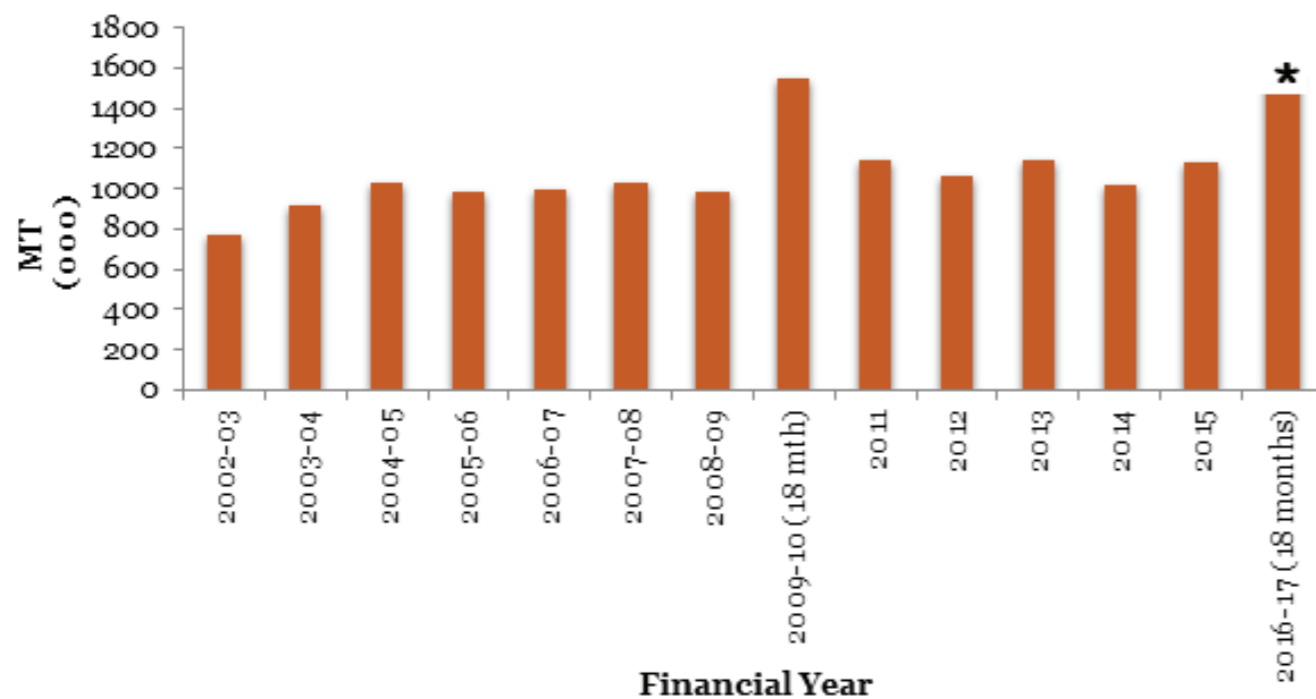
Mauritius is strategically positioned in the middle of the Indian Ocean with increasing Atlantic traffic plying at one end towards Africa, Madagascar and the West, while on the other hand, there is also a steep rise in traffic moving towards India, China, Japan, Malaysia and Thailand – essentially Asia and the Far East – and in both cases, round the Cape of Good Hope.

Today's new vessels with high speeds and perishable cargo cannot afford, and indeed do not need to wait and stand in queue to refuel at the Suez Canal bottleneck. Moreover, they cannot afford to bypass a refueling hub altogether as this would imply stocking higher quantities of fuel at the expense of more valuable cargo in their hold. Mauritius is a viable port of call for refueling vessels, resting their crew, allowing them to go onshore and to stock up on fresh water and fresh food. This, in turn, would also have a multiplier effect on consumption in the island economy.

STC plays a critical role in this development, as we are the sole importer and supplier of Petroleum Products in Mauritius. At the same time, we strongly support the Government's initiative to liberalise the Bunkering market – expert players that are engaged in the supply of oil to ships are best placed to tap into the opportunities arising from the development of Port Louis as a major refueling hub for maritime traffic.

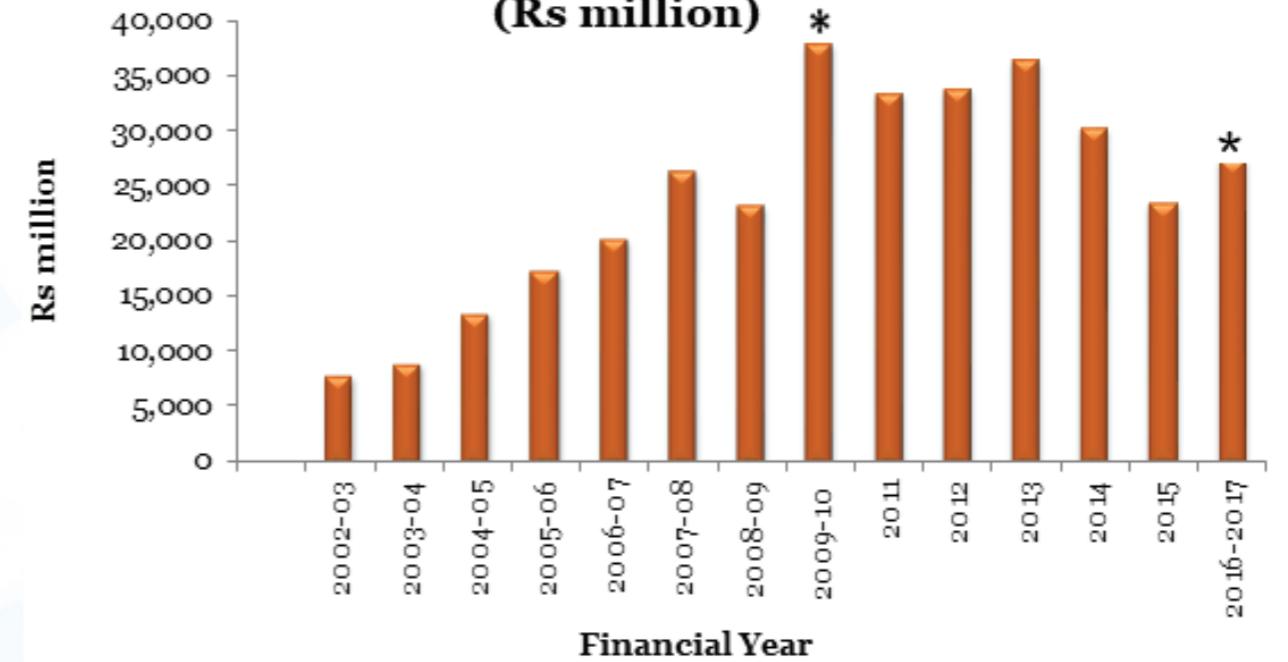
The graphs below show quantity imported and Turnover per product for period 2002 to 2017:

**Imports 2002-2017
Petroleum products**



*18 months

**Turnover 2002-2017
Petroleum Products
(Rs million)**



*18 months

Long Grain White Rice (LGWR)

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. Since prices of Rice on the world market are volatile, it was to the disadvantage of STC to lock on prices for long term contract. In order to benefit from the fluctuation of prices on the world market, STC started purchasing rice, as from January 2010, in small lots through Request for Quotation (RFQ).

This process allows STC to benefit from full market play and obtain better quality at lower prices than it previously obtained by annual tenders.

Furthermore, being a socially responsible organisation, STC aims at ensuring that STC' Long Grain White Rice (LGWR) is widely available throughout the Republic of Mauritius at regulated prices. Constant improvements have been made in the quality of LGWR imported by STC during the last two decades, whereby the percentage broken which was 25% in the year 2000, has been brought down to less than 5%.

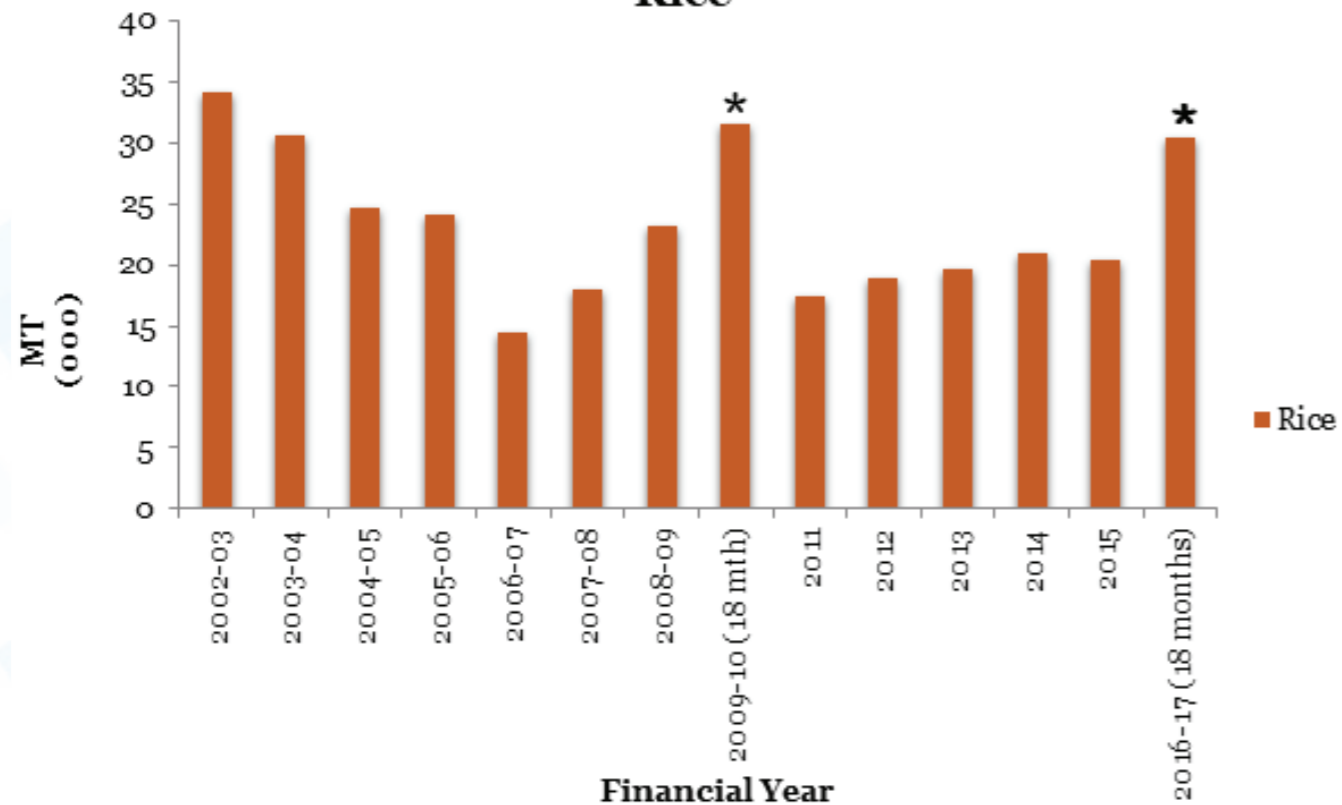
Rice is sold to wholesalers for retail at a heavily subsidized price that has remained unchanged since July 2006 as provided in the Consumer Protection (Price and Supplies Control) Act. However, as consumers were not benefitting from the improved quality at subsidised prices,

STC embarked on a project ensuring that LGWR is widely available throughout the Republic of Mauritius at regulated prices. To this end, Private packers / distributors with proven experience in the field with strong distribution network, have been hired for this project. The implementation of this project has resulted in:

- Increased visibility of the STC' LGW rice on the market at regulated retail prices;
- More proximity to consumers;
- Better quality control; and
- More trust of consumers on STC' s products and service.

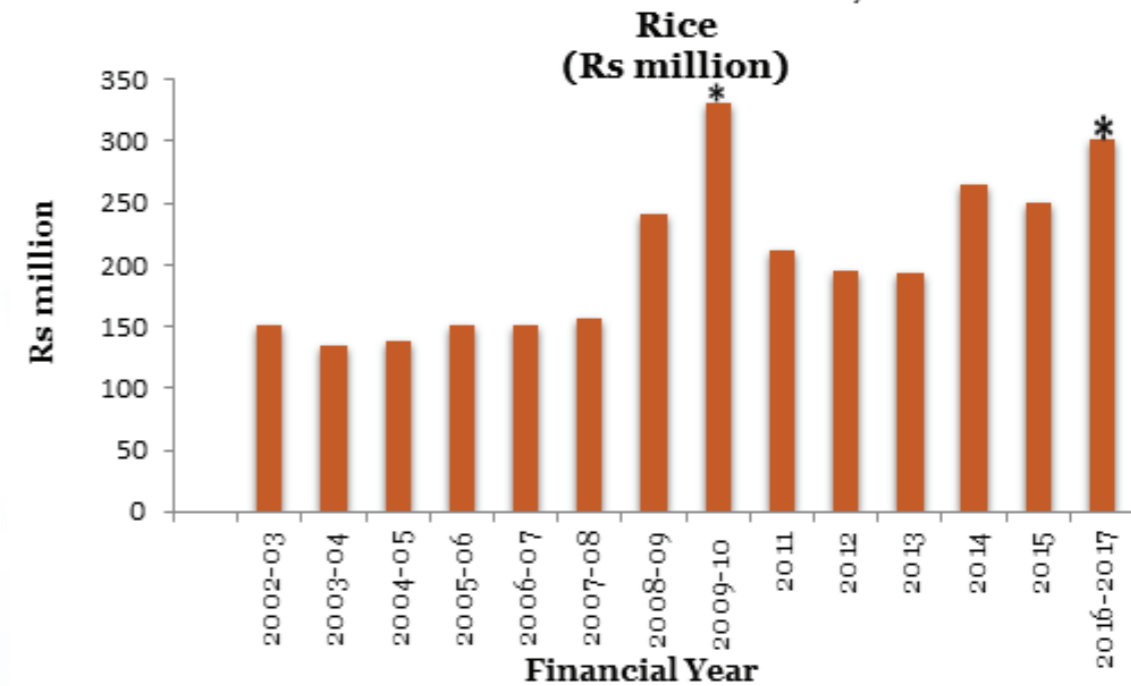
The sale of Ration rice was 30,410 MT (including 6,919 MT for Rodrigues) for the 18-month period Jan 2016 to June 2017. As the selling price of Ration Rice imported by STC is fixed by Government at a lower price than the cost price, STC has incurred a shortfall of Rs 153.1 million for this period. The retail price of ration rice was fixed in July 2006 at Rs 5.40 per half kg.

Imports/Purchases 2002-2017 Rice



*18 months

Turnover 2002-2017



*18 months

Importation of Basmati Rice

In January 2014, the Corporation started importing Basmati Rice. The objective of the Corporation is not to make profit, or to take over the market from traders, but to protect the consumers by avoiding an increase in retail price and at the same time, assuring quality Basmati Rice to meet acceptable standard. For the 18-month period, STC has sold some 800 MT of Basmati 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 some 100,000 MT of Wheat Flour yearly. 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 Brown Bread Flour which is now also offered at similarly subsidized prices despite the initially low demand volumes.

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.

The sale of Flour amounted to 152,189 MT (including 2,914 MT for Rodrigues) for the 18-month period January 2016 to June 2017. 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 and was revised to Rs4.85 per half kg on 9 June 2017, following Government budgetary measure. During this period, STC has incurred a shortfall of Rs 398.1 million on Flour.

Imports/Purchases 2002-2017 Flour



*18 months

Turnover 2002-2017 Flour (Rs million)



*18 months

Though Wheat Flour and Rice comprise only 4% of our annual turnover, these commodities are critical from an economic perspective as we provide for nearly 100% of the Wheat Flour and as much as 20% of the Rice being traded in Mauritius.

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 70,000 MT of LPG to meet the domestic and industrial demand of Mauritius. LPG represents the main source of cooking and water-heating for 98% households and the retail price is heavily subsidised for 5, 6 and 12-kg bottles destined for domestic use.

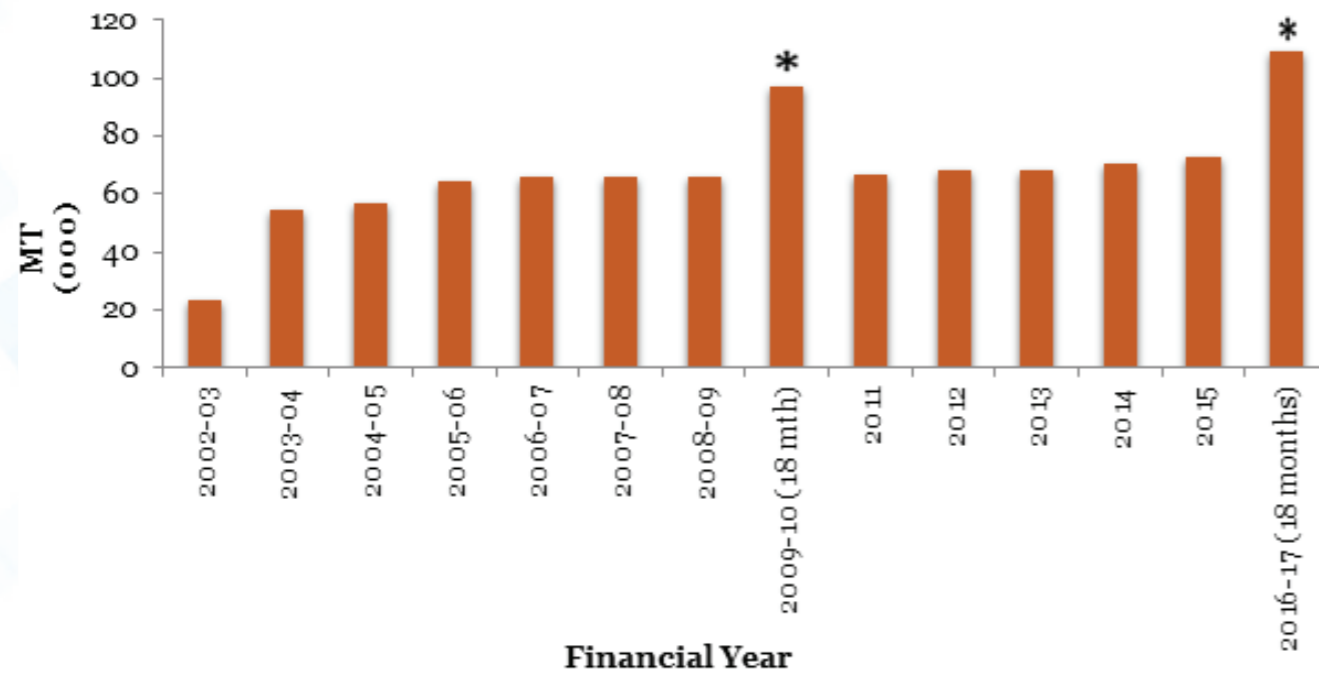
As from February 2006, a dual pricing policy is being implemented for LPG. About 75% of

the annual import is sold in cylinders. The retail price of cylinders of 5 kg, 6 kg and 12 kg destined for domestic market is fixed by Government. The sale of LPG for the 18-month period from Jan 2016 to June 2017 amounts to 109,647 MT on which a shortfall of Rs 162 million has been incurred.

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

All storage tanks for LPG are owned and managed by 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 2002-2017
LPG**



*18 months

**Turnover 2002-2017
LPG
(Rs million)**



*18 months

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.

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 MT, overlooking the harbour. It has been supplying flour to STC since its creation.

3. Petredec Ltd- LPG

Petredec Limited was formed as an LPG trading company in 1980 to develop a shipping and trading operation.

4. Glencore Energy UK –LPG

Glencore Energy UK Limited engages in the supply and delivery of oil to industrial consumers. It also engages in the distribution and transportation of oil and gas. The company was founded in 2002 and is based in London, United Kingdom. Glencore Energy UK Limited operates as a subsidiary of Glencore International plc.

5. Four Local Oil Companies that STC deals with:

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

6. Central Electricity Board

7. Wholesalers Association

8. Mauritius Ports Authority

9. Mauritius shipping Corporation

10. Mauritius Standards Bureau

11. SGS (Mauritius) Ltd

12. SICOM Ltd

13. Mauritian Eagle Ltd

14. Bakers Association

Banking Services

Barclays Bank Mauritius Ltd

Barclays House
68-68A, Cybercity
Ebène

SBI (Mauritius) Ltd

7th Floor
SBI Tower
Mindspace
45, Ebène Cybercity
Ebène

SBM Bank (Mauritius) Ltd

State Bank Tower
1 Queen Elizabeth Avenue
Port Louis

Bank of Mauritius

Sir William Newton Street
Port Louis

AfrAsia Bank Ltd

10, Dr. Ferriere Street
Port Louis

Mauritius Commercial Bank Ltd

Head Office, MCB Centre
9-15, Sir William Newton Street
Port Louis

MauBank Ltd

Bramer House
Ebène Cybercity
Ebène

Banque des Mascareignes

Level 9, Maeva Tower
Cnr Silicon Avenue & Bank Street
Cybercity
Ebène 72201

Bank One Limited

16, Sir William Newton Street,
Port Louis

Bank of Baroda


Bank of Baroda Building
Sir William Newton Street
Port Louis

Standard Bank (Mauritius) Ltd

Level 9, Tower A,
1 Cybercity
Ebène



STATE TRADING CORPORATION

Lot 55, Business Zone,
Ebène Cybercity, 72201, Ebène, Redit
T: 401 0800 | F: 489 1861 / 489 2119
E: stc@stcmu.com | W: www.stcmu.com
 [stcbrownbreadflour](https://www.facebook.com/stcbrownbreadflour)

