



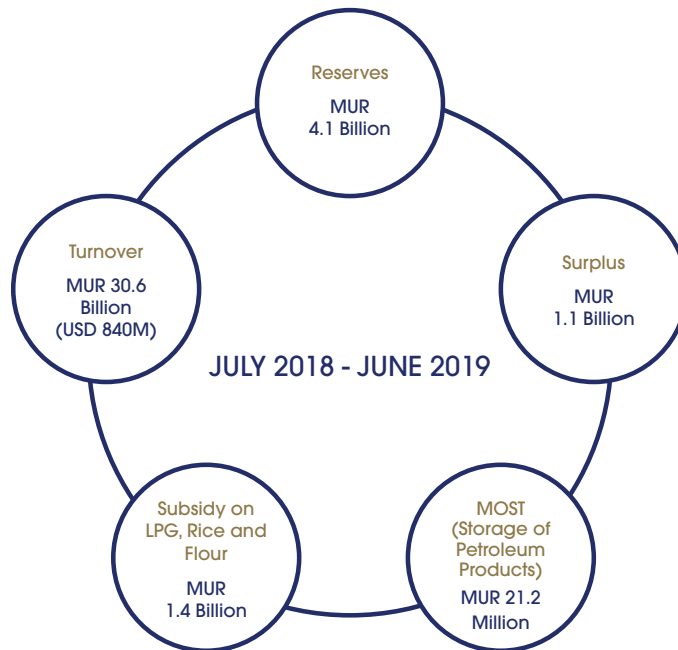
**ANNUAL
REPORT**

**FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2019**

Contents

• STC at a Glance	2
Our Achievements	2 - 4
Corporate Vision	4
Mission Statement	4
Objectives of STC	4
• Our Operating Activities	6
Our Division in Rodrigues	6 - 7
Procurement of Goods and Services	7
Our Products	8 - 11
Contributions collected on behalf of third parties	11
• Message from the Chairman	12 - 13
• Message from the General Manager	14
• Corporate Governance	15
Reporting Structure	15
The Role of the Board	16 - 17
Audit and Risk Management Committee	18
Corporate Governance Committee	18
Staff and Remuneration Committee	18
Board Meeting and Sub-Committees	19
Attendance on Board and Sub-Committees and Remuneration of Members	20
• Director's Profile	21 - 25
• Management Profile	25 - 28
• Directors' Responsibilities	28 - 31
• Statement of Compliance	32
• Report of the Director of Audit	33 - 37
• Financial Statements for the year ended 30 June 2019	40 - 77
• Trade Statistics	78 - 83
• Long Grain White Rice (LGWR)	84 - 86
• Flour	86 - 88
• Liquefied Petroleum Gas (LPG)	88 - 89
• Our Stakeholders	90
• Banking Services	91

Overview



STC at a Glance

The State Trading Corporation (STC) is a parastatal body wholly owned by the Government of Mauritius and reports 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, Cybercity, Ebene, Mauritius. 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.

Our Achievements

- **Financial performance**

The surplus for the Financial Year ended 30 June 2019 amounts to MUR 1.1 billion.

- **Reduction in Retail price of LPG**

A reduction of MUR 30.00 in the retail price of LPG in 12 kg cylinder was made in June 2019, bringing the price from MUR 240.00 to MUR 210.00 per cylinder representing a decrease of 12.5 %.

- **Investment in Storage Tanks**

STC has invested a total amount of MUR 51.0 million as at 30 June 2019 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 MUR 595 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 IndianOil (Mauritius) Ltd.

The objective of the project is to enhance security of supply of both Mogas and Gas Oil in the country. Major works in connection with the MOST project have been commissioned in April 2018. An additional transfer pipeline to enable the discharge of more than one product at a time has been constructed and completed in August 2018. With these additional storage tanks, the stock level for Mogas has been increased from around 3 to 30 days and that of Gas Oil from 10 to 27 days at arrival of the next consignment.

As at 30 June 2019, the Corporation held 9,583 MT of Mogas and 6,667 MT of Gas Oil in the tanks of MOST valued at MUR 393,279,500.

- **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 fixed subsidised prices are printed on the bags and polybags of Rice and Flour put on sales by STC. Packers and distributors have been appointed for the distribution of same.

- **Petroleum Products**

As the contract for the supply of Petroleum Products with MRPL (renewed for 3 years in June 2016) was to expire on 31 July 2019, in order to align with best practices, STC launched an international tender for the supply of the country's requirements of Petroleum products in March 2019, for the period 1 August 2019 to 31 July 2020.

Judgment of the Supreme Court of Mauritius - On 31 May 2019, the Supreme Court, in the case of STC v Betamax Ltd, has set aside the award of the Singapore International Arbitration Centre and has provided guidance on the application of the Public Procurement Act (PPA). Subsequently, STC requested the State Law Office to advise on the procurement proceedings that should be followed by STC and as per advice obtained, the procurement procedures set out in the PPA have to be followed.

Emergency Procurement - On 7 June 2019, STC had a meeting with the Central Procurement Board (CPB) to discuss the procedures to be followed under the PPA. A timeline for launching of the tender for supply of Petroleum Products was defined as per the provisions of the PPA and the process worked out to be a total of about five (5) months. Taking into account that STC has to give 30 days' advance notice to the successful bidder(s) for placing of orders, the procurement process would take about 6 months.

Considering the imminent expiry of the contract for procurement of Petroleum Products with MRPL would expire on 31 July 2019, there would be no supplier for Petroleum Products as from 1 August 2019.

In order to avoid any shortage of Petroleum Products which would give rise to a catastrophic situation in the country, on 10 June 2019, the Board of the STC, approved that:

- STC carries out an Emergency Procurement for the period 1 August 2019 to 31 January 2020 in accordance with section 21(3)(b) of the PPA - "life or the quality of life or environment may be seriously compromised";

The contracts for the supply of Petroleum Products for the period 1 August 2019 to 31 January 2020 have been awarded to the lowest responsive offer as follows:

- I. Clean Petroleum Products–Vitol Bahrain E.C. (Vitol); and
- II. Dirty Petroleum Products– PetroChina International (Singapore) Pte.Ltd.(PetroChina).

Corporate 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 of STC

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.

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.

Our Operating Activities

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. The amount of subsidy in respect of Long Grain White Rice, Flour and LPG for the Financial Year ending 30 June 2019 is MUR 1.4 billion.

The volume of commodities sold by the Corporation during the period July 2018 to June 2019 were as follows:

Product	MT
Petroleum Products	1,051,281
Long Grain White Rice	20,532
Basmati Rice	90
Flour	100,242
LPG	77,537
Sugar (Rodrigues only)	146

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 80 MT of Rice and 400 MT of Flour are delivered to traders.

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 400 MT of all products namely Rice, Flour and Sugar kept at any point in time. During the Financial Year ended 30 June 2019, 40 consignments were shipped to Rodrigues by MV Mauritius Trochetia, MV Anna and Black Rhino as follows.

Product	MT
Long Grain White Rice	4,582
Basmati Rice	45
Flour	2,251
Sugar	140

To carry out its mission, the Corporation has a department in Rodrigues which is manned by 16 staff both from Mauritius as well as personnel recruited from Rodrigues. In addition, a team of 52 casual unloaders is contracted for unstuffing and stacking of goods.

As is the case for Mauritius, the retail prices of Long Grain White 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

Betamax case

In February 2015, STC stopped having recourse to the services of Betamax Ltd. In May 2015, Betamax initiated arbitration process against STC seeking compensation and damages for wrongful termination of the COA. The matter was referred to the Singapore International Arbitration Centre (SIAC). In June 2017, SIAC ordered STC to pay the sum of USD 115,267,199 for default under COA along with costs in the amounts of USD 2,823,547.20 and GBP 990,296 together with interest at the rate of 3% per annum from the date of the award to the date of full payment to Betamax Ltd.

Thereafter, in September 2017, STC made an application to the Supreme Court of Mauritius to set aside the arbitration award. The hearing was held in March 2018.

On 31 May 2019, the Supreme Court of Mauritius delivered judgement in favour of STC and set aside the award of Singapore International Arbitration Centre (SIAC) and also set aside the provisional order for the recognition of enforcement of the award which was granted on 7 September 2017, thus avoiding for STC to incur costs to the tune of MUR 4.5 billion.

Following application made by Betamax Ltd, the Supreme Court of Mauritius has granted the company leave to appeal to the Judicial Committee of the Privy Council against the judgment delivered on 31 May 2019.

In the judgment, The Supreme Court states that *"the provisions of the PPA, which enjoin a public body like the STC to be bound by the procurement process laid down in the PPA in respect of an intended column 2 contract within the purview of the Schedule to the PPA....."*

Following the judgement of the Supreme Court of Mauritius, the State Law Office advised STC that *"any contract for acquisition by the STC of "goods" or "other services", for the prescribed amount of MUR 100 million rupees or more ... would be subject to the PPA and its procurement process"*.

STC is fully committed 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.

Procurement of goods and services are subject to Public Procurement Act. 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. STC also launches tenders through e-procurement.

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 Sealed Quotations
- Direct Procurement
- Restricted Bidding
- Request for proposals
- Emergency procurement

Our Products

Rice

- **Long Grain White Rice**

The sales of Long Grain White Rice are 20,532 MT (including 4,232 MT for Rodrigues) for the Financial Year ended 30 June 2019. 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. As from January 2014, STC has been importing extra-long Basmati Rice 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.

During the Financial Year ended 30 June 2019, 90 MT of Basmati Rice (including 47 MT for Rodrigues) has been sold.

- **Flour**

The sales of Flour are 100,242 MT (including 2,107 MT for Rodrigues) for the Financial Year ended 30 June 2019. The sole supplier of Flour for the period is 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 sales of LPG are 77,537 MT for the Financial Year 30 June 2019. 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. A revision in the retail prices were made in June 2019 when the price of one cylinder of 12 kg was decreased from MUR 240 to MUR 210. 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 on a cost plus basis.

- **Petroleum Products**

The sales of Petroleum Products are 1.1 million MT for the Financial Year 30 June 2019, 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 IndianOil (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.

STC is fully engaged to contribute towards Government's vision to position the country as a hub for physical oil and gas. The Petroleum Hub project is an ambitious project as it will create accelerated economic growth due to expected foreign investment and creation of employment.

By status of its mandate, STC would be the lead agency for sourcing of products from the region and beyond, for both local consumption and re-export, as well as spot trading.

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, that 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.

- **Joint Working Group (JWG)**

STC has been entrusted the responsibility to coordinate the Oil terminal and Petroleum port/jetty project at Albion with the other foreign partners of the JWG. A Consultant, Engineers India Limited (EIL) has been recruited to undertake a detailed feasibility study which includes, inter alia, specialised investigations and surveys that needed to be carried out at the site by specialist sub-consultants. The sub-consultants have completed their works and submitted their respective reports. EIL has consolidated all the sub-consultants' findings to prepare and submit to the JWG a detailed feasibility report (DFR) on the project. The JWG has reviewed DFR and EIL is in process of revising the document to be finalised.

The purpose of the project is to trade petroleum products with mainly Southern and Eastern African countries. The development would bring in massive foreign investment and build the capacity of the country as a petroleum hub in the region.

Moreover, the terminal product inventory could be used as internal strategic back-up for supplies during unforeseen situations like natural calamities, war, complete isolation of the country from rest of the world due to cyclone, sea disturbances or any other unforeseen circumstances for periods barring the movement of ships.

The project would serve also as investment in infrastructure to modernise the port and for the decongestion of the port as activities relating to petroleum products may be carried out in Albion area leaving the port for other activities. Additionally, it would boost up the bunkering sector.

- **Bunkering**

In 2016, the Government of Mauritius set its objectives to develop Mauritius as a bunkering port and expand the bunkering industry to make it a new pillar of the economy. STC has a leading role for the development and promotion of the bunkering sector in Mauritius.

STC has prepared a Road map for development of the bunkering sector which included recommendations, inter alia, for setting up a legal framework, a tailor-made Code of Practice for Mauritius bunkering port as well as standards with respect to quality of products, safe operations and environment protection.

The imminence of IMO 2020 for implementation of 0.50% Sulphur cap in bunker fuels at the global scale with effect from 1st January 2020 is going to be a disruptive event in the shipping industry worldwide and a unique opportunity that Mauritius should not miss.

So as to capitalize on first-mover advantage, the country would aim at being the first source of 0.50% Sulphur/IMO 2020 compliant bunker fuels in the region. This would progress the project to make Mauritius the regional petroleum hub.

STC has recruited a Consultant for Development of the Bunkering Sector in Mauritius. The terms of reference (TOR) include to recommend a legal framework for on-shore and off-shore bunkering activities to address, inter alia, the concerns for quality, safety & environment and transparency, to design a Code of Practice and check-list protocol for Mauritius Bunkering Port and to carry out an assessment of the market and make recommendations on the products to be made available for supply in Mauritius bunkering port an associated infrastructure and logistics. The consultant's work is in progress.

- **Liquefied Natural Gas (LNG)**

Decision has been taken to introduce Liquefied Natural Gas (LNG) for power generation. The main objectives include the adoption of LNG as a cleaner and cheaper energy source for the long term, and to reduce dependency of the energy sector on Dirty Petroleum Products/fuel oil.

In light of the global trend of moving towards LNG for power generation coupled with regional discoveries, it is the intention to develop Mauritius as an LNG hub.

The role of STC would include to organise gas supply and investment in LNG infrastructure. STC has recruited a Consultant for development of Mauritius as a LNG Hub. The work has already started. Decision for investment in partnership with Mozambique will be firmed up after consultancy works.

STC has signed a Memorandum of Understanding (MoU) for Co-operation in LNG and a Confidentiality Agreement (CA) with Empresa Nacional de Hidrocarbonetos, Empresa Publica (ENH) which is the national oil company of Mozambique responsible for the prospection, exploration, production and commercialization of petroleum products, including LNG and Gas to Liquids (GTL) within Mozambique or abroad. The terms of MoU and CA cover, inter alia, to share experience in the LNG business, to exchange information on LNG trading, to explore possibilities for Joint Venture in the LNG sector and to collaborate on implementation of a Regional Strategy of Indian Ocean Island Countries for LNG sourcing.

In the above context, STC needs to create a special cell to look after LNG project and for that purpose we require 3 Full Time Equivalent (FTE) resources with required skill set to project manage the introduction of LNG in Mauritius.

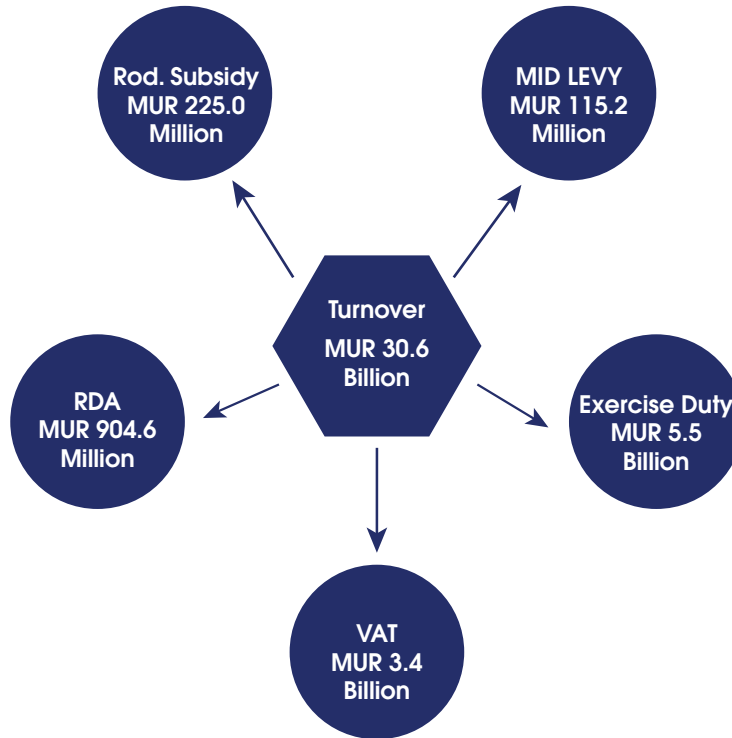
- **Petroleum Pricing Committee (PPC)**

Since January 2011, the retail prices of Mogas and Gas Oil are determined by the Petroleum Pricing Committee (PPC) according to the Regulations. 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 last revision in the prices of Mogas and Gas Oil was on 10 June 2019. The retail prices of both Mogas and Gas Oil were decreased by MUR 3.00 per litre, that is from MUR 47.00 to MUR 44.00 per litre (6.38%) of Mogas and from MUR 38.00 to MUR 35.00 per litre of Gas Oil (7.89%).

Contributions collected on behalf of third parties

During the Financial Year ended 30 June 2019, an amount of MUR 10.1 billion has been collected and remitted to Government institutions as follows:



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, 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

Following the Finance (Miscellaneous Provisions) Act 2018, the levy of 30 cents per litre has been removed for both Mogas and Gas Oil. However, the levy of 30 cents is maintained on each litre of Dual Purpose Kerosene (DPK) 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



J'ai le plaisir de vous soumettre le bilan annuel de l'exercice financier clos le 30 juin 2019.

C'est avec une grande satisfaction que je vous adresse mon message dans ce bilan financier annuel.

Au cours de cette année, la STC a livré des biens et des services en fonction de nos attentes au niveau du Conseil et de celles du pays. Le rôle de la STC est primordial dans le développement du pays dans son ensemble, car nous importons la plupart des carburants et fournissons des produits de base à la population. Le dynamisme économique, a été affecté et les soucis environnementaux dans le monde, ont contraint la Corporation à être plus polyvalente et plus résiliente. La STC est sur la voie d'une transformation progressive et ambitionne d'être un partenaire commercial régional. Elle doit aussi rester profitable. Au cours de la période de janvier 2015 à juin 2019, 2,4 milliards de MUR ont été versés au gouvernement sous forme de dividendes. A titre indicatif des progrès réalisés, l'actif net au 30 juin 2019 s'élève à plus de 4 milliards de MUR, contre environ 2,8 milliards de MUR à fin juin 2018.

Au niveau du Conseil d'Administration, nous exprimons nos remerciements à Monsieur R. S Sonea pour sa contribution et sa participation et nous lui souhaitons bonne chance dans ses autres fonctions. En même temps, nous souhaitons également la bienvenue au Dr D. Kawol au Conseil. Les deux sont du ministère de l'Énergie et des Services publics. C'est un atout d'avoir l'avis et l'expérience avisée de ces administrateurs bien informés. Je peux également signaler que les sous-comités du conseil d'administration ont été actifs et que les Codes de Bonne Gouvernance sont appliqués au sein de la STC.

Les principales parties prenantes au sein du gouvernement, des compagnies pétrolières, des organismes financiers et d'assurance, des entités juridiques, des fournisseurs de biens et services, de l'Association des Propriétaires de Boulangeries, des syndicats de la STC ont été consultés ou informés sur diverses plateformes et régulièrement tenus au courant des problèmes et des développements au sein de la STC.

Au cours de cette année, la STC a traité un peu plus d'un million de tonnes métriques de divers combustibles de la raffinerie de Mangalore. La STC a également pu négocier des primes et des conditions avantageuses avec la raffinerie Mangalore. À partir de mi-2019, la STC a eu recours à des appels d'offres internationaux pour les produits pétroliers afin d'être plus réactif aux évolutions du marché, tout en apportant plus de transparence au processus d'achat, conformément aux meilleures pratiques en la matière.

Des économies notables d'environ 1,5 milliard de MUR sur le fret ont été réalisées depuis la résiliation du contrat de transport de carburant avec Betamax Ltd en 2015.

À la suite d'un arrêt de la Cour suprême en mai 2019, les appels d'offres de la STC sont soumis à la loi sous le Public Procurement Act et la STC est pleinement engagée sur des politiques et pratiques de marché saines.

Maurice a été une escale de ravitaillement privilégiée pour les transporteurs aériens réunionnais lors des pénuries de Jet A-1 en fin d'année 2018, causées par des problèmes sociaux. Cela démontre une collaboration régionale croissante. Le stockage de carburant MOST nouvellement mis en service à Mer Rouge a amélioré les stocks tampons d'essence automobile de 3 à 30 jours et de 10 à 27 jours pour le diesel, de sorte que le pays est maintenant plus à l'aise.

La STC a intégré une capacité de réserve dans son processus d'achat de carburants pour le bénéfice du pays et nous avons l'intention de continuer dans cette direction. La STC étudie différentes options pour la création de terminaux pétroliers. Le but ultime est de créer un pôle pétrolier régional à Maurice selon les normes internationales avec toutes les sauvegardes nécessaires. Dans cette perspective, les opérations de soutrage (carburants pour navires) sont passées de quelque 285 000 tonnes métriques en 2015 à plus de 600 000 tonnes métriques pour 2019. Tout cela signifie des revenus supplémentaires pour le pays. Chaque fois que cela est possible et faisable, des carburants plus

écologiques sont sélectionnés.

Quelque 20 000 tonnes de riz blanc (riz ration) ont été importées. La qualité a été maintenue et l'emballage distinctif de la STC a été largement accepté. Le prix subventionné est imprimé sur tous les emballages de riz STC et la distribution à l'échelle nationale est en cours d'amélioration. Il est à noter que les subventions sur ce riz se sont accrues au fil des années afin de maintenir le prix au niveau de 2006.

Les importations de la STC de riz Basmati de qualité ont dans une large mesure contribué à la stabilisation des prix de ce produit sur le marché local.

Plus de 100 000 tonnes métriques de farine de blé ont été vendues. Nous souhaitons rappeler que les prix subventionnés de la farine ont été réduits en 2017 et que l'utilisation de la farine de blé brun a été encouragée, à des fins de santé, par sa baisse de 31% de prix de MUR 5,85 à MUR 4,00.

Ici aussi, l'emballage spécifique STC avec le prix imprimé s'est avéré populaire et est maintenant largement accepté et recherché. La qualité de la farine est maintenue et constamment contrôlée avec nos partenaires commerciaux et boulangeries.

Les améliorations ci-dessus en matière de service, d'emballage et de disponibilité du riz et de la farine de rationnement donnent une économie estimée à MUR 4,400 par an par ménage.

L'approvisionnement en GPL pour la cuisine, l'automobile et le commerce est assuré. Afin d'améliorer le bien-être et d'alléger la charge financière des ménages, la STC a été en mesure de réduire progressivement le prix subventionné des bouteilles de gaz de 12 kg de MUR 330 en décembre 2014 à MUR 210 en juin 2019. Nous nous engageons à maintenir la subvention GPL pour les ménages et chaque ménage bénéficie, en moyenne, d'une subvention de 3,400 MUR par an sur le GPL utilisé. Le GPL commercial et automobile n'est pas subventionné.

A titre de comparaison, le prix subventionné actuel des bouteilles de GPL de 12 kg est encore plus bas que celui de 2004, alors qu'il était de 214 MUR. Cela signifie que le prix de la bouteille de 12 kg a été réduit de plus de 35% en 5 ans. Ces réductions de prix s'appliquent également aux petites bouteilles de gaz domestique.

Rodrigues est régulièrement dans nos objectifs et les différents services y sont améliorés et rendus plus sécurisés dans le temps. Un nouveau projet d'entrepôt pour Rodrigues est en préparation. Il est à noter que les prix de vente des produits STC à Rodrigues sont les mêmes qu'à Maurice.

Pour l'avenir, la STC se concentrera sur l'amélioration de la sécurité alimentaire du pays et a l'intention de construire de nouveaux entrepôts à Maurice et à Rodrigues selon les normes internationales. La STC examine également les options d'utilisation du gaz naturel liquéfié comme alternative plus verte aux carburants actuels. La STC réexamine constamment ses procédés et l'utilisation des ressources pour permettre des choix plus écologiques à tous les niveaux. Ce sera un plus pour les générations à venir.

Cependant, ces projets dépendent de la présence du personnel approprié aux postes clés. La STC a besoin de personnel à divers niveaux, y compris au niveau du Management et nous espérons une conclusion positive.

En attendant, je tiens à exprimer mon appréciation pour les efforts considérables déployés par le personnel pour relever les défis, les nouveaux problèmes et les difficultés du monde commercial moderne, pour leurs efforts incessants pour livrer à temps et pour le travail d'équipe que nous constatons avec les managers.

Le ministère de tutelle et son personnel ont également apporté une contribution précieuse et ont agi en tant que facilitateur et conducteur entre la STC et son actionnaire, le gouvernement.

Pour terminer, le soutien des administrateurs et la sagesse collective du conseil ont été d'une grande importance pour atteindre ces résultats remarquables, étant donné que les défis sont de plus en plus grands et variés.

Je sais que la STC peut compter sur l'expérience et l'engagement de son personnel ainsi que sur la confiance et le soutien inestimables des membres du conseil d'administration pour aller vers un avenir meilleur.

Dr Ramchandra BHEENICK

Président du Conseil D'Administration de la STC

Message from the General Manager



I am pleased to submit the Annual Report for the Financial Year ended 30 June 2019.

Jonathandrarao Ramasamy

Corporate Governance

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

The Corporation has adopted a code of ethics which has been approved by the Board. The Board regularly monitors and evaluates compliance with its code of ethics.

The Corporation also has an IT policy and an Anti-Corruption Policy, that provides for Protection of whistleblowers, which have been approved by the Board.

Reporting Structure

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

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

The Board members of STC are nominated in accordance with STC Act.

As stated above, the Board is composed of people with experience in different sectors such as economy, finance, energy, agriculture and food security among others.

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

An induction and orientation of new Boards members is conducted and the Directors are aware of their legal duties.

An evaluation of the effectiveness of the Board, its committees and its individual directors was conducted.

The roles and responsibilities of the Board have been set out in the Approved Board Charter.

The Board reassesses its’ charter and the charters of its subcommittees.

The Chairperson of the Board is primarily responsible for the activities of the Board and its Committees. He shall act as the spokesman of the Board.

The Acting Board Secretary assists the Board in its proper functioning and in respect of procedures and ensure that the Board complies with its obligations under law. The Acting Board Secretary also maintains an interest register and it is available to Directors and other authorities upon written request.

During the Financial Year ended 30 June 2019, the Board has met 22 times. Board was chaired by Dr. Ramchandra Bheenick, the Chairperson. Major decisions were taken on: -

1. Procurement of strategic products of national importance namely, Petroleum Products, Rice, Flour and Liquefied Petroleum Gas (LPG)
2. Project monitoring of the construction of a new warehouse
3. Financing of Working Capital
4. Improvement in Corporate Governance initiatives and programs within STC

The Annual report is available on STC’s website.

The Board of the STC for the Financial Year ended 30 June 2019, was comprised as follows:

Chairperson	
Dr. Ramchandra BHEENICK	
Directors	Post
Mr. Fareed CHUTTAN	Senior Chief Executive (as from August 2019) Ministry of Industry, Commerce & Consumer Protection
Mr. Ishwarlall BONOMAULLY	Director Economic and Finance Ministry of Finance & Economic Development
Mr. Bojrazsingh BOYRAMBOLI	Senior Chief Executive Ministry of Agro-Industry & Food Security
Dr. Dhanandjay KAWOL (as from 6 September 2018)	Permanent Secretary Ministry of Energy & Public Utilities
Mr. Ravi Shankar SONEA (left on 4 September 2018)	
Mr. Narad DAWOODARRY	Director, Administrative & Legal Services Mauritius Ports Authority
Mr. Feizal JEETOO	Independent Member
Mr. Chetnarain POONEETH	Independent Member
Mr. John LAM CHOO (Left on 27 June 2019)	Independent Member



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.

The Chairperson for each Sub-committees is responsible to ensure the fulfillment of the mandates of each Committee.

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 for the Financial Year ended 30 June 2019, comprised of the following members:

Audit and risk Management Committee			
Mr I. Bonomaully Chairperson	Dr. D Kawol	Mr. F. Jeetoo	Mr. J. Lam Choo (Left on 27 June 2019)

The Committee met 4 (four) times during the Financial Year ended 30 June 2019 to review the internal and external audit reports as well as reviewing the Financial Statements. Recommendations made, have as far as practicable 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 did not meet for period 1 July 2018 to 30 June 2019.

The Corporate Governance Committee for the Financial Year ended 30 June 2019, comprised of the following members:

Corporate Governance Committee			
Mr N. Dawoodarry Chairperson	Mr I. Bonomaully	Dr. D Kawol	Mr. C. Pooneeth

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 for the Financial Year ended 30 June 2019, comprised of the following members:

Staff and Remuneration Committee			
Mr. F. Chuttan Chairperson	Mr. B. Boyramboli	Mr. F. Jeetoo	Mr. J. Lam Choo (Left on 27 June 2019)

During the Financial Year 30 June 2019, the Staff and Remuneration Committee met three (3) 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 Financial Year ended 30 June 2019, the Finance and Investment Committee met once.

The Finance and Investment Committee as at 30 June 2019, was comprised of the following members:

Finance and Investment Committee			
Mr. B. Boyramboli 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 Financial Year ended 30 June 2019 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. B. Boyramboli	√			√	√
Dr. D. Kawol (From 6 September 2018)	√	√	√		
Mr. R.S. Sonea (left 4 September 2018)	√	√	√		
Mr. N. Dawoodarry	√		√		√
Mr. C. Pooneeth	√		√		√
Mr. F. Jeetoo	√	√		√	
Mr. J. Lam Choo (Left 27 June 2019)	√	√		√	

Attendance on Board and Sub-Committees and Remuneration of Members

Attendance of Board members and Sub-Committees for the Financial Year ended 30 June 2019 was as follows: -

Name	Board	Corporate Governance Committee	Audit and Risk Management Committee	Staff and Remuneration Committee	Finance and Investment Committee	Fees paid to Members
						MUR
Total Number of Meetings	22	Nil	4	3	1	
Dr. R. Bheenick	20	-	-	-	-	531,000
Mr. F. Chuttan	9	-	-	3	1	126,415
(Mrs Dassaye- Alternate)	10	-	-	-	-	14,245
Mr. I. Bonomaully	13	-	4	-	-	124,480
Mr. B. Boyramboli	19	-	1	-	1	129,060
Dr. D. Kawol	18	-	3	-	-	102,445
Mr. R.S. Sonea ¹	3	-	1	-	-	20,815
Mr. N. Dawoodarry	10	-	-	-	1	120,815
Mr. F. Jeetoo	15	-	2	3	-	124,075
Mr. C. Pooneeth	11	-	-	-	1	120,815
Mr. J. Lam Choo ²	12	-	4	3	-	126,825

Notes:

1. Mr. R.S. Sonea was replaced by Dr. D. Kawol as from 6 September 2018.
2. Mr. J. Lam Choo left on 27 June 2019.

Directors' remunerations are determined by the Minister.

Director's Profile

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

Chairperson

Dr. Ramchandra Bheenick was appointed on the Board of STC on 22 June 2015. He assumed his functions on 1st July 2015.

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 has also been a Member of the Medical Council of Mauritius and President of the Private Medical Practitioners Association in the past.

Presently, he is a MQA Registered Trainer and Part-time Lecturer for various instances.

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

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

Senior Chief Executive, 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 Chairperson of the Staff and Remuneration Committee and a member of the Finance and Investment Committee, Sub-Committees of the Board.

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 Economic and Finance, Ministry of Finance & Economic Development

Mr. I. Bonomaully was appointed on the Board of STC in April 2010 as representative of the Ministry of Finance and Economic Development (MoFED). He is also the Chairperson of the Audit and Risk Committee and a member of the Corporate Governance Committee, sub-committees of the Board.

He started his career as Inspector of Taxes (then Income Tax Dept); joined the Management Audit Bureau as Accountant in 1992 and was appointed as Lead Analyst in MoFED in 2007. He was subsequently appointed as Director, Economic and Finance in August 2016.

He is also a member on the following Boards:

Development Bank of Mauritius Ltd (2012)

SME Mauritius Ltd (2019)

Investment Support Programme (ISP) Ltd (2019)

4. Mr. Bojrazsingh Boyramboli, Diploma in Public Administration and Management

Senior Chief Executive, Ministry of Agro Industry and Food Security

Mr. Bojrazsingh Boyramboli was appointed on the Board of STC in May 2018 as representative of the Ministry of Agro Industry and Food Security. He is also the Chairperson of the Finance and Investment Committee and a member of the Audit and Risk Committee, sub-committees of the Board.

Professional Journey

- Joined the Public Service in February 1978
- Appointed Executive Officer in April 1982
- Appointed Administrative Officer in September 1987
- Appointed Principal Assistant Secretary in 1991
- Appointed Permanent Secretary in March 2005
- Appointed Senior Chief Executive in September 2018

Skills

- Well versed in administration management
- Good leadership qualities

5. Mr. Ravi Shankar Sonea (up to 4 September 2018)

Deputy Permanent Secretary, Ministry of Energy & Public Utilities.

6. Dr. Dhanandjay Kawol, Doctor in Business Administration

Permanent Secretary, Ministry of Energy and Public Utilities

Dr. Dhanandjay Kawol was appointed on the Board of STC in September 2018 as representative of the Ministry of Energy and Public Utilities. He is also a member of the Audit and Risk Committee and Corporate Governance Committee, sub-committees of the Board.

QUALIFICATIONS**Academic**

Doctor in Business Administration (Open University of Mauritius, 2017); MBA with Specialization in Human Resource Management (University of Mauritius, 2002); Diploma in Management Studies (Distinction, University of Mauritius 1993); BSc (Hons) Crop Science & Production (Second Class in First Division, University of Mauritius 1990); Cambridge Higher School Certificate (1984); and Cambridge School Certificate (1981)

Professional

Associate member of ICSA since 19.08.02 (Graduate ICSA from 19.02.97 to 18.08.02)

WORK EXPERIENCE

20 Aug 2018 to-date	: Permanent Secretary at Ministry of Energy and Public Utilities
Jan 2015 to Aug 2018	: Deputy Permanent Secretary at Ministry of Social Security, National Solidarity, and Environment and Sustainable Development. (Social Security & National Solidarity Division)
Jul 2008 to Jan 2015	: Principal Assistant Secretary at Ministry of Health & Quality of life; Ministry of Agro-Industry, and Ministry of Public Infrastructure
Jul 2006 to Jul 2008	: Chief Executive at Municipal Council of Quatre-Bornes /Port Louis
Sep 2004 to Jul 2008	: Principal Assistant Secretary at the Ministry of Agro-Industry and Fisheries
Jul 2004 to Sep 2004	: Senior Assistant Secretary at the Ministry of Commerce & Cooperatives
Nov 1995 to Jul 2004	: Assistant Secretary at the Ministry of Agriculture, FT & NR and Ministry of Commerce
Oct 1991 to Nov 1995	: Technical Officer at the Ministry of Agriculture, FT & NR

7. Mr. Narad Dawoodarry, ICSA, Master Degree in Public Sector Administrators, CILT

Director, Legal & Administrative Services, Mauritius Ports Authority

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

Mr. Dawoodarry obtained his Bachelor Degree in 1979 from the University of Punjab. He was then qualified as a Chartered Secretary from the Institute of Chartered Secretaries and Administrators (UK) in August 1990 before obtaining a Master's Degree in Public Sector Management at the University of Technology, Mauritius in 2003. In April 1991, he was elected as a Chartered member of the then Chartered Institute of Transport (UK) now renamed as the Chartered Institute of Logistics and Transport. He was upgraded as a Fellow of the Chartered Institute of Logistics and Transport since June 2006. He became an Associate Member of the Institute of Professional Managers (UK) in July 1993.

He started his career in the Civil Service in 1981 before taking employment as Administrative Officer with the Embassy of the Republic of Korea from 1988 to 1991. Thereafter, he joined the Trust Fund for Disabled Persons as Secretary/Treasurer until July 1993. He subsequently took up employment with the then Mauritius Marine Authority in August 1993 as Secretary before being promoted to the post of Administration Manager in 1999.

Thereafter in December 2010, he was appointed as Director, Administrative and Legal Services, which has now been restyled as Director, Legal & Administrative Services.

He is a member of the Mauritius Institute of Directors and was appointed as the Secretary of the Ports Association of the Indian Ocean Islands since January 2016.

8. Mr. Chetnarain Pooneth

Board Member

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

9. Mr. Feizal Jeetoo

Board Member

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

He is also a member of both the Staff and Remuneration Committee and the Audit and Risk Committee, sub-committees of the Board.

He is currently working as Customs House Broker and has his own office and he is also a member of the Customs Brokers Association.

10. Mr. John Lam Choo**Board Member (left on 27 June 2019)**

He was a member on the Board of the STC from 30 August 2006 to 30 March 2012.

He has been reappointed as Member of the Board in December 2017.

Mr. J. Lam Choo was also a member of both the Staff and Remuneration Committee and the Audit and Risk Committee, sub-committees of the Board.

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

He set up his own company, J.W.A. Network Ltd, in the year 2000 wherein he is the Executive Director. This Company is involved in the supply of Corporate and Business gifts and cleaning and hygiene equipment and products.

Adviser at Ministry of Environment and National Development Unit from 2009 to 2010. Chairman of National Price Consultative Council under the aegis of Ministry of Commerce, Industry and Consumer Protection from August 2015 to May 2017.

Management Profile**Mr. Jonathandrarao Ramasamy****General Manager (As from December 2019)**

Mr. Jonathan Ramasamy was appointed General Manager of the State Trading Corporation in December 2019. He has a career spanning over nearly two decades in the petroleum sector, having worked for renowned petroleum companies. Well versed in the trading of petroleum products thanks to his exposure in the international oil market, his services as a consultant were regularly sought by the STC since 2013. Mr Ramasamy was hence well versed with certain operations of the Corporation when he joined as General Manager.

As a Trading Manager, he has trained several persons to gain competencies to operate in the areas of trading, shipping, communication and negotiation.

As a consultant, he has successfully assisted clients in the procurement of petroleum products.

Mr Ramasamy is a holder of a Bachelor Degree with First Class Honors in Mathematics from the University of Mauritius and a Master's Degree in Military Operational Research from Cranfield University, UK.

Mr. Rajanah Dhaliyah**General Manager (July 2015-October 2019)**

Mr. R. Dhaliyah 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. Dhaliyah 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. Dhaliyah 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. Mr. Dhaliyah has resigned as General Manager of the Corporation in October 2019.

Mr. H. Hoolash, FCCA, MBA

Risk and Treasury Manager

Mr. H. Hoolash joined STC in October 1992 as Accountant and was promoted to Senior Accountant in August 2001. He was appointed as Risk and Projects Manager in January 2004. The post has been restyled as Risk and Treasury Manager in 2008. Mr. Hoolash retired from the service in October 2019.

Mr. R. R. Bapamah, FCCA, MBA

Financial Manager

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

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

Audit Manager

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

Mr. Pratap Dave Udhin, Diploma in Transport

Business Development Officer

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

He joined STC on 11 February 2011 to give strategic support to Management. He has a vast experience in Technical Planning and Transport Management. He is presently in charge of the Transport Unit and the Maintenance Division. He was previously Traffic Manager at the NTC and Transport Manager at Bonny Air Travel & Tours Ltd. He left the Corporation in February 2020.

Mr. P. Soobarah, FCCA, MBA

Assistant Financial Manager

Mr. P. Soobarah joined the Department of Supplies in February 1980 as Assistant Supplies Officer. He was appointed as Accounts Clerk in October 1985 and promoted Accounts Officer in November 1987 at the STC. He was then appointed as Accounting Technician in November 2004 and as Accountant/Senior Accountant as from February 2006. The post of Accountant/Senior Accountant was restyled as Assistant Financial Manager, in the PRB Report 2008.

Mr. K. Ramdenee, FCCA, MBA**Assistant Risk and Treasury 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 until being nominated as Assistant Risk & Treasury Manager in March 2018.

He was assigned the duties of Risk & Treasury Manager in the absence of Risk & Treasury Manager.

Mr. A. Poolay Vythelingum**Acting Secretary of the Board**

Mr. A. Poolay 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.

Ms. Sharda Bissessur, Postgraduate Diploma in Marketing from The Chartered Institute of Marketing, MBA General**Officer-in -Charge of Commercial Division**

Miss S. Bissessur joined the STC on 29 March 2004 as Commercial Analyst on Contract. She was appointed Commercial Analyst on 29 March 2006. She was assigned the duties of Officer-In-Charge of the Commercial Division as from 17 May 2018.

Miss S. Bissessur was recently appointed as Assistant Commercial Manager with effect from 26 June 2019.

Mr. Shuryakumar Demkah, Dip (HRM); BSc (Hons) HR Management**Officer-In-Charge Human Resource Division**

Mr. S. Demkah served the Corporation for over 28 years and he retired from the service on 1 July 2018, holding the post of Human Resource Management Officer. He was previously assigned duties of Officer-In-Charge of the Human Resource Division from January 2016 to July 2017 and Officer-In-Charge of the Rodrigues Division from September 2017 to February 2018 respectively.

Mr. S. Demkah served the Corporation as Officer-In-Charge of the Human Resource Division on a one-year contract basis which was renewed for another year from September 2018 to February 2020.

Mrs. Enkamah Appalasami, BSc (Hons) Information Technology**Ag. IT Manager**

Mrs. E. Appalasami holds a Bsc (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 acting as Information & Technology Manager since October 2015.

Mr. Riyaz Ahmad Idris Varsally

Ag. Chief Supplies & Sales Officer

Mr. R. A. I. Varsally first joined the Department of Supplies on 27 March 1979 as Assistant Supplies Officer. He was appointed Supplies Officer on 1 December 1995 and promoted as Senior Supplies & Sales Officer on 1 May 2014. He is currently assigned the duties of Chief Supplies & Sales Officer as from December 2018.

Organisational Chart

The Organigram of the Corporation is as follows:



The General Manager is responsible for the execution of the policy of the Board and for the control and management of the day-to-day business of the corporation.

The remunerations and conditions of service of Senior Executives of the Corporation are as per PRB.

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 Statement of Financial Performance and Statement of Cash Flow 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 have been authorised for issue on 26 August 2020.

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

- suitable accounting policies are selected and applied on a consistent basis using reasonable and prudent judgement.
- appropriate accounting standards and International Public Sector and Accounting Standards (IPSAS) have been adhered to in conformity with the changes in presentation.

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.

The Board has the overall responsibility for the Systems of Internal Control and Risk Management as well as the governance practices. In order to discharge these duties, the Board has set up an Audit and Risk Management Committee.

The main activities covered by the Audit and Risk Management Committee are as follows:

- 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;
- Review the Risks Register which is subsequently reviewed and approved by Board;
- Examine issues raised by the Internal and External Auditors. STC's Audit Manager attended all the meetings of the Audit and Risk Management Committee;
- Review the Financial Statements prior to recommending same for Board approval; and
- Follow up and implementation of recommendations of External Auditor in order to improve the process and ensure proper accountability is regularly adhered to.

The Corporation comprises of an Internal Audit Division which is headed by an Audit Manager assisted by an Internal Auditor and other staffs. In order to ensure the independence and objectivity of the Internal Audit function, 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 Chairperson of the Board and the Audit and Risk Management 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. During the financial year, the Internal Audit Division inter alia covered Procurements, Sales, Assets & Stock Management, Staff & Other costs, IT system, Internal Control system, Cash Management and Risk Review.

As part of normal procedure, STC's Risks Register is updated on an annual basis. Management reviews the existing Risks Register together with the respective risk profile and control measures. New risks are identified and the existing risks are revised, where necessary. The appropriate counter measures are then proposed for the respective risks.

The principle risks with high probability of occurrence and high impact on the Corporation, as recorded in the Risk Register are shown below together with their control measures.

Nature of Risk	Control Measures
Risks of Stock out on strategic products (Rice, Flour, LPG, Petroleum Products)	Reorder level and reorder quantity already established for strategic products.
Risks of strategic products not available because of failure of Supplier to perform	<ul style="list-style-type: none"> - Performance Guarantee required as a commitment for ensuring supply - To carry out emergency procurement
Risks of strategic providers of service fail to perform	<ul style="list-style-type: none"> - Proper performance of services provided to be closely monitored
Loss of key competencies	<ul style="list-style-type: none"> - Appropriate proposals have been made to the PRB to attract, motivate and retain officers occupying critical positions in the STC - STC's structure already provides for the post of an Assistant Manager in each key Division who replaces the substantive Manager as and when required - Training & Development

The Risk Register covers strategic, financial, operational and compliance risks of the Corporation. STC's Audit and Risk Management Committee reviews the Risk Register which is subsequently reviewed and approved by Board.

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.

Meetings of the Audit and Risk Management Committee and attendance of its members have been disclosed in the section of Corporate Governance.

During the financial year ended 30 June 2019, there was no case of conflict of interest in respect of matters discussed at Board level and STC has not faced any Environmental, Health and safety nor Social issue which could have a material impact on the Corporation.

STC's key Stakeholders, that is, the Parent Ministry and the Government, have also been consulted regarding key matters relating to the Corporation. Communications are kept with major stakeholders of the Corporation, namely Oil Companies, Bakers Association, Banks, Suppliers of goods and services, legal persons and representatives of employees (Unions) among others through meetings, emails, telephone conferences and letters.

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 as amended in 2017.

“APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF”



Dr R. Bheenick
Chairman



I. Bonomally
Board Member

Statement of Compliance

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

Name of PIE: State Trading Corporation

Reporting Period: 1 July 2018 to 30 June 2019

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 Code of Corporate Governance.

Compliance with the National Code of Corporate Governance for Mauritius (2016)

We also confirm that STC has applied the eight principles of National Code of Corporate Governance:

- ❖ Governance Structure *(refer to page 24)*
- ❖ The Structure of the Board and its Committees *(refer to page 25)*
- ❖ Director Appointment Procedures *(refer to page 25)*
- ❖ Director Duties, Remuneration and Performance *(refer to pages 25 - 32)*
- ❖ Risk Governance and Internal Control *(refer to page 45-47)*
- ❖ Reporting with integrity *(refer to page 24)*
- ❖ Audit *(refer to pages 28 & 44)*
- ❖ Relations with Shareholders *(refer to page 48)*

Signed by:



Dr R. Bheenick
Chairman



I. Bonomaully
Board Member



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 financial statements of the State Trading Corporation, which comprise the statement of financial position as at 30 June 2019 and the statement of financial performance, statement of change in net asset/equity, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the of the State Trading Corporation as at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting 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 State Trading Corporation in accordance with the INTOSAI Code of Ethics, 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 are no key audit matters to communicate in my report.

Emphasis of Matter

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

On 5 June 2017, the State Trading Corporation was ordered to pay damages of US\$ 115,267,199 plus costs and interest up to date of full payment to the company. The State Trading Corporation made an application to the Supreme

Court of Mauritius to set aside the award. On 31 May 2019, the Supreme Court delivered judgement in favour of the State Trading Corporation to set aside the Arbitration Award.

On 2 September 2019, the Supreme Court granted the company leave to appeal to the Judicial Committee of the Privy Council against the judgement of 31 May 2019.

My opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of the State Trading 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 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.

Corporate Governance Report

My responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From my assessment of the disclosures made on corporate governance in the annual report, the State Trading Corporation has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

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 Public Sector Accounting Standards, 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.

In preparing the financial statements, management is responsible for assessing the State Trading Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the State Trading 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 ISSAIs, 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 ISSAIs, I exercise professional judgement and maintain professional scepticism 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 State Trading 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 State Trading 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 State Trading 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 matters 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

Management's Responsibilities for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible to ensure that the State Trading Corporation's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.

Auditor's Responsibilities

In addition to the responsibility to express an opinion on the financial statements described above, I am also responsible to report to the Board whether:

- a. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit;
- b. the Statutory Bodies (Accounts and Audit) Act and any directions of the Minister, in so far as they relate to the accounts, have been complied with;
- c. in my opinion, and, as far as could be ascertained from my examination of the financial statements submitted to me, any expenditure incurred is of an extravagant or wasteful nature, judged by normal commercial practice and prudence;
- d. in my opinion, the State Trading Corporation has been applying its resources and carrying out its operations fairly and economically; and the provisions of Part V of the Public Procurement Act regarding the bidding process have been complied with.

I performed procedures, including the assessment of the risks of material non-compliance, to obtain audit evidence to discharge the above responsibilities.

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

Statutory Bodies (Accounts and Audit) Act

I have obtained all information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit.

The State Trading Corporation has complied with the Statutory Bodies (Accounts and Audit) Act and any directions of the Minister in so far as they relate to the accounts.

Based on my examination of the accounts of State Trading Corporation, nothing has come to my attention that indicates that:

- a. any expenditure incurred was of an extravagant or wasteful nature, judged by normal commercial practice and prudence; and
- b. the State Trading Corporation has not applied its resources and carried out its operations fairly and economically.

Other Matter

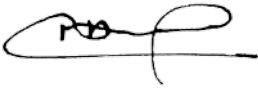
Section 7(3) of the Statutory Bodies (Accounts and Audit) Act stipulates that the auditor shall within six months of the date of receipt of annual report submit the annual report and his audit report to the Board.

The Annual Report was submitted to National Audit Office on 21 October 2019.

Following regulations made under section 10 of the Statutory Bodies (Accounts and Audit) Act on 26 June 2020, the time period for submission of the audit report has been extended to 1 September 2020.

Public Procurement Act

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.



C.ROMOOAH

Director of Audit

National Audit Office

Level14,

Air Mauritius Centre

PORT LOUIS

10 August 2020

FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		30 June 2019	30 June 2018
	Notes	MUR	MUR
ASSETS			
Current Assets			
Cash and Cash Equivalent	5	3,573,866,496	2,964,637,520
Receivables	6	2,855,662,223	3,184,336,801
Inventories	7	493,702,654	1,225,991,535
Total Current Assets		6,923,231,373	7,374,965,856
Non Current Assets			
Investments	8	16,187,583	1,079,896
Investment in Associate	8	51,001,739	26,841,078
Infrastructure, Plant and Equipment	9	54,181,420	63,669,388
Leasehold Land	10	28,107,720	28,107,720
Building	10	221,037,030	225,628,691
Intangible Assets	11	6,354,179	7,020,514
Total Non Current Assets		376,869,671	352,347,287
Total Assets		7,300,101,044	7,727,313,143
LIABILITIES			
Current Liabilities			
Payables	12	2,261,230,693	2,543,888,756
Subsidy Reserve Fund	5	135,619,185	626,855,560
Infrastructure Development Fund	5	546,013,717	345,508,919
Strategic Stock Reserve Fund	5	138,893,231	497,643,028
Short Term Borrowings	13	-	805,610,542
Total Current Liabilities		3,081,756,826	4,819,506,805
Non Current Liabilities			
Pension Liability	14	50,890,205	60,394,011
Employee Benefits	14	63,375,567	63,630,809
Total Non Current Liabilities	15	114,265,772	124,024,820
Total Liabilities		3,196,022,598	4,943,531,625
Net Assets		4,104,078,446	2,783,781,518
NET ASSETS/EQUITY			
Contributed Capital	16	400,000	400,000
General Reserve	17	4,103,678,446	2,783,381,518
Total Net Assets/Equity		4,104,078,446	2,783,781,518

Notes 1 to 29 form an integral part of these Financial Statements. The Audited Financial Statements were approved by the Board on 15 July 2020.



Dr R. Bheenick
Chairman



I. Bonomaully
Board Member

STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Notes	30 June 2019	30 June 2018
		MUR	MUR
Revenue			
Revenue from Exchange Transactions	18	30,620,758,849	27,517,308,337
Revenue from Non Exchange Transactions	19	559,707,885	663,925,463
Contribution for Subsidy on LPG, Rice and Flour	21	912,091,493	1,303,976,300
Other Revenue	20	88,714,084	52,724,583
Total Revenue		32,181,272,311	29,537,934,683
Expenses			
Cost of Sales	21	(31,296,292,386)	(27,830,258,798)
Wages, salaries and employee benefits		(142,173,975)	(142,399,366)
Supplies and Consumables used		(21,410,310)	(16,158,529)
Utilities		(5,548,767)	(5,457,691)
Rent		(14,095,815)	(12,748,022)
Repairs and Maintenance		(8,160,051)	(8,461,034)
Other Expenses		(49,021,404)	(117,218,744)
Depreciation		(20,380,899)	(19,977,871)
Finance Costs	23	(34,746,421)	(25,298,574)
Total Expenses		(31,591,830,028)	(28,177,978,629)
Operating Surplus		589,442,283	1,359,956,054
Share of Profit/(Loss) of Associates	8A	2,919,233	(209,139)
Share of Loss of Shares in Investment		(1,264)	(30,020)
Transfer (to) /from Subsidy Fund	21	491,236,375	(429,615,719)
Surplus for the Period		1,083,596,627	930,101,176

STATEMENT OF CHANGE IN NET ASSET/EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Contributed Capital	General Reserve		Total Equity
		Accumulated Surplus	Reserve Fund	
	MUR	MUR	MUR	MUR
Restated Balance as at 1 July 2017	400,000	1,665,099,921	19,125,000	1,684,624,921
Surplus for the 12-month ended 30 June 2018	-	930,101,177	-	930,101,177
Change in depreciation in previous years' figures	-	1,002,007	-	1,002,007
Remeasurement of Pension as per SICOM Statement	-	7,771,225	-	7,771,225
Transfer from Infrastructure Development Fund for Investment in MOST	-	-	7,925,217	7,925,217
Transfer from Strategic Stock Reserve Fund for financing of stock of Mogas and Gas Oil in MOST	-	-	152,356,972	152,356,972
Balance as at 30 June 2018	400,000	2,603,974,330	179,407,189	2,783,781,519
Surplus for the 12-month ended 30 June 2019		1,083,596,627		1,083,596,627
Dividend Paid (Note 25)		(150,000,000)		(150,000,000)
Remeasurement of Pension as per SICOM Statement		6,709,076		6,709,076
Transfer from Infrastructure Development Fund for Investment in MOST			21,241,428	21,241,428
Transfer from Strategic Stock Reserve Fund for financing of stock of Mogas and Gas Oil in MOST			358,749,796	358,749,796
Balance as at 30 June 2019	400,000	3,544,280,033	559,398,413	4,104,078,446

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	30 June 2019	30 June 2018
	MUR	MUR
Cash flows from Operating Activities		
Surplus for the Period	1,083,596,627	930,101,176
Share of (profit)/Loss in Associate	(2,919,233)	209,139
Share of Loss In Investment	1,264	30,020
Investment income recognised in Statement of Financial Performance	(165,387)	(274,892)
(Gain) / Loss on sale or disposal of property, plant and equipment	54,269	(6,724)
Gain on Investment	(15,108,951)	(786,252)
Depreciation of non-current assets	20,380,899	19,977,871
Effects of Exchange Rate changes on the balance of Cash /Lines of Credit held in foreign currencies	(343,150,686)	(397,505,905)
Interest Receivable	(73,285,353)	(51,387,843)
Interest Payable	34,746,421	25,298,574
	704,149,870	525,655,164
Movements in Working Capital		
(Increase)/Decrease in trade and other receivables	333,193,840	(405,651,217)
(Increase)/Decrease in inventories	732,288,881	(533,355,856)
Increase/(Decrease) in trade and other payables	(281,275,480)	610,504,457
Increase/(Decrease) for Subsidy, Project & Storage Fund	(649,481,373)	12,200,629
Increase/(Decrease) in Pension Liability	(9,503,806)	(10,472,318)
Pension Asset/ (Contribution) recognised in Statement of Change in Equity	6,709,076	7,771,225
Increase/(Decrease) in Employee Benefits	(255,242)	(156,610)
	835,825,766	206,495,474
Net Cash generated from operating activities	835,825,766	206,495,474
Cash flow from investing activities		
Interest received	68,766,091	50,633,929
Dividend Paid to Government	(150,000,000)	-
Acquisition of Non-Current Assets	(5,692,159)	(18,294,455)
Financing of Investment in MOST	(21,241,428)	(7,925,217)
Investment revenue recognised in Statement of Financial Performance	165,387	274,892
Proceeds from sale of Investment	-	1,092,000
Proceeds from disposal of Non Current Assets	2,955	8,759
	(107,999,154)	25,789,908
Net cash (used in)/generated by investing activities	(107,999,154)	25,789,908
Cash flow from financing activities		
Financing of investment in MOST	21,241,428	7,925,217
Financing of stock recognised in Equity from Subsidy Reserve Fund	358,749,796	152,356,972
Proceeds from borrowings	13,749,614,545	12,043,317,818
Repayment of borrowings	(14,208,527,533)	(12,413,398,295)
Interest paid	(36,129,004)	(23,915,351)
	(115,050,768)	(233,713,639)
Net cash generated from financing activities	(115,050,768)	(233,713,639)
Net (decrease)/increase in cash and cash equivalents	612,775,844	(1,428,257)
Cash and cash equivalents at the beginning of the period	2,964,637,520	2,959,336,852
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	(3,546,868)	6,728,925
Total Cash and cash equivalents at the end of the period	3,573,866,496	2,964,637,520

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 as at 30 June 2019 included in the cash flow statement comprise the following:

	30 June 2019	30 June 2018
	MUR	MUR
Cash in Hand	33,736	20,960
Bank Balances	1,205,295,135	960,769,163
Short Term Deposits	675,336,924	2,003,847,397
Investment in Treasury Bills	1,693,200,701	-
Gross Total	3,573,866,496	2,964,637,520

(b) Infrastructure and Intangibles Assets

During the Financial Year ended 30 June 2019, STC acquired property, plant and equipment amounting to MUR 5,632,359 which was financed by cash. No borrowing facilities have been used for infrastructural projects.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

PARTICULARS	Original Budget	Revised Budget	Actual	Difference	Remark
	1 July 2018 - 30 June 2019	1 July 2018 - 30 June 2019	1 July 2018 - 30 June 2019		
	(Note i)	(Note ii)		(Note iii)	
	MUR 000	MUR 000	MUR 000	MUR 000	
Revenue from Exchange Transaction	35,172,797	33,946,025	30,620,759	(3,325,266)	*see below
Cost of Sales	(35,393,912)	(34,225,048)	(31,296,292)	2,928,756	*see below
Gross profit / (loss)	(221,115)	(279,023)	(675,533)	(396,510)	
Contribution to Subsidy on LPG ,Rice and Flour	1,404,000	894,209	912,091	17,882	Based on quantity sold.
Other Revenue	54,446	84,171	88,714	4,543	
Revenue from Non Exchange Transaction	-	250,685	559,708	309,023	
Wages, Salaries and Employee Benefits	(185,628)	(154,891)	(142,174)	12,717	Many posts mainly at managerial level were vacant.
Supplies and Consumables	(26,195)	(17,302)	(21,410)	(4,108)	
Utilities	(5,237)	(4,399)	(5,549)	(1,150)	
Rent and Lease	(13,097)	(14,552)	(14,096)	456	
Repairs and Maintenance	(12,773)	(9,496)	(8,160)	1,336	
Other Adm. Expenses	(120,700)	(161,100)	(49,021)	112,079	
Depreciation	(40,863)	(20,007)	(20,381)	(374)	
Interest Payable	(10,128)	(33,305)	(34,746)	(1,441)	under provided
Share of Profit in Associates	-	-	2,919	2,919	
Impairment Loss of Shares in Landscape	-	-	(1)	(1)	
Transfer (to)/from Subsidy Fund	-	626,856	491,236	(135,620)	
Net Surplus for the year	882,710	1,161,846	1,083,597	(78,249)	
Financing of stock of Mogas and Gas Oil in MOST	-	497,643	-	(497,643)	Transferred to Statement of Equity
Transfer from Infrastructure Development Fund	-	21,241	-	(21,241)	Transferred to Statement of Equity
Net Surplus for the Year	822,710	1,680,730	1,083,597	(597,133)	

PARTICULARS	Original Budget	Revised Budget	Actual	Difference	Remark
	1 July 2018 - 30 June 2019	1 July 2018 - 30 June 2019	1 July 2018 - 30 June 2019		
	(Note i)	(Note ii)		(Note iii)	
	MUR 000	MUR 000	MUR 000	MUR 000	
Office Equipment and Furniture	5,000	1,000	79	921	
Plant and Machinery	2,500	2,500	2,435	65	
Information Technology	11,500	-	2,033	(2,033)	Server and oracle license not included in MUR 11,500, which is carried forward in 2019-2020 for data recovery plan and self service module.
Motor Vehicles	5,000	5,000	920	4,080	
Building	-	225	225	-	
Warehouse	800,000	-	-	-	
TOTAL	824,000	8,725	5,692	3,033	

- Note:**
- i. Represents the original budget of the Corporation for the Financial Year ended 30 June 2019 approved in March 2018.
 - ii. Represents the revised budget of the Corporation for the Financial Year ended 30 June 2019 approved in March 2019.
 - iii. Represents the difference between revised budget for the Financial Year ended 30 June 2019 and actual revenue and expenses on a comparable basis.
 - iv. 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.

Notes to Financial Statements for the Financial Year ended 30 June 2019

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 the Financial Year ended June 2019 approved by the Board of STC in March 2018 as per statutory requirement, was based on information available at that time. Thereafter, in March 2019, the document was revised based on actual data available and updated figures and events such as exchange rate fluctuation, quantity, new contract purchase prices for Rice, Flour, LPG, Petroleum Products and also revision in selling prices.

1. GENERAL INFORMATION

The State Trading Corporation (STC) is a parastatal body wholly owned by the Government of Mauritius and reporting to the Ministry of Industry, Commerce and Consumer Protection. Established and regulated by the STC Act of 1982, its principal place of business is 55, Business Zone, Ebene Cybercity 72201, Ebene, Reduit, Mauritius. STC is engaged in the importation of essential commodities such as Petroleum Products, LPG, 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 Public Sector Accounting Standards (IPSAS). The measurement base applied is historical cost adjusted for revaluations of assets.

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

ii) Basis of Preparation

The Financial Statements have been prepared in accordance with and comply with IPSAS. 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, IPSAS was adopted for years 2011, 2012 and 2013.

Notes to Financial Statements for the Financial Year ended 30 June 2019

The Statutory Bodies (Accounts and Audit) Act was further amended in 2013 and required STC to report under IFRS. Further amendments have been brought to the Statutory Bodies (Accounts and Audit) Act and Financial Reporting Act in the Finance (Miscellaneous provision) Act in 2017 and requires STC to prepare its Financial Statements under IPSAS.

The Corporation's Financial Statements for the Financial Year ended 30 June 2019 adopting the accrual basis IPSAS include:

- (a) One Statement of Financial position as at 30 June 2019;
- (b) One Statement of Financial Performance for the year ended 30 June 2019;
- (c) One Statement of changes in net assets/equity for the year ended 30 June 2019;
- (d) One Cash Flow Statement for the year ended 30 June 2019;
- (e) A comparison of budget and actual amounts for the current year as a separate additional Financial Statements or as a budget column in the Financial Statements; and
- (f) Related notes and the disclosure of narrative information about material adjustments.

Notes to Financial Statements for the Financial Year ended 30 June 2019

ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the Corporation has adopted all of the new and revised International Public Sector Accounting Standards (IPSAS) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2018 namely:

i) Current and Revised IPSAS

IPSAS 1- Presentation of Financial Statements

IPSAS 2- Cash Flow Statements

IPSAS 3- Accounting Policies, Changes in Accounting Estimates and Errors

IPSAS 4- The Effects of Changes in Foreign Exchange Rates

IPSAS 5- Borrowing Costs

IPSAS 7- Investments in Associates

IPSAS 9- Revenue from Exchange Transactions

IPSAS 11- Construction Contracts

IPSAS 12- Inventories

IPSAS 13- Leases

IPSAS 14 - Events After the Reporting Date

IPSAS 16-Investment Property

IPSAS 17- Property, Plant, and Equipment

IPSAS 18- Segment Reporting

IPSAS 19- Provisions, Contingent Liabilities and Contingent Assets

IPSAS 20- Related Party Disclosures

IPSAS 21- Impairment of Non-Cash-Generating Assets

IPSAS 23- Revenue from Non Exchange Transactions

IPSAS 24- Presentation of Budget Information in Financial Statements

IPSAS 25- Employee Benefits

IPSAS 26- Impairment of Cash Generating Assets

IPSAS 28- Financial Instruments: Presentation

IPSAS 29- Financial Instruments: Recognition and Measurement

IPSAS 30- Financial Instruments: Disclosures

IPSAS 31- Intangible Asset

IPSAS 36- Investments in Associates and Joint Ventures

IPSAS 39- Employee Benefits

Notes to Financial Statements for the Financial Year ended 30 June 2019

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

IPSAS 6- Consolidated and Separate Financial Statements.

IPSAS 8- Interest in Joint Ventures

IPSAS 10- Financial Reporting in Hyperinflationary Economies

IPSAS 22-Disclosure of Financial Information about the General Government Sector

IPSAS 27- Agriculture

IPSAS 32- Service Concession Arrangements: Grantor

IPSAS 33- First-time Adoption of Accrual Basis IPSASs

IPSAS 34- Separate Financial Statements

IPSAS 35- Consolidated Financial Statements

IPSAS 37- Joint Arrangements

IPSAS 38- Disclosure of Interests of Other Entities

IPSAS 40- Public Sector Combinations

IPSAS 28-30, Financial Instruments (Update) effective date of January 1, 2022

Social Benefits and Non-Exchange Expenses: Scope and Definitions

Social Benefits: Insurance Approach, Recognition Measurement and Financial Sustainability Reporting

Revenue: Approach to IFRS 15

Revenue and Non-Exchange Expenses: Public Sector Performance Obligation Approach

Revenue: Update of IPSAS 23

Non-Exchange Expenses

Public Sector Measurement

ii) 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.

iii) Accounting Period

The Financial Statements for the current financial year have been prepared for the twelve months ended 30 June 2019.

Notes to Financial Statements for the Financial Year ended 30 June 2019

iv) Cash and Cash Equivalent

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

v) Retirement and other Benefits

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 1 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 1 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.

The contribution in the Defined Contribution (DC) Pension Scheme managed by SICOM Ltd for the period July 2018 to June 2019 was MUR 1.2 million.

Notes to Financial Statements for the Financial Year ended 30 June 2019

Employee leave entitlement

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

vi) Investment

For the purpose of measurement, these investments have been categorised as financial assets at fair value through Statement of Financial Performance.

Investment in Associate

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

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

vii) Revenue Recognition

Revenue from Exchange Transactions

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 for the Financial Year ended 30 June 2019 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.

Revenue from Non Exchange Transaction

Revenue from Non exchange transactions are those where the Corporation receives an inflow of resources but provides no or nominal direct consideration in return. It includes mainly Gain and Loss on foreign transactions.

Notes to Financial Statements for the Financial Year ended 30 June 2019

viii) Leases

Rentals payable amounting to MUR 14.1 million 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: - MUR 12,502,992
- (ii) Later than one year and not later than five years: - MUR 2,253,850
- (iii) Later than five years: - MUR 8,951,696

(a) Total rents recognized in the Statement of Financial Performance during the Financial Year ended 30 June 2019:- MUR 14,095,815

(b) A general description of the lessee's leasing arrangements: -

As at reporting date, the Corporation had three lease agreements for its administrative block and storage of goods as follows: -

- One lease agreement for warehouse at Shed A.
- One lease agreement for warehouse at Roche Bois.
- One lease of land for its Administrative block at Ebene.

ix) 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 Financial Performance in the period in which they arise.

x) Infrastructure, 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 MUR 40,000 with effect from Financial Year 2014.

Notes to Financial Statements for the Financial Year ended 30 June 2019

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	10 - 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 Financial Performance.

xi) 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.

xii) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories has been assigned by using the first-in first-out basis (FIFO).

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Following the construction of storage tanks at the Mer Rouge Oil Storage Terminal Co. Ltd (MOST), STC keeps stock of petroleum products in those tanks and same is accounted in the Financial Year 2018-19.

STC is a shareholder of the Mer Rouge Oil Storage Terminal Co. Ltd (MOST), a petroleum tank farm. During the period July 2018 to June 2019, STC has invested an amount of MUR 21.2 million in the company which has a storage capacity of 15,000 MT of Mogas and 10,000 MT of Gas Oil. The terminal, constructed at the cost of MUR 595 million was commissioned in April 2018.

With the implementation of this storage project, the country's buffer stock level (time interval between the arrival of two tankers) has improved from 3 to 33 days for Mogas and from 10 to 27 days for Gas Oil.

Notes to Financial Statements for the Financial Year ended 30 June 2019**xiii) Trade Receivables**

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

xiv) Trade Payables

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

xv) 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.

xvi) 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.

xvii) Provisions

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

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

xviii) 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 LPG for domestic consumption at affordable prices, the Corporation meets any shortfall on these products.

Notes to Financial Statements for the Financial Year ended 30 June 2019

xix) 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 21.

xx) Tax

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

xxi) 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.

Notes to Financial Statements for the Financial Year ended 30 June 2019

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:

- (a) Maintaining of sufficient funds in foreign currency bank accounts, crediting proceeds in foreign currency and purchasing of foreign currency in advance.
- (b) 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 Stabilization Account.

Notes to Financial Statements for the Financial Year ended 30 June 2019

iii) Post-Employment Benefits

The determination of employee's post-employment benefit costs and related provisions, as detailed in Note 14 to the Financial Statements, required the use of actuarial calculations or other assumptions that include significant estimates in respect of, inter alia, the discount rate, the expected return on the plan assets, future salary increases and future pension increases. These significant estimates are assessed annually by the directors with the actuaries where applicable. Differences between actual and estimated are recorded as actuarial gains or losses.

5. CASH AND CASH EQUIVALENT

	30 June 2019	30 June 2018
	MUR	MUR
Cash in Hand	33,736	20,960
Bank Balances	1,205,295,135	960,769,163
Short Term Deposits	675,336,924	2,003,847,397
Investment in Treasury Bills	1,693,200,701	-
Gross Total	3,573,866,496	2,964,637,520

Total Cash and Cash equivalent is made up of:

	30 June 2019	30 June 2018
	MUR	MUR
(i) Cash and Cash Equivalent	2,753,340,363	1,494,630,013
(ii) Subsidy Reserve Account for Rice, Flour and LPG	135,619,185	626,855,560
(iii) Infrastructure Development Reserve Account	546,013,717	345,508,919
(iv) Strategic Stock Reserve Fund	138,893,231	497,643,028
Total Cash and Cash equivalent	3,573,866,496	2,964,637,520

Subsidy Reserve Fund for Rice, Flour and LPG

An amount of MUR 2.70 per litre was collected from sales of Mogas and Gas Oil up to 14 June 2018 in respect of subsidy on Rice, Flour and LPG. Following the Finance (Miscellaneous Provisions) Act 2018, the amount of MUR 2.70 per litre has been revised to MUR 1.75 per litre for Mogas and MUR 1.20 per litre for Gas Oil. In January 2019, the amount has been revised to MUR 3.00 per litre for Mogas and for Gas Oil the amount of MUR 1.20 per litre has been maintained. During the period July 2018 to June 2019, an amount of MUR 912.1 million has been collected under this item. Total subsidy on Rice, Flour and LPG for the period amounted to MUR 1.403 billion and the difference of MUR 491.2 million has been used from the Subsidy Reserve Fund.

Notes to Financial Statements for the Financial Year ended 30 June 2019

Strategic Stock Reserve Fund

The total value of 15,000 MT of Mogas and 10,000 MT of Gas Oil which can be stocked at the terminal representing capital tied up during the whole year of about MUR 650 million. During the Financial Year 30 June 2019, an amount of MUR 358.7 million was utilized for the purchase Mogas and Gas Oil as shown in the Statement of Financial Performance. The balance of MUR 138.4 million is shown under item Strategic Stock Reserve Fund in the Statement of Financial Position.

Infrastructure Development Reserve Fund-MUR 546 million

This fund includes an amount of MUR 382.3 million for Storage Tank Development and MUR 163.7 million in respect of Bunker Fuel Development as detailed below:

(i) Storage Tank Development Fund

An amount of MUR 0.10 per litre on sales of Mogas and Gas Oil and MUR 0.10 per kg on LPG is collected for the construction of storage facilities. The amount of MUR 0.10 per litre on sales of Mogas and Gas Oil has been revised to MUR 0.30 per litre in October 2018. In January 2019, the amount was revised to MUR 0.65 per litre for Mogas and MUR 0.50 per litre for Gas Oil.

During the Financial Year 30 June 2019, an amount of MUR 221.7 million has been credited to this account. Out of this fund, an amount of MUR 21.2 million had been invested in Mer Rouge Oil Storage Terminal Co. Ltd (MOST) during the Financial Year ended 30 June 2019. The balance in this fund stands at MUR 382.3 million at 30 June 2019.

(ii) Bunker Fuel Development Fund

A Bunker Fuel Fund has been created to promote marine bunker fuel oil business in Mauritius and the balance is MUR 163.7 million as at 30 June 2019.

6. TRADE AND OTHER RECEIVABLES

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

	30 June 2019	30 June 2018
	MUR	MUR
Trade Receivables	2,821,375,615	3,156,899,552
Other Receivables	34,286,608	27,437,249
TOTAL	2,855,662,223	3,184,336,801

Notes to Financial Statements for the Financial Year ended 30 June 2019

7. INVENTORIES

COMMODITIES	30 June 2019	30 June 2018
	MUR	MUR
Mogas	242,840,149	405,445,409
Gas Oil	150,439,351	371,873,101
Jet A1	-	376,180,106
Rice	58,512,172	29,626,876
Flour	41,379,252	42,168,280
Sugar	531,730	697,763
TOTAL	493,702,654	1,225,991,535

COMMODITIES	30 June 2019		30 June 2018	
	COST MUR	Net Realisable Value (MUR)	COST MUR	Net Realisable Value (MUR)
Long Grain Rice	88,077,960	56,783,319	44,138,558	25,982,211
Basmati Rice	1,728,853	2,069,960	3,644,665	4,514,990
Flour	76,508,873	41,379,252	65,513,539	42,168,280
Sugar (White)	237,072	249,830	398,706	419,895
Sugar (Raw)	294,658	309,750	299,057	314,175
TOTAL	166,847,416	100,792,111	113,994,525	73,399,551

The cost of inventories recognised as an expense includes MUR 66,424,262 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.

Stock of Mogas and Gas Oil in MOST

At reporting date STC held a stock of 9,583 MT of Mogas and 6,667 MT of Gas Oil in the terminal valued at MUR 393,279,500.

Stock in Transit

The Corporation had no stock in transit of White and Black Oils at 30 June 2019.

Notes to Financial Statements for the Financial Year ended 30 June 2019

8. INVESTMENTS

Name of Company	Country of incorporation	% Ownership	Consideration	30 June 2019 MUR	30 June 2018 MUR
Landscape (Mauritius) Ltd	Mauritius	less than 1	Cash	352,972	354,236
Africa Export -Import Bank (Afreximbank)	Egypt	less than 1	Cash	15,834,611	725,660
Mer Rouge Oil Storage Terminal Co. Ltd (MOST)	Mauritius	23.5	Cash	51,001,739	26,841,078
At Reporting date				67,189,322	27,920,974

8A. INVESTMENT IN ASSOCIATED COMPANY

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	30 June 2019 MUR	30 June 2018 MUR
Mer Rouge Oil Storage Terminal Co. Ltd (MOST)	Mauritius	23.5	Cash	51,001,739	26,841,078
At Reporting date				51,001,739	26,841,078

For the purpose of applying the equity method of accounting, the audited financial statements of MOST for the year ended 31 December 2018 which was received in July 2019, has been used. Summarised financial information of the MOST for the year 2018 is set out below:

	31 December 2018 MUR	31 December 2017 MUR
Total Assets	658,123,504	551,729,959
Total Liabilities	(464,851,139)	(471,563,584)
Net Assets/Equity	193,272,365	80,166,375
Total revenue	35,312,700	714
Total expenses	(22,890,434)	(890,668)
Net Profit/(Loss)	12,422,266	(889,954)
STC's share of Net profit /(Loss) in Associate	2,919,233	(209,139)

Notes to Financial Statements for the Financial Year ended 30 June 2019

	30 June 2019 MUR
Investment in MOST Co. Ltd at 1 July 2018	26,841,078
Investment during the reporting period	21,241,428
Total investment as at 30 June 2019	48,082,506
STC's share of net profit for the period	2,919,233
Investment in Associate at 30 June 2019	51,001,739

8B. OTHER INVESTMENT

Name of Company	Country of incorporation	% Ownership	Consideration	30 June 2019 MUR	30 June 2018 MUR
Landscape (Mauritius) Ltd	Mauritius	less than 1	Cash	352,972	354,236
Africa Export -Import Bank (Afreximbank)	Egypt	less than 1	Cash	15,834,611	725,660
At reporting date				16,187,583	1,079,896

Investment	% of Shares	30 June 2019	30 June 2018
		MUR	MUR
Unquoted			
a) Landscape (Mauritius) Ltd	less than 1	352,972	354,236
b) Africa Export-Import Bank (Afreximbank)	less than 1	15,834,611	725,660
c) MOST Co. Ltd	23.5	51,001,739	26,841,078
Total		67,189,322	27,920,974

Mer Rouge Oil Storage Terminal Co. Ltd (MOST)

STC is a shareholder of the Mer Rouge Oil Storage Terminal Co. Ltd (MOST), a petroleum tank farm. Since the year 2017 to 30 June 2019, STC has invested an amount of MUR 48 million in the company which has a storage capacity of 15,000 MT of Mogas and 10,000 MT of Gas Oil. The terminal, constructed at the cost of MUR 595 million was commissioned in April 2018.

With the implementation of this storage project, the country's buffer stock level (time interval between the arrival of two tankers) has improved from 3 to 33 days for Mogas and from 10 to 27 days for Gas Oil.

Notes to Financial Statements for the Financial Year ended 30 June 2019**9. INFRASTRUCTURE, PLANT AND EQUIPMENT**

	Motor Vehicles	Office Equipment & Furniture	Plant & Machinery	Computer Equipment	Total Infrastructure, Plants and Equipment
	MUR	MUR	MUR	MUR	MUR
COST					
At 1 July 2018	11,914,526	41,355,735	32,754,954	24,233,862	110,259,077
Additions	920,000	79,000	2,434,609	-	3,433,609
Disposal	-	-	(624,260)	-	(624,260)
At 30 June 2019	12,834,526	41,434,735	34,565,303	24,233,862	113,068,426
DEPRECIATION					
At 1 July 2018	9,174,518	9,157,174	19,488,460	8,769,537	46,589,689
Charge for the year	1,515,304	4,070,744	2,684,650	4,593,655	12,864,353
Disposal	-	-	(567,036)	-	(567,036)
At 30 June 2019	10,689,822	13,227,918	21,606,074	13,363,192	58,887,006
CARRYING AMOUNT					
At 1 July 2018	2,740,008	32,198,561	13,266,494	15,464,325	63,669,388
At 30 June 2019	2,144,704	28,206,817	12,959,229	10,870,670	54,181,420

A loss on Disposal of Plant and Machinery amounting to MUR 54,268.50 was included in the Statement of Financial Performance for the Financial Year ended 30 June 2019.

Notes to Financial Statements for the Financial Year ended 30 June 2019

10. LAND AND BUILDING

	Building	Leasehold Land
	MUR	MUR
COST		
At 1 July 2018	240,664,321	28,107,720
Additions	225,000	-
At 30 June 2019	240,889,321	28,107,720
DEPRECIATION		
At 1 July 2018	15,035,630	-
Charge for the year	4,816,661	-
At 30 June 2019	19,852,291	-
CARRYING AMOUNT		
At 1 July 2018	225,628,691	28,107,720
At 30 June 2019	221,037,030	28,107,720

11. Intangible Assets

	30 June 2019
	MUR
COST	
At 1 July 2018	24,285,243
Additions	2,033,550
Disposals	-
Derecognised	-
At 30 June 2019	26,318,793
AMORTISATION	
At 1 July 2018	17,264,729
Charge for the year	2,699,885
Derecognised	-
At 30 June 2019	19,964,614
NET BOOK VALUE	
At 30 June 2019	6,354,179

Notes to Financial Statements for the Financial Year ended 30 June 2019**12. PAYABLES**

Payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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

	30 June 2019	30 June 2018
	MUR	MUR
CURRENT LIABILITIES		
Government of Mauritius	259,751,378	237,831,329
Mauritius Revenue Authority	464,825,453	593,953,821
Trade Payables	982,351,064	1,371,649,086
Other Payables	19,594,665	140,444,999
Price Stabilisation Account	534,708,133	200,009,521
TOTAL	2,261,230,693	2,543,888,756

13. SHORT TERM BORROWINGS

BORROWINGS	30 June 2019	30 June 2018
	MUR	MUR
Short term Lines of Credit	Nil	805,610,542

The Corporation has borrowing facilities of USD 95 million, out of which the balance at 30 June 2019 was Nil.

14. EMPLOYEE BENEFIT OBLIGATIONS**(i) Employee Benefit Obligations**

Employee entitlements to bank sick leaves, vacation leaves and passage benefits 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 Financial Performance.

Vacation leave is paid break from duty of longer duration for recreational, cultural or religious purposes. The balance of vacation leaves is valued at the end of the financial year and is recognized as long term payables.

A provision is made for the estimated liability for passage benefits. The passage benefits for each staff are valued at year end and are included as long term payables. The annual increase in passage benefits representing amount earned for each eligible officer during the financial year, is expensed to the Statement of Financial Performance.

An accrual amount of MUR 62,732,518 is made for the estimated liability for bank sick leave, passage benefits and vacation leaves.

(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 1 January 2013.

The amount of MUR 142.2 million in respect of wages, salaries and employee benefits includes MUR 12.8 million contributed by STC in the Defined Benefit Pension Plan and MUR 1.2 million for the year ended 30 June in the Defined Contribution Pension Scheme managed by SICOM Ltd. As such the cumulative balance contributed to the Defined Contribution Pension Scheme by STC stands at MUR 4.5 million at 30 June 2019.

Notes to Financial Statements for the Financial Year ended 30 June 2019

Actuarial Report on the Defined Benefit Pension plan for STC employees

FIGURES FOR IPSAS 39 ADOPTION FOR: State Trading Corporation for year ending 30 June 2019

	Year ending 30 June 2019	Year ending 30 June 2018
Amounts recognised in balance sheet at end of year		
	MUR	MUR
Defined benefit obligation	506,323,649	510,957,030
Fair value of plan assets	(455,433,444)	(450,563,019)
Liability recognised in balance sheet at end of period	50,890,205	60,394,011
Amounts recognised in Income Statement:		
Service cost:		
Current service cost	9,744,710	9,876,607
Past service cost	-	-
(Employee contributions)	(4,035,158)	(4,193,214)
Fund Expenses	354,406	303,323
Net Interest expense/ (revenue)	3,960,880	4,590,508
P&L Charge	10,024,838	10,577,224
Remeasurement:		
Liability (gain)/loss	(11,719,240)	6,562,664
Assets (gain)/loss	5,010,164	(14,333,889)
Net Assets/Equity (NAE)	(6,709,076)	(7,771,225)
Total	3,315,762	2,805,999
Movements in liability recognised in balance sheet:		
	MUR	MUR
At start of year	60,394,011	70,866,329
Amount recognised in P&L	10,024,838	10,577,224
(Contributions paid by employer)	(12,819,568)	(13,278,317)
Amount recognised in NAE	(6,709,076)	(7,771,225)
At end of year	50,890,205	60,394,011

Notes to Financial Statements for the Financial Year ended 30 June 2019

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

FIGURES FOR IPSAS 39 ADOPTION FOR:

State Trading Corporation for year ending 30 June 2019

	Year ending 30 June 2019	Year ending 30 June 2018
	MUR	MUR
Reconciliation of the present value of defined benefit obligation		
Present value of obligation at start of period	510,957,030	487,791,144
Current service cost	9,744,710	9,876,607
Interest cost	29,635,508	30,243,051
(Benefits paid)	(32,294,359)	(23,516,436)
Liability (gain)/loss	(11,719,240)	6,562,664
Present value of obligation at end of period	506,323,649	510,957,030
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of period	450,563,019	416,924,815
Expected return on plan assets	25,674,628	25,652,543
Employer contributions	12,819,568	13,278,317
Employee Contributions	4,035,158	4,193,214
(Benefits paid + other outgo)	(32,648,765)	(23,819,759)
Asset gain/ (loss)	(5,010,164)	14,333,889
Fair value of plan assets at end of period	455,433,444	450,563,019
Distribution of plan assets at end of period		
	June 2019	June 2018
Percentage of assets at end of year		
Fixed Interest securities and cash	58.7%	59.5%
Loans	3.4%	3.7%
Local equities	13.1%	14.6%
Overseas bonds and equities	24.2%	21.6%
Property	0.6%	0.6%
Total	100.0%	100.0%

Notes to Financial Statements for the Financial Year ended 30 June 2019

Additional disclosure on assets issued or used by the reporting entity	June 2019	June 2018
<i>Percentage of assets at end of year</i>	%	%
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 NAE		
	June 2019	June 2018
Year		
Currency	MUR	MUR
Asset experience gain/ (loss) during the period	(5,010,164)	14,333,889
Liability experience gain/ (loss) during the period	<u>11,719,240</u>	<u>(6,562,664)</u>
	6,709,076	7,771,225

Year	2019/2020
Expected employer contributions	13,541,424

(Estimate to be reviewed by State Trading Corporation)

Weighted average duration of the defined benefit obligation 11 years

(Calculated as a % change in PV of liabilities for a 1% change in discount rate)

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:

	Year ending 30 June 2019	Year ending 30 June 2018
Discount rate	5.80%	6.20%
Future salary increases	4.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables	A (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.

Notes to Financial Statements for the Financial Year ended 30 June 2019

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 MUR 49.4 M (increase by MUR 58.9 M) if all other assumptions were held unchanged.

- If the expected salary growth would increase (decrease) by 100 basis points, the defined benefit obligation would increase by MUR 17.1 M (decrease by MUR 15.5 M) if all assumptions were held unchanged.

- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by MUR 15.8 M (decrease by MUR 15.8 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.

15. NON-CURRENT LIABILITIES

Non-current liabilities consist of bank sick leave, passage benefits and vacation leave due to employees of the Corporation as shown below:

	30 June 2019	30 June 2018
	MUR	MUR
Pension Liability	50,890,205	60,394,011
Employee Benefit Obligations	63,375,567	63,630,809
Total	114,265,772	124,024,820

16. CONTRIBUTED CAPITAL

According to Section 15 of the STC Act, the Share Capital of the Corporation shall be MUR 10,000,000 made up of 1,000,000 shares of MUR10 each to be allocated as follows:

- (a) 100,000 shares shall be fully subscribed by Government;
- (a) The remaining shares shall be subscribed, at such time and in such manner the Minister may determine.

In 1983, when STC was set up, Government contributed an amount of MUR 400,000 which was treated as Share Capital and the item has been renamed Contributed Capital in line with IPSAS.

	30 June 2019	30 June 2018
	MUR	MUR
Capital Contributed by Government	400,000	400,000

Notes to Financial Statements for the Financial Year ended 30 June 2019**17. General Reserve**

	Accumulated Surplus	Reserve Fund	General Reserve
	MUR	MUR	MUR
Restated Balance as at 30 June 2017	1,665,099,921	19,125,000	1,684,224,921
Surplus for the 12-month ended 30 June 2018	930,101,176	-	930,101,176
Change in depreciation in previous years' figures	1,002,007	-	1,002,007
Pension Asset	7,771,225	-	7,771,225
Transfer from Infrastructure Development Fund for investment in MOST	-	7,925,217	7,925,217
Transfer from Subsidy Reserve Fund for financing of stock of Mogas and Gas Oil in MOST	-	152,356,972	152,356,972
Balance as at 30 June 2018	2,603,974,330	179,407,189	2,783,381,519
Surplus for the 12-month ended 30 June 2019	1,083,596,627	-	1,083,596,627
Dividend Paid	(150,000,000)	-	(150,000,000)
Pension Asset	6,709,076	-	6,709,076
Transfer from Infrastructure Development Fund for investment in MOST	-	21,241,428	21,241,428
Transfer from Subsidy Reserve Fund for financing of stock of Mogas and Gas Oil in MOST	-	358,749,796	358,749,796
Balance as at 30 June 2019	3,544,280,033	559,398,413	4,103,678,446

Notes to Financial Statements for the Financial Year ended 30 June 2019

18. REVENUE FROM EXCHANGE TRANSACTIONS

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

	30 June 2019		30 June 2018	
	Metric Tons	MUR	Metric Tons	MUR
Petroleum Products	1,051,281	28,512,180,663	1,047,598	25,310,629,499
Rice	20,622	221,413,208	20,423	220,796,750
Flour	100,242	878,006,824	102,134	907,681,074
LPG	77,537	1,004,801,139	73,795	1,073,766,379
Sugar	146	4,357,015	149	4,434,635
TOTAL	1,249,828	30,620,758,849	1,244,099	27,517,308,337

Note:

- (i) Revenue is net of VAT and net of amount collected on behalf of third parties as follows:-
- (a) Road Development Authority - MUR 904,619,198; and
 - (b) Subsidy for transportation and storage of Petroleum Products and LPG to Rodrigues - MUR 206,195,948.
- (iii) 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.

Notes to Financial Statements for the Financial Year ended 30 June 2019

19. Revenue from Non- Exchange Transactions

Revenue from non-exchange transactions is made up of net foreign exchange gain and loss, Investment and Interest income and other revenue as follows:

Description	Gain MUR	Loss MUR	Net impact MUR
Accounts payable	192,321,203	(10,875)	192,310,328
Accounts receivable	32,892,839	(10,136,842)	22,755,997
Repayment of foreign currency borrowings	346,713,397	-	346,713,397
Subtotal realised gain/(loss)	571,927,439	(10,147,717)	561,779,722
Bank accounts & Deposits -unrealised gain/ (Loss)	-	(3,546,869)	(3,546,869)
Loss on Forward, Spot & Swap Contracts (see note below)	1,475,032	-	1,475,032
TOTAL EXCHANGE GAIN/(LOSS)	573,402,471	(13,694,586)	559,707,885

Note: Forward contracts for purchase of foreign currency of transaction value of USD 5.2 million traded before the end of the financial year with value after statement of financial position date are measured at fair value at the reporting date and any surplus or deficit is accounted in the current financial year in accordance with IPSAS 29. Thereafter, after the settlement, the surplus or deficit that arise thereon is accounted in the subsequent financial year.

20. Other Revenue

	30 June 2019	30 June 2018
	MUR	MUR
Investment Income (Dividend Received)	15,274,338	274,892
Interest on bank balances and bank deposits, etc.	72,852,649	51,387,843
Other Income	587,097	1,061,848
TOTAL	88,714,084	52,724,583

Notes to Financial Statements for the Financial Year ended 30 June 2019

21. 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.

The surplus of MUR 1,083.6 million for the Financial Year ended 30 June 2019 is made up as shown below:

	RICE	FLOUR	PETROLEUM PRODUCTS	SUGAR	LPG	BASMATI RICE	OTHERS	TOTAL
	MUR Million							
REVENUE	217.0	878.0	28,512.2	4.4	1,004.8	4.4	-	30,620.8
Revenue from Exchange Transactions	-	27.9	508.2	-	23.6	-	-	559.7
Contribution for SUBSIDY	-	-	-	-	-	-	912.1	912.1
OTHER Revenue	-	-	73.6	-	-	-	15.1	88.7
COST OF SALES	(338.8)	(1,443.9)	(27,856.2)	(4.1)	(1,649.4)	(3.9)	-	(31,296.3)
OTHER Expenses	(21.9)	(99.5)	(165.7)	(0.2)	(1.0)	(0.4)	(6.8)	(295.5)
Share of profit in Associate	-	-	-	-	-	-	2.9	2.9
Surplus/ (deficit) before subsidy	(143.7)	(637.5)	1,072.1	0.1	(622.0)	0.1	923.3	592.4
Subsidy	143.7	637.5	-	-	622.0	-	-	1,403.2
Transfer from Subsidy Reserve Fund	-	-	-	-	-	-	(1,403.2)	(1,403.2)
Transfer to Subsidy Reserve Fund	-	-	-	-	-	-	491.2	491.2
NET Surplus	-	-	1,072.1	0.1	-	0.1	11.3	1,083.6

Notes to Financial Statements for the Financial Year ended 30 June 2019

22. SUBSIDY ON LPG, RICE AND FLOUR

The selling prices of LGWR, 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 the item 'Contribution for subsidy on LPG, Rice and Flour' in the price structure of Mogas and Gas Oil.

23. FINANCE COSTS

	30 June 2019	30 June 2018
	MUR	MUR
Interest on Lines of Credit	34,746,421	25,298,574

24. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the Financial Year ended 30 June 2019, 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:

30 June 2019	30 June 2018
MUR	MUR
4,049,137,201	3,764,286,866

(a) Sales of goods to CEB were made at market related prices.

(b) Outstanding balance as at 30 June 2019 was NIL. (Jun 2018: MUR 766,540)

24.1 Compensation of key Management Personnel

The remuneration of Chairman, Board Members and other members of key Management during the Financial Year ended 30 June 2019 were as follows:

	June 2019	June 2018
	MUR	MUR
Short-term benefits	10,784,497	12,249,798
Post-employment benefits	14,688,933	12,711,995
Fees to Board Members	1,540,990	1,410,865

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 2019, out of 4 key management personnel, one was on contract, three on substantive capacity.

Notes to Financial Statements for the Financial Year ended 30 June 2019

25. DIVIDEND PAID TO GOVERNMENT

During the Financial Year ended 30 June 2019, an amount of MUR 150 million was paid as dividend to Government of Mauritius.

26. CONTINGENCIES

At the reporting date, there were six cases (including three for staff matters) pending at court awaiting hearing.

27. BETAMAX CONTRACT

(i) Supreme Court of Mauritius

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.

Further to this decision, Betamax Ltd has submitted a claim of USD 176,345,494.52 plus interest, legal fees and costs to STC and the matter was submitted for Arbitration.

On 5 June 2017, the Singapore International Arbitration Centre (SIAC) issued an award in favour of Betamax Ltd ordering STC to pay damages of USD 115,267,199 (about MUR 4.2 billion) plus costs and interest up to date of full payment.

Thereafter, STC has made an application to the Supreme Court of Mauritius to set aside the award and the hearings in this matter was held in March 2018.

On 31 May 2019, the Supreme Court of Mauritius delivered judgment in favour of STC to set aside the Arbitration Award of SIAC delivered on 5 June 2017.

Betamax Ltd made an application to the Supreme Court of Mauritius to appeal to the Judicial Committee of the Privy Council against the 31 May 2019 judgment and the Supreme Court has granted leave to the company on 2 September 2019.

(ii) Supreme Court of India

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 2017, STC applied to the same Court to vacate the order granted by the Court against STC.

In May 2019, Betamax Ltd entered another action in the Supreme Court of India Civil Appellate Jurisdiction and on 29 May 2019, the Court granted until 8th July 2019, interim order in terms of prayer with an option for STC to provide bank guarantee to cover the sum of USD 115,267,199 along with interest awarded under the award dated 5th June ,2017.

Following an application made by STC to the Supreme Court of India for vacation of interim order dated 29 May 2019, the interim order was vacated by the Supreme Court of India on 3 July 2019.

28. COMMITMENTS

The three years' agreement that STC had entered with Mangalore Refinery and Petrochemicals Limited (MRPL) for the supply of Petroleum Product effective August 2016 has expired on 31 July 2019. The contracts for supply of Clean Petroleum Products and Dirty petroleum products for the period August 2019 to January 2020 have been awarded to Vitol Bahrain and Petrochina respectively.

29. PROJECTS

29.1 Construction of modern warehouse for storage of food commodities and other products.

STC has embarked on the procedures for the acquisition of a modern warehouse for Rice and Flour with enhanced facilities for the benefit of its stakeholders.

In the budget for Financial Year 2019-20, the Board of STC has approved an amount of MUR 200 million for a modern warehouse for Rice and Flour with enhanced facilities in Rodrigues.

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.

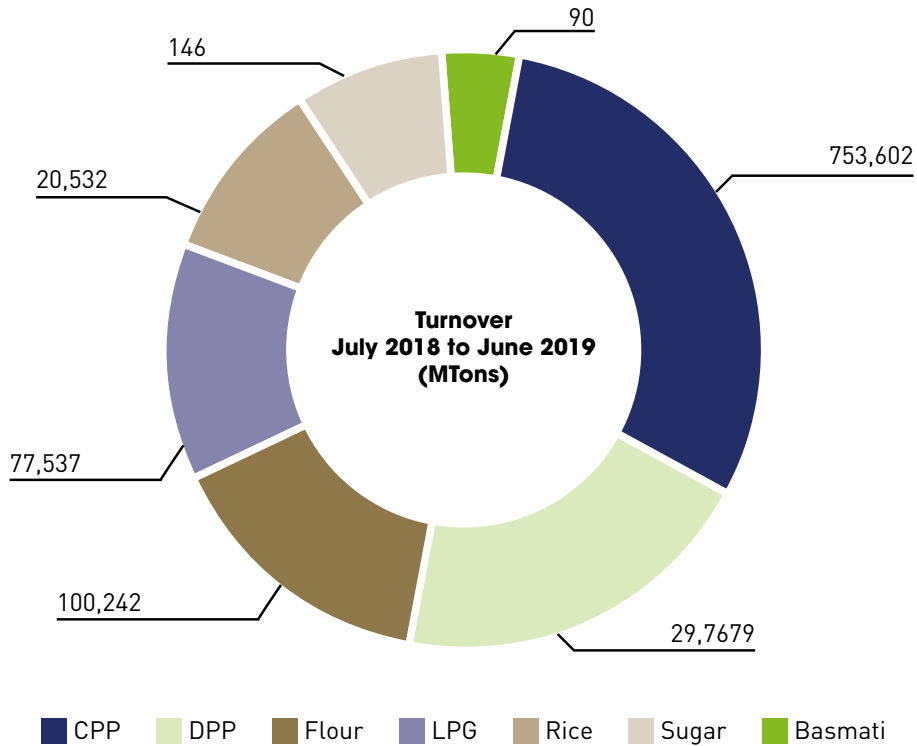
STC has been entrusted with the responsibility of importing certain essential commodities including almost all Petroleum Products and LPG traded in Mauritius. STC also supplies the domestic market with all its requirements in Wheat Flour and LGWR.

Sales volume and Turnover

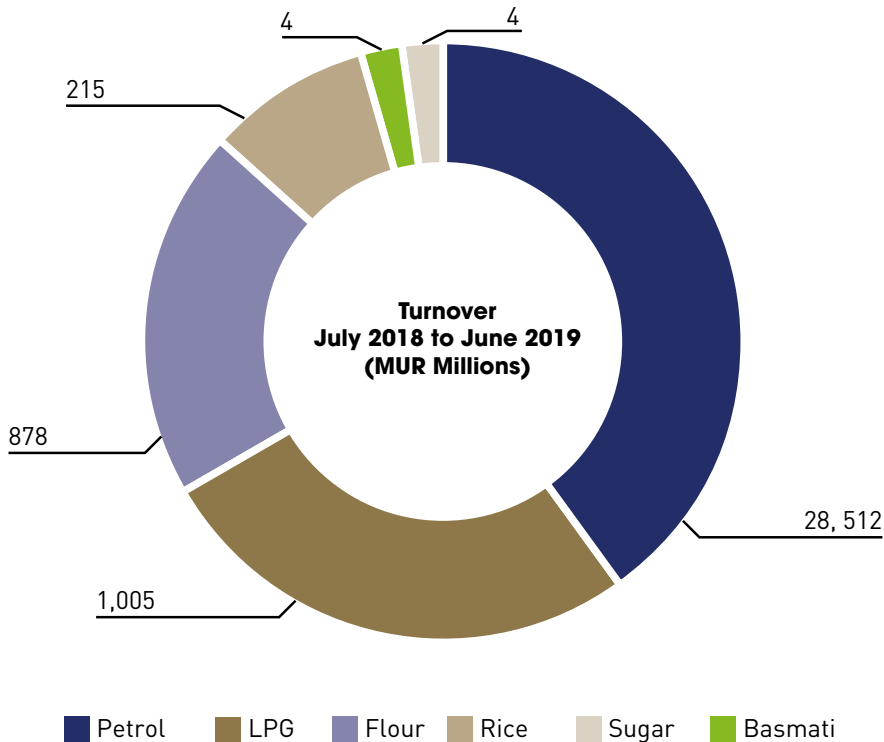
The Turnover of STC which was about MUR 600 million in 1983 -1984 when it was created has reached MUR 30.6 billion in 2019. During its first years of operation, STC took over the activities of the Department of Supplies and dealt only in importation of rice and flour. In 1985, STC started importing Petroleum 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 1.2 million MT for the Financial year ended 30 June 2019 consists mainly of Petroleum Products as shown below:



The Corporation's Turnover for the period reached MUR 30.6 billion.



Petroleum Products

STC is responsible for the importation of almost 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. IndianOil (Mauritius) Ltd

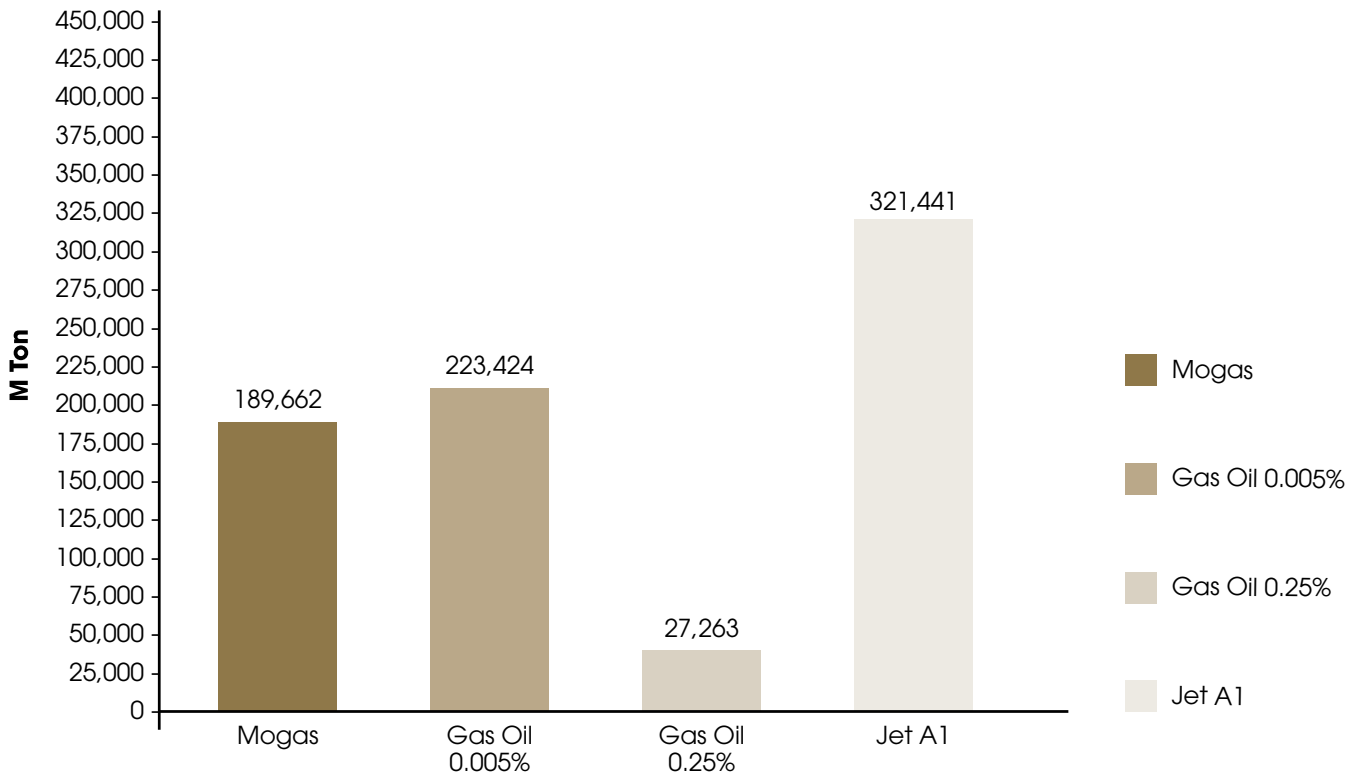
The Oil Companies market, distribute and retail the products through their respective networks of retail outlets across the country. Some also operate barges to carry out their bunker supply operations at sea. During the year 2014, the bunkering trade was partly liberalised allowing the Oil Companies 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.

For the Financial Year ended 30 June 2019, STC imported some 1.1 million MT of 7 grades of Petroleum Products in small shipments at regular interval during the year, as follows:

Clean Petroleum Products: Unleaded Motor Gasoline 95 RON (Mogas), Gas Oil 50 ppm sulphur (Gasoil 0.005%), Marine Diesel 2500 ppm sulphur (Gasoil 0.25%) and Jet A-1; and

Dirty Petroleum Products: HSFO 180 CST CC, HSFO 180 CST SR and HSFO 380 CST SR.

Clean Petroleum Products 2018 - 2019**Mogas**

The import of 189,662 MT of Mogas for the Financial Year ended 30 June 2019 was sold entirely on the local market and the retail price was determined by the Petroleum Pricing Committee (PPC).

Gas Oil

The total import of Gas Oil for the Financial Year ended 30 June 2019 was 250,687 MT. STC imports two grades of Gas Oil, namely 2500 ppm, which was sold as Marine Diesel for bunkering of vessels and Gas Oil 50 ppm with 0.005% sulphur content, which was sold for road transport. The price of Gas Oil sold for road transport was determined by the Petroleum Pricing Committee (PPC).

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

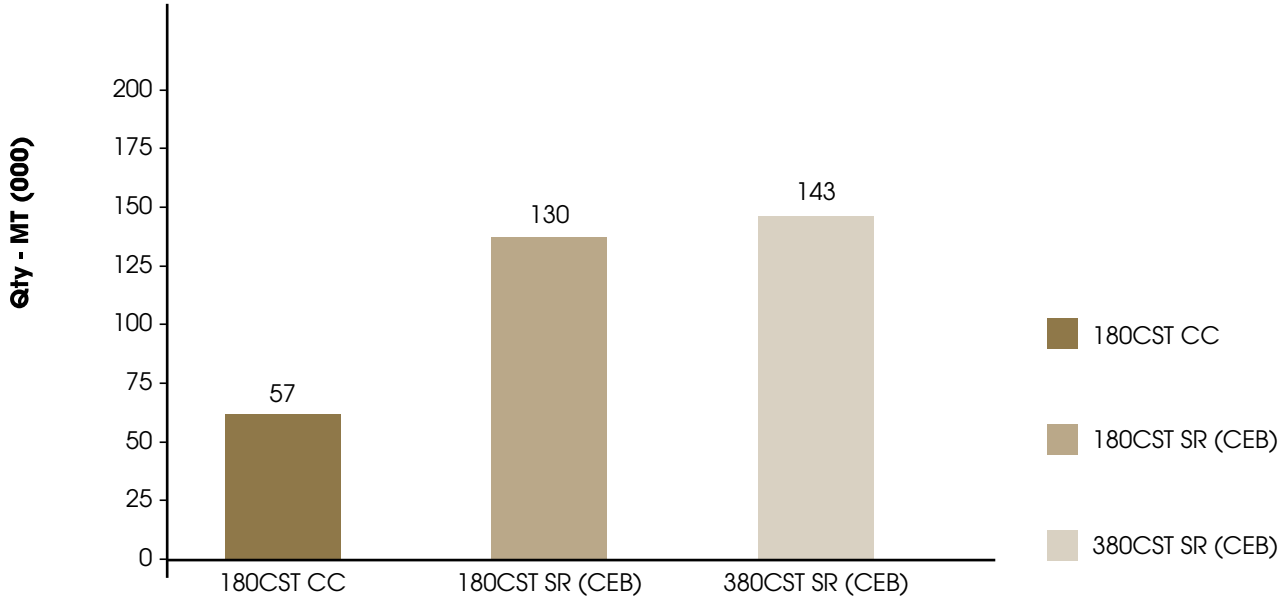
The selling price of Gas Oil 2500 ppm for bunkering purpose was fixed by STC for each consignment on a cost plus basis.

Jet A-1

The import of 321,441 MT of Jet A-1 for the Financial Year ended 30 June 2019, was mostly sold as aviation fuel and the price was fixed by STC for each consignment on a cost plus basis. A small volume was also sold on the local market as Kerosene.

Fuel Oil

Dirty Petroleum Products 2018 - 2019



STC imported 57,140 MT of Fuel Oil 180 CST Catalytic Cracked (CC) for sale to oil companies and 273,500 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 was sold on the local market for industrial purposes and the remaining 45% sold for bunkering of vessels. The selling price of Fuel Oil for both inland and international trade was fixed by STC for each consignment on a cost plus basis.

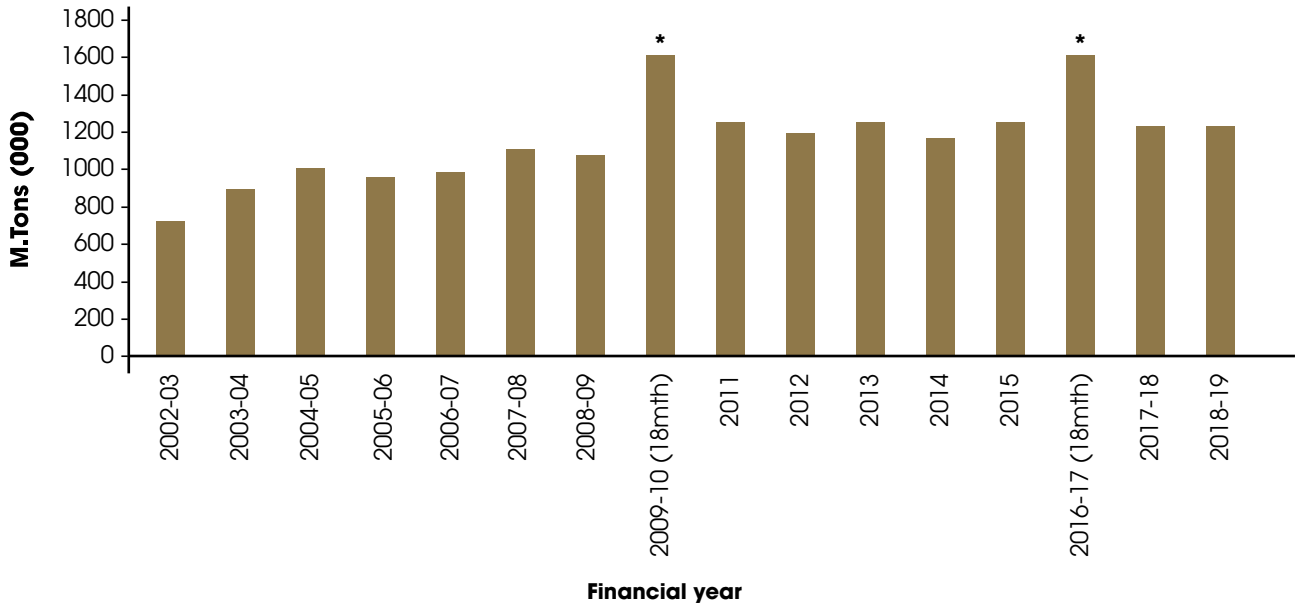
Mauritius is strategically positioned in the middle of the Indian Ocean with increasing Atlantic traffic plying at one end towards Africa, Madagascar and the West, while on the other hand, there is also a steep rise in traffic moving towards India, China, Japan, Malaysia and Thailand – essentially Asia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

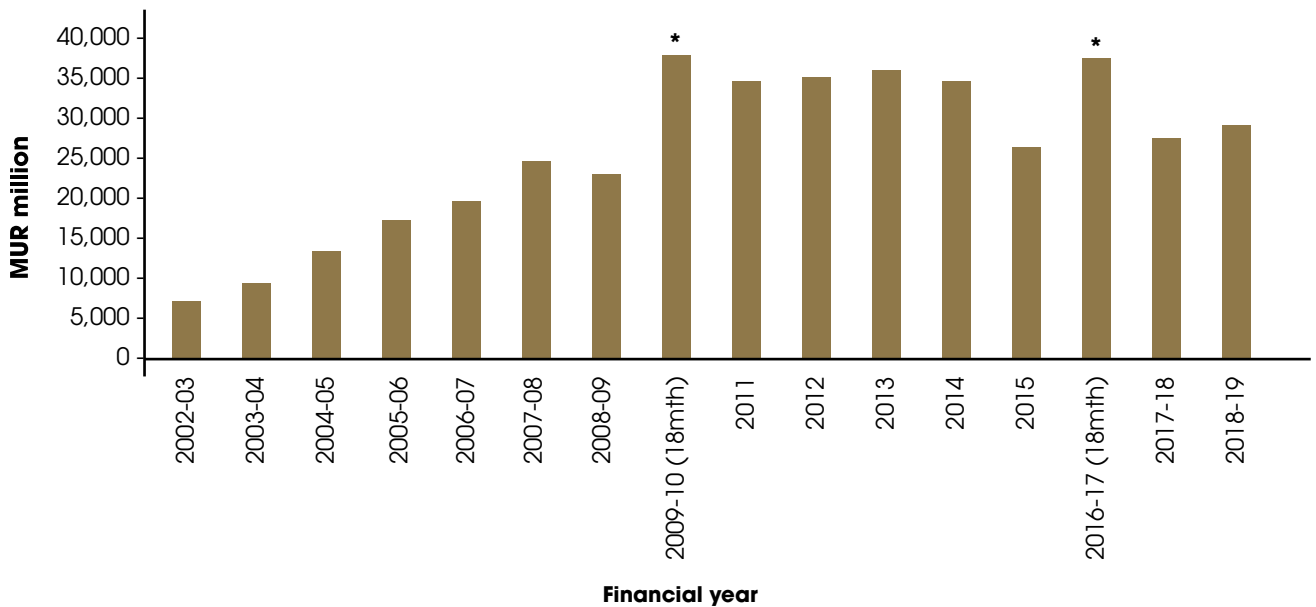
The graphs below show quantity imported and Turnover per product for period 2002 to 2019:

Imports 2002 - 2019 Petroleum products



*18 months

Turnover 2002-2019 Petroleum products (MUR Million)



*18 months

Long Grain White Rice (LGWR)

STC imports basic Long Grain White Rice of about 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.

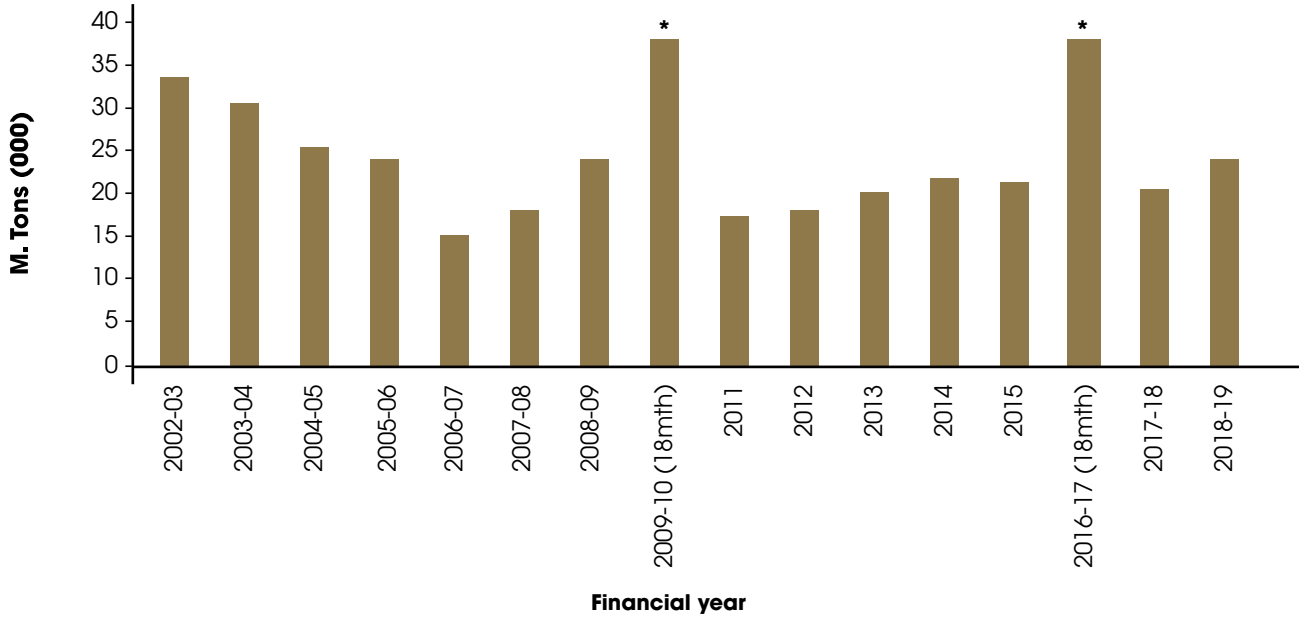
Furthermore, being a socially responsible organisation, STC aims at ensuring that STC' Long Grain White Rice (LGWR) is widely available throughout the Republic of Mauritius at regulated prices. Constant improvements have been made in the quality of LGWR imported by STC during the last two decades, whereby 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' LGWR 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.

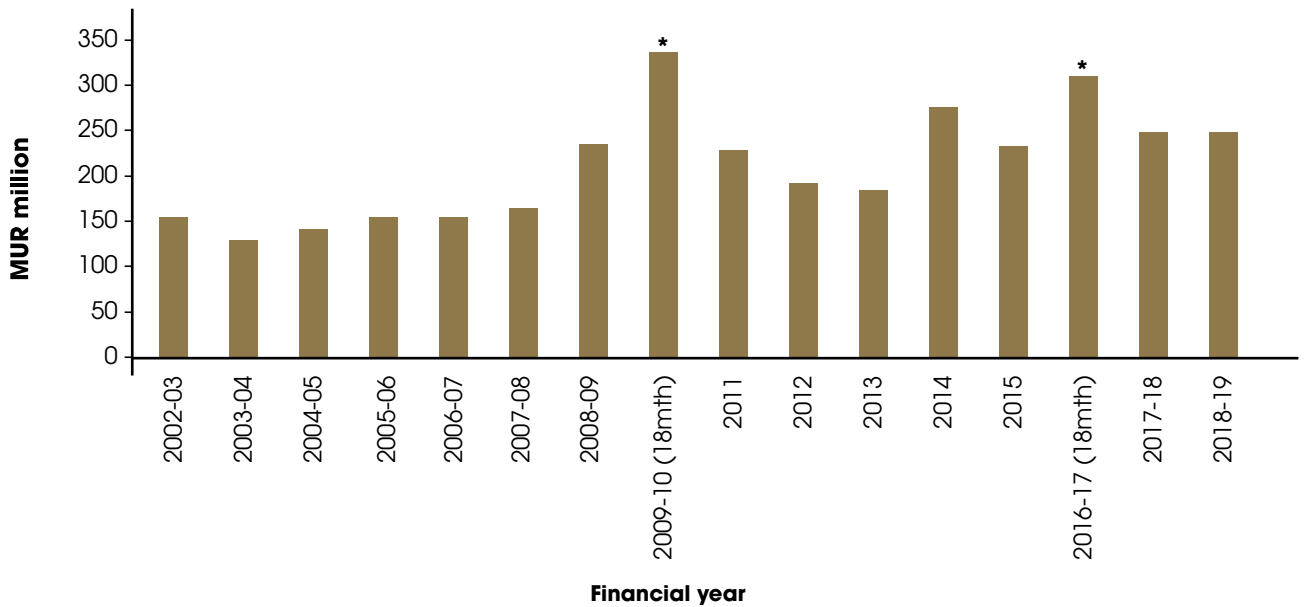
The sale of Ration rice was 20,532 MT (including 4,232MT for Rodrigues) for the Financial Year ended 30 June 2019. As the selling price of Ration Rice imported by STC is fixed by Government at a lower price than the cost price, STC has incurred a shortfall of MUR 143.7 million for this period. The retail price of ration rice was fixed in July 2006 at MUR 5.40 per half kg.

Imports/Purchases 2002-2019 Rice



*18 months

Turnover 2002-2019 Rice (MUR million)



*18 months

Import 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 Financial Year ended 30 June 2019, STC has sold around 90 MT of Basmati Rice.

Flour

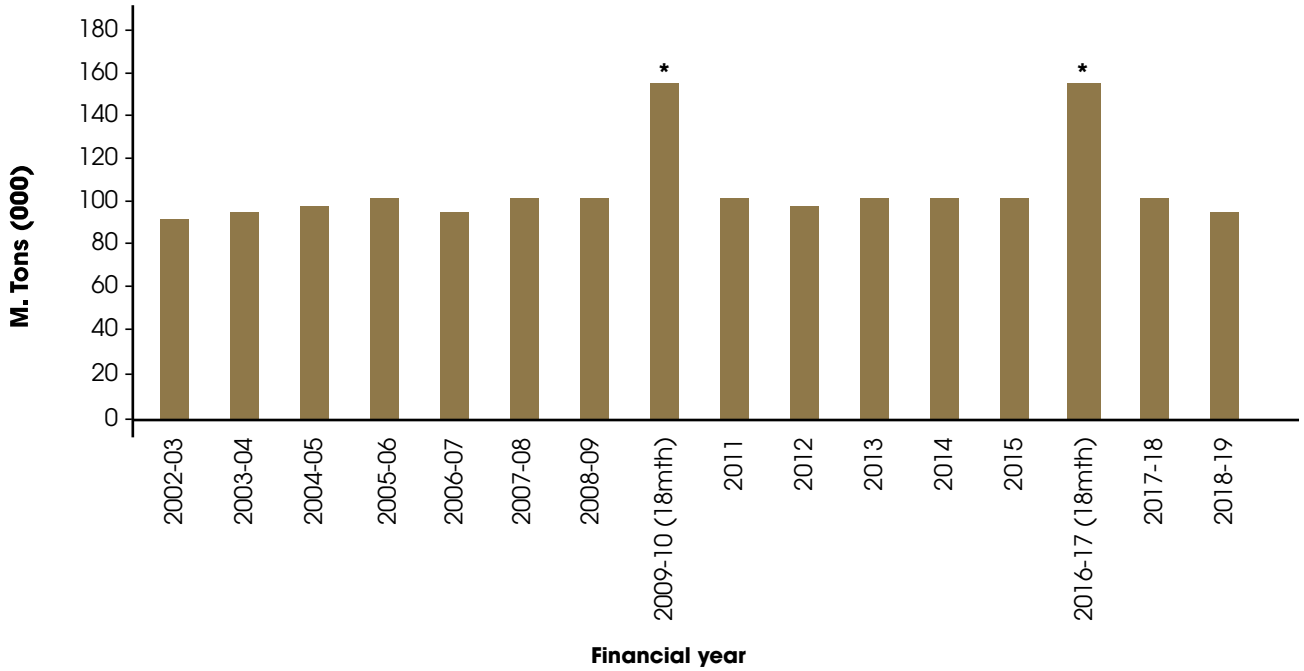
Wheat Flour is purchased annually through International Tenders. STC is required to launch tenders for only 50% of the country's demand as per Government's instructions. The other 50% are allocated to LMLC on the condition that the latter matches the lowest price obtained from the annual tender exercise.

STC supplies the market with around 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.

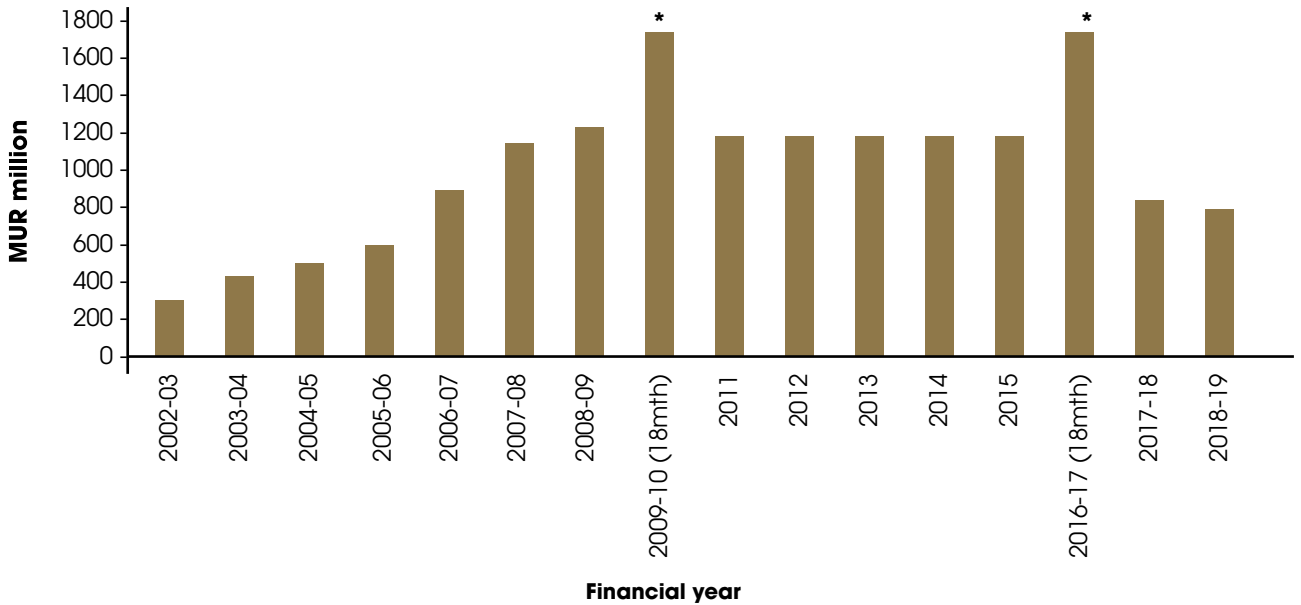
The sale of Flour amounted to 100,242 MT (including 2,107 MT for Rodrigues) for the Financial Year ended 30 June 2019. The contract for the procurement of Flour for the year was allocated to LMLC. The retail price of Flour is also controlled by Government and has been fixed at MUR 5.85 per half kg since 22 December 2008 and was revised to MUR 4.85 per half kg on 9 June 2017, following Government budgetary measure. During this period, STC has incurred a shortfall of MUR 637.5 million on Flour.

Imports/Purchases 2002-2019 Flour



*18 months

Turnover 2002-2019 Flour



*18 months

Though Wheat Flour and Rice comprise only 3.5% 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.

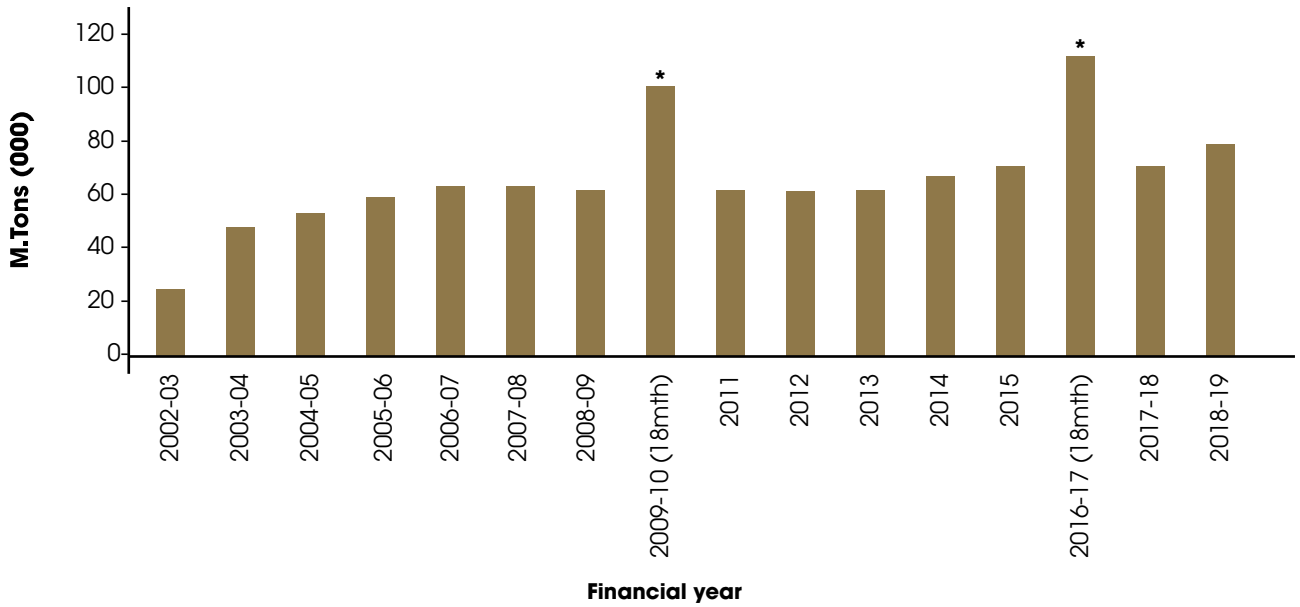
Currently, STC procures and supplies about 75,000 MT of LPG to meet the domestic and industrial demand of Mauritius. LPG represents the main source of cooking and water-heating for 98% households and the retail price is heavily subsidised for 5, 6 and 12-kg bottles destined for domestic use.

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 Financial year ended 30 June 2019 amounts to 77,537 MT on which a shortfall of MUR 622.0 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.

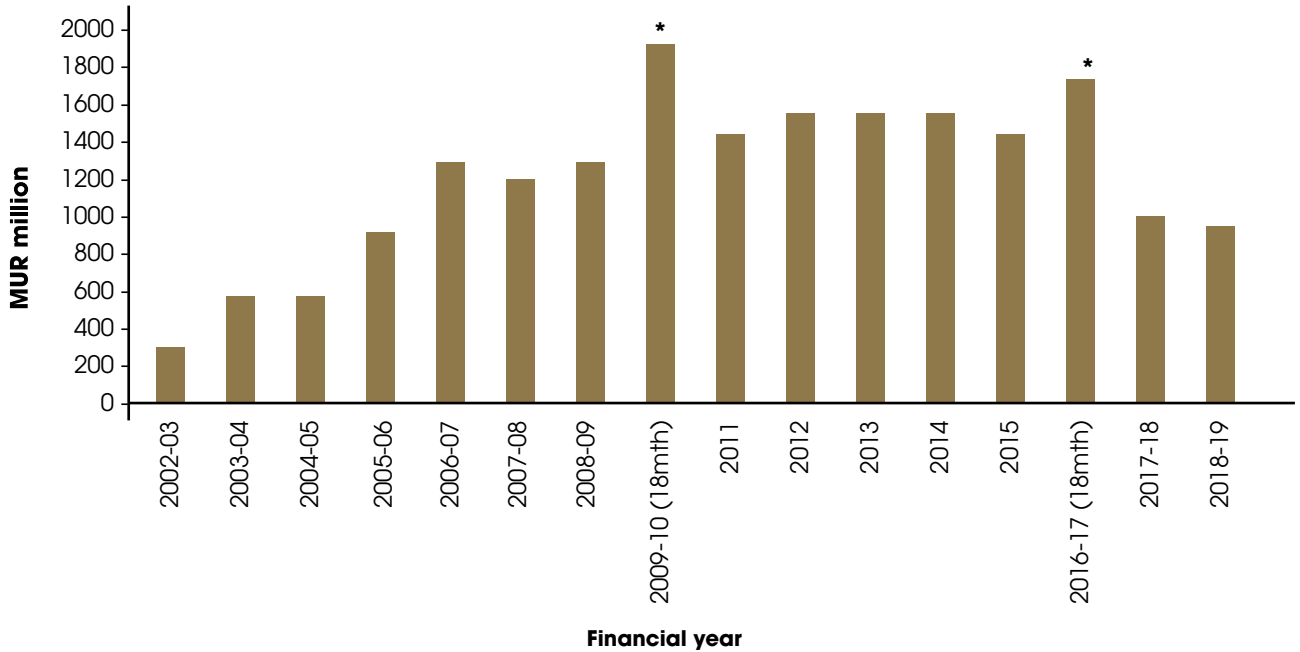
All storage tanks for LPG are owned and managed by private companies. Storage capacities are also limited with regard to demand of the country. However, STC closely monitors stocks to avoid any stock out situation.

Imports 2002 - 2019 LPG



*18 months

Turnover 2002-2019 LPG



*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 Limited- LPG

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

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

- Vivo Energy Mauritius Ltd
- Total (Mauritius) Ltd
- Engen Petroleum (Mauritius) Ltd
- IndianOil (Mauritius) Ltd

5. Wholesalers Association

6. Bakers Association

Banking Services

Barclays Bank Mauritius Ltd

Barclays House
68-68A, Cybercity
Ebene

SBI (Mauritius) Ltd

7th Floor
SBI Tower
Mindspace
45, Ebene Cybercity
Ebene

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

5th Floor NeXTeracom Tower III
Ebene

Mauritius Commercial Bank Ltd

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

MauBank Ltd

Bramer House
Ebene Cybercity
Ebene

BCP Bank (Mauritius)

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

Standard Bank (Mauritius) Ltd

Level 9, Tower A,
1 Cybercity
Ebene

Bank of Baroda

Bank of Baroda Building
Sir William Newton Street
Port Louis

Standard Chartered Bank (Mauritius) Ltd

Units 6A and 6B, 6th Floor Raffles Tower, Lot 19,
Cybercity, Ebene Mauritius



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