



**REPORT OF THE
DIRECTOR OF AUDIT**

**On the Financial Statements
of the State Trading Corporation
for the year ended 30 June 2009**



NATIONAL AUDIT OFFICE



NATIONAL AUDIT OFFICE

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



Report on the Financial Statements

I have audited the financial statements of the State Trading Corporation (Corporation) which comprise the consolidated balance sheet as of 30 June 2009, the consolidated income statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Corporation's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in compliance with the State Trading Corporation Act 1982 and the Statutory Bodies (Accounts and Audit) Act 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the Corporation preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation internal control.

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the attached financial statements give a true and fair view of the financial position of the State Trading Corporation as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Interests in agencies

Following amendments to the Statutory Bodies (Accounts and Audit) Act in 2009 any agency or body of persons established or created by a statutory body shall not later than 1 January 2011 be dissolved or wound up and the assets and liabilities taken over by the statutory body unless the Minister approves otherwise. Likewise a statutory body shall dispose of any interest held by it in any agency or body of persons unless the Minister approves that it may continue to do so.

Only one agency, the STCM Ltd has ceased its activity in May 2010.

The Corporation continued to hold interest in other agencies after the above statutory date limit.

There was no Minister's approval for same. This was not in compliance with the Statutory Bodies (Accounts and Audit) Act.

In my opinion, except for the matter described above, the Corporation has complied with the State Trading Corporation Act and the Statutory Bodies (Accounts and Audit) Act, in so far as they relate to the accounts.

Other Matters

Submission of financial statements

According to the Statutory Bodies (Accounts and Audit) Act, the financial statements have to be submitted for audit within three months of the close of the financial year.

The financial statements for the year ended 30 June 2009 was submitted to my Office on 1 September 2009. These were amended on several occasions with the latest one submitted on 25 February 2011.

Borrowings – Rs 2,817,414,519

The hedging losses had a huge impact on the cash flows and the working capital of the Corporation. The net cash and cash equivalents decreased by some Rs 1.12 billion in 2008/09. To sustain its operations the Corporation resorted over and above the increase in the provision for hedging to both short and long term financing. These increased from some Rs 540 million as at 30 June 2008 to some Rs 2.8 billion as at 30 June 2009 with the subsequent payment of interests leading to higher operation costs for the Corporation. Use of long term financing for working capital requirements instead of to increase earning capacity for long term benefits for the Corporation would not be in line with proper financial management.

Hedging transactions

Hedging transactions were resorted by the Corporation to limit the adverse impact of increases in prices of petroleum products. Following substantial increases in such prices in 2008-09 , quotations for hedging purposes were sought from four institutions only of which two responded. Competitive prices might not therefore have been obtained by the Corporation. The hedging was based on upward trend in prices. Measures to cater for the case of a downfall in prices was not seen taken by the Corporation. The review of those hedging transactions by a consultant appointed by the Corporation pointed out that the decision to hedge was too late and for too long a period and was referred as disaster hedging. It was also pointed out that the Corporation was not empowered to decide whether oil prices were too high for the local economy to sustain. Hedging of a strategic nature should rest with government and a working arrangement was to be made in that context. In January 2009 the Corporation was requested by the responsible Minister to no longer proceed with commodity hedging until further notice.



(Dr R. JUGURNATH)

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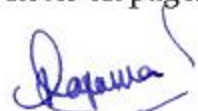
3 March 2011

STATE TRADING CORPORATION

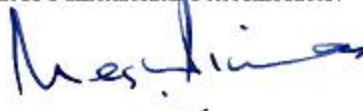
Consolidated Balance Sheet as at 30 June 2009

		CONSOLIDATED 2009	STC 2009	CONSOLIDATED 2008	STC 2008
	Notes	MUR	MUR	Restated MUR	Restated MUR
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	24,957,109	23,631,765	20,435,089	18,798,394
Investment in wholly owned subsidiary	9B	-	1,000,000	-	1,000,000
Investment in Associate	9C	1,939,604	1,939,604	2,000,000	2,000,000
Other financial assets	9D	1,125,660	1,125,660	1,125,660	1,125,660
TOTAL NON-CURRENT ASSETS		28,022,373	27,697,029	23,560,749	22,924,054
CURRENT ASSETS					
Inventories	10	89,890,309	89,890,309	150,863,868	137,578,103
Trade and other receivables	11	3,799,389,667	3,815,251,896	5,860,013,603	5,876,380,639
Bank Balance	14	90,814,046	73,548,206	356,614,925	354,637,870
TOTAL CURRENT ASSETS		3,980,094,022	3,978,690,411	6,367,492,396	6,368,596,612
TOTAL ASSETS		4,008,116,395	4,006,387,440	6,391,053,145	6,391,520,666
EQUITY AND LIABILITIES					
EQUITY					
Share Capital	15	400,000	400,000	400,000	400,000
Retained Earnings	16	(3,222,068,091)	(3,223,192,459)	86,864,309	86,835,869
TOTAL EQUITY		(3,221,668,091)	(3,222,792,459)	87,264,309	87,235,869
NON-CURRENT LIABILITIES					
Borrowings	20	2,645,912,501	2,645,912,501	-	-
Employee Benefit Obligations	17	34,794,364	34,794,364	24,908,676	24,908,676
TOTAL NON CURRENT LIABILITIES		2,680,706,865	2,680,706,865	24,908,676	24,908,676
CURRENT LIABILITIES					
Trade and other payables	19	3,533,390,314	3,532,785,727	5,738,730,160	5,739,226,121
Borrowings	20	171,502,018	171,502,018	540,150,000	540,150,000
Bank Overdraft	14	844,185,289	844,185,289	-	-
TOTAL CURRENT LIABILITIES		4,549,077,621	4,548,473,034	6,278,880,160	6,279,376,121
TOTAL LIABILITIES		7,229,784,486	7,229,179,899	6,303,788,836	6,304,284,797
TOTAL EQUITY AND LIABILITIES		4,008,116,395	4,006,387,440	6,391,053,145	6,391,520,666

The notes on pages 6 to 31 are an integral part of these financial statements.



R R Bapamah
Financial Manager



Megh Pillay, C.S.K
General Manager

25 February 2011

Consolidated Income Statement year ended 30 June 2009

-	Notes	CONSOLIDATED 2009 MUR	STC 2009 MUR	CONSOLIDATED 2008 Restated MUR	STC 2008 Restated MUR
REVENUE	5	26,745,446,035	26,709,303,550	29,322,204,770	29,303,433,449
COST OF SALES		(24,715,478,406)	(24,688,094,903)	(29,508,898,816)	(29,493,656,146)
Hedging Loss	5A	(4,740,553,271)	(4,740,553,271)		
GROSS LOSS		(2,710,585,642)	(2,719,344,624)	(186,694,046)	(190,222,697)
Interest Receivable	6	5,487,279	5,487,279	17,297,312	17,297,312
Gain/(Loss) on Exchange		(344,055,538)	(343,912,729)	373,837,052	373,837,052
Miscellaneous Income		18,460,906	18,453,449	9,922,036	9,922,036
Investment Income	6	67,979	67,979	48,931	48,931
Administrative Expenses	17	(157,671,755)	(150,235,029)	(120,946,099)	(117,452,417)
Interest Expense	7	(120,491,925)	(120,484,257)	(28,272,414)	(28,265,885)
Profit/(Loss) from operations		(3,308,788,696)	(3,309,967,933)	65,192,772	65,164,332
Share of loss in Associate	9	(60,395)	(60,395)	-	-
Taxation		(83,309)	-	-	-
Profit/(Loss) for the year		(3,308,932,400)	(3,310,028,328)	65,192,772	65,164,332

Statement of Changes in Equity for the year ended 30 June 2009

STC

	Share Capital	Retained Earnings	Equity
	MUR	MUR	MUR
Balance as at 30 June 2008	400,000	86,835,869	87,235,869
Consolidated loss for the year 2008-2009	-	(3,310,028,328)	(3,310,028,328)
Balance as at 30 June 2009	400,000	(3,223,192,459)	(3,222,792,459)

Consolidated Cash Flow Statement for the Year ended 30 June 2009

	Consolidated Year ended 30 June 2009	STC Year ended 30 June 2009	Consolidated Year ended 30 June 2008	STC Year ended 30 June 2008
	MUR	MUR	MUR	MUR
Cash flows from Operating Activities				
(Loss)/Profit for the year	(3,308,849,091)	(3,310,028,328)	65,192,772	65,164,332
Share of Loss in Associate	60,396	60,396	-	-
Investment revenue recognised in Income Statement	(67,979)	(67,979)	(48,931)	(48,931)
Gain on sale or disposal of property, plant and equipment	(216,562)	(216,562)	(57,464)	(57,464)
Depreciation of non current assets	4,016,536	3,687,208	4,257,859	4,254,298
Effects of Exchange Rate changes on the balance of Cash held in foreign currencies	392,393,959	392,393,959	(178,247,669)	(178,247,669)
Interest Receivable	(5,487,279)	(5,487,279)	(17,297,312)	(17,297,312)
Interest Payable	120,484,257	120,484,257	28,272,415	28,265,886
	(2,797,665,763)	(2,799,174,328)	(97,928,330)	(97,966,860)
Movements in Working Capital				
Decrease/(Increase) in trade and other receivables	2,059,481,022	2,059,424,688	(1,448,059,184)	(1,464,426,220)
Decrease/(Increase) in inventories	60,973,559	47,687,794	(100,160,798)	(86,875,033)
(Decrease)/Increase in trade and other payables	(2,198,784,826)	(2,199,240,924)	1,850,457,087	1,850,953,047
Cash generated from operations	(2,875,996,008)	(2,891,302,770)	204,308,775	201,684,934
Interest Paid	(117,798,038)	(117,798,038)	(28,575,592)	(28,569,063)
Net Cash generated from operating activities	(2,993,794,046)	(3,009,100,808)	175,733,183	173,115,871
Cash flow from investing activities				
Interest received	7,191,334	7,191,334	16,201,428	16,201,428
Dividends received	67,979	67,979	48,931	48,931
Payments for property, plant and equipment	(8,558,356)	(8,540,379)	(6,364,482)	(4,724,225)
Investment in Rodrigues Trade and Marketing Ltd	-	-	(2,000,000)	(2,000,000)
Investment in STCM	-	-	-	(1,000,000)
Proceeds from disposal of property, plant and equipment	236,362	236,362	376,000	376,000
Net cash (used in)/generated by investing activities	(1,062,681)	(1,044,704)	8,261,877	8,902,134
Cash flow from financing activities				
Proceeds from borrowings	17,754,187,687	17,754,187,687	3,104,755,899	3,104,755,899
Repayment of borrowings	(15,689,965,808)	(15,689,965,808)	(3,100,863,414)	(3,100,863,414)
Net cash generated from financing activities	2,064,221,879	2,064,221,879	3,892,485	3,892,485
Net decrease)/increase in cash and cash equivalents	(930,634,848)	(945,923,633)	187,887,545	185,910,490
Cash and cash equivalents at the beginning of the year	356,614,925	354,637,870	78,534,196	78,534,196
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	(179,351,320)	(179,351,320)	90,193,184	90,193,184
Cash and Cash equivalents at the end of the Financial Year	(753,371,243)	(770,637,083)	356,614,925	354,637,870
Note 14				

Notes to Financial Statement for the year ended June 2009**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 Business, Small and Medium Enterprises, Commerce and Cooperatives. Established and regulated by the STC Act of 1982, its principal place of business is 3rd floor, Fon Sing Building, 12, Edith Cavell Street Port Louis, Mauritius. The STC is engaged in the importation of essential commodities such as petroleum products, liquefied petroleum gas, cement, rice and flour and any such commodity as the Government may decide.

2. STANDARDS AND INTERPRETATION NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations to existing standards have been published and are mandatory to the Corporation's accounting periods beginning on or after July 2009. The impacts on these statements on the Corporation's financial statements in the period of initial application are not known at this stage. These statements, where applicable, will be applied in the year when they become effective.

IFRIC Interpretation		Effective Date
IFRIC 17	Distributions of Non-cash Assets to Owners	Annual periods beginning on or after 1 July 2009
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after 1 July 2009

New/Revised International Financial Reporting Standards		Issued	Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards — Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	Revised July 2009	Annual periods beginning on or after 1 January 2010
IFRS 2	Share-based Payment — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 July 2009
IFRS 2	Share-based Payment — Amendments relating to group cash-settled share-based payment transactions	June 2009	Annual periods beginning on or after 1 January 2010
IFRS 3	Business Combinations — Comprehensive revision on applying the acquisition method	Revised 2008	Annual periods beginning on or after 1 July 2009

Notes to Financial Statement for the year ended June 2009

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from May 2008 Annual Improvements to IFRSs	Revised May 2008	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IFRS 8	Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
Revised International Accounting Standards		Revised	Effective Date
IAS 1	Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 7	Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 17	Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010
IAS 28	Investments in Associates — Consequential amendments arising from amendments to IFRS 3	2008	Annual periods beginning on or after 1 July 2009
IAS 31	Interests in Joint Ventures — Consequential amendments arising from amendments to IFRS 3	2008	Annual periods beginning on or after 1 July 2009
IAS 36	Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

Notes to Financial Statement for the year ended June 2009

IAS 38	Intangible Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	Annual periods beginning on or after 1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items	July 2008	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments for embedded derivatives when reclassifying financial instruments	March 2009	Annual periods ending on or after 30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	Annual periods beginning on or after 1 January 2010

Notes to Financial Statement for the year ended June 2009**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****i) Statement of compliance**

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) issued by the International Accounting standards Board (IASB) and interpretations issued by the Standing Interpretation Committee (SIC) of the IASB. The Financial Statements complied with the Statutory Bodies (Accounts and Audit) Act and with the Financial Reporting Act. STC also complied with Minister's directives in accordance with section 14 of STC Act. The preparation of the financial statements in conformity with International Financial Reporting Standards 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.

Restatement of Financial Statements for the year ended 30 June 2008

The audited financial statements for the year ended 30 June 2008 have been **restated** to show STC's interest in Associate in a separate line in the Balance Sheet.

ii) Basis of Accounting

(a) 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.

(b) **Going Concern statement-** The loss of MUR 3.3 billion reported at 30 June 2009 is mainly attributed to payment of MUR 4.7 billion made to counterparties in respect of hedging of petroleum products (see note 5A). These losses are recoverable from sales. During the Financial Year 2008/2009, an amount of MUR 1.3 billion has been collected under that item, leaving a balance of MUR 3.4 billion. In light of these, and as Government has always implicitly supported STC, these Financial Statements have been prepared on a going concern basis.

(c) **Revenue** from sales is recorded net of VAT as STC submits its VAT return at the end of each month in accordance with VAT Act. On the other hand Excise duty and MID Levy are paid to Mauritius Revenue Authority at the time of customs clearance..These items are included in the price structure to arrive at the selling price. As such they are included in Revenue and Cost of Sales.

(d) These financial statements are presented in Mauritian Rupees because that is the currency of the primary economic environment in which the Corporation operates.

iii) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly owned Subsidiary. Control is achieved where the

Notes to Financial Statement for the year ended June 2009

Corporation has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The result of the Subsidiary (STCM Ltd) created in September 2007 is included in the Consolidated Income Statement.

Where necessary, adjustments are made to the financial statements of the Subsidiary to bring its accounting policies in line with the Parent.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group 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 consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

iv) Revenue Recognition

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

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

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

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

v) Leasing

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

vi) Foreign Currencies

Transactions in currencies other than Mauritian Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet

Notes to Financial Statement for the year ended June 2009

date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Gains and losses arising on retranslation are recognised in Income Statement in the period in which they arise.

vii) Retirement and other Benefits

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

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

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

Employee leave entitlement

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

viii) Property, Plant and Equipment

Building (held for administrative purpose) and Plant and Equipment are stated in the balance sheet at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Notes to Financial Statement for the year ended June 2009

	<u>Rate (%)</u>
Motor Vehicles	20
Office Equipment and Furniture	10
Plant and Machinery	10
Building	2
Computer System	20

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

ix) 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.

x) Investments

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

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

xi) Trade receivables

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

xii) Trade Payables

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

xiii) Derivative Financial Instruments

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

Notes to Financial Statement for the year ended June 2009**xiv) 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 Balance Sheet date.

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Corporation's accounting policies, which are described in Note 3, 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 Recovery Account under the Automatic Pricing Mechanism

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

The Consumer Protection (Prices and Supplies Control) Act (GN 38 of 2004) as amended subsequently require that consumers are charged for accumulated losses carried forward by price increases or benefit from accumulated gains carried forward by price reductions.

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

iii) Employee benefits

The determination of employee's benefit costs and related provisions, as described in Note 3 (v) and as detailed in Note 17 to the financial statements, required the use of actuarial calculations or other assumptions that include significant estimates

Notes to Financial Statement for the year ended June 2009

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. REVENUE

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

	Year ended 30 June 2009				Year ended 30 June 2008			
	Consolidated		STC		Consolidated		STC	
	Metric Tons	MUR	Metric Tons	MUR	Metric Tons	MUR	Metric Tons	MUR
Petroleum Products	984,658	21,962,595,325	984,658	21,962,595,325	1,013,587	26,378,220,171	1,013,587	26,378,220,171
Contribution for hedging	-	1,376,038,945	-	1,376,038,945	-	-	-	-
Cement	231,364	652,047,906	231,364	652,047,906	201,672	450,038,649	201,672	450,038,649
Rice	23,206	249,312,608	23,206	240,456,736	15,370	157,463,344	15,370	157,463,344
Flour	95,354	1,168,335,711	95,354	1,166,776,269	94,849	1,065,469,417	94,849	1,065,469,417
LPG	65,573	1,299,119,623	65,573	1,299,119,623	61,522	1,246,572,097	61,522	1,246,572,097
Sugar	985	12,258,154	985	12,258,154	1,089	5,640,160	1,089	5,640,160
Citronella Oil	-	10,591	-	10,591	-	-	-	29,611
Milk, Butter Beans and others	-	25,727,170	-	-	-	18,800,932	-	-
TOTAL REVENUE		26,745,446,035		26,709,303,550		29,322,204,770		29,303,433,449

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

(a) Road Development Authority-MUR 648,811,277

(b) Subsidy for transportation and storage of petroleum products to Rodrigues - MUR 26,181,989

(ii) During the period July 2008-June 2009 an amount of MUR 1,376,038,945 has been recovered from sales of Mogas and Gas Oil in respect of hedging.

(ii) During the financial year ended 30 June 2009, sales made to the subsidiary for an amount of MUR 47,324,412 are as follows:

Rice: MUR 23,209,063

Flour: MUR 24,115,349

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

Notes to Financial Statement for the year ended June 2009**5 A Hedging Loss**

In November 2002, Government gave its approval for STC to hedge its petroleum products price risks and a list of Counterparties was also agreed. To enable hedging transactions to be done the legal documentations (ISDA) have been signed. In April 2004, a hedging cost of 10 cents per litre was included in the price structures, under the item STC expenses, for Mogas and Gas Oil. Government took the decision in January 2008 to include a separate item 'Provision for hedging' in the price structures of Mogas and Gas Oil. An amount of MUR 1.50 per litre was included and was subsequently increased to MUR 3.00 per litre in November 2008. The first hedging transaction was done by STC on 29 October 2004 for Premium Unleaded covering the period of November to December 2004. Subsequently more hedging transactions were done in later years.

In July 2008, STC entered into hedging contracts to protect against future hike in price of petroleum products. Such exposure was taken for Premium Unleaded for the period August 2008 to 31 December 2008 and for Gas Oil for the period August 2008 to 30 June 2009. Oil prices subsequently reduced drastically and crude prices fell from USD 147 per barrel to reach a level of USD 40 per barrel in December 2008. A total amount of MUR 4.7 billion has been paid to counterparties namely Morgan Stanley and Mitsui & Co Energy Risk Management Ltd. During the Financial Year 2008/2009, an amount of MUR 1.3 billion has been collected under that item, leaving a balance of MUR 3.4 billion. This amount is recoverable in the foreseeable future.

6. INVESTMENT INCOME & INTEREST INCOME

	Consolidated	STC	Consolidated	STC
	Year ended	Year ended	Year ended	Year ended
	30 June	30 June	30 June	30 June
	2009	2009	2008	2008
	MUR	MUR	MUR	MUR
Investment Income,	67,979	67,979	48,931	48,931
Interest on bank balances and bank deposits etc	5,487,279	5,487,279	17,297,312	17,297,312
TOTAL	5,555,258	5,555,258	17,346,243	17,346,243

Notes to Financial Statement for the year ended June 2009**7. INTEREST EXPENSE**

	Consolidated Year ended 30 June 2009 MUR	STC Year ended 30 June 2009 MUR	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR
Interest on lines of credit	56,403,264	56,403,264	28,272,414	28,265,885
Interest on overdraft	64,088,661	64,080,993	-	-
Total Interest payable	120,491,925	120,484,257	28,272,414	28,265,885

Notes to Financial Statement for the year ended June 2009**8. PROPERTY, PLANT AND EQUIPMENT
A. CONSOLIDATED**

	Motor Vehicles MUR	Office Equipment & Furniture MUR	Plant & Machinery MUR	Buildings MUR	Computer System MUR	TOTAL MUR
COST						
At 1 July 2007	7,445,009	7,768,458	21,769,586	12,922,321	12,509,959	62,415,333
Additions	3,050,000	415,643	1,579,450	-	1,319,388	6,364,481
Disposal	(1,850,102)	-	-	(388,459)	-	(2,238,561)
At 30 June 2008	8,644,907	8,184,101	23,349,036	12,533,862	13,829,347	66,541,253
Additions	2,816,370	473,729	4,929,596	-	338,660	8,558,355
Disposal	(1,652,452)	(92,499)	-	-	-	(1,744,951)
At 30 June 2009	9,808,825	8,565,331	28,278,632	12,533,862	14,168,007	73,354,657
DEPRECIATION						
At 1 July 2007	7,294,454	5,196,359	17,942,935	3,116,747	10,217,835	43,768,330
Charge for the year	760,555	506,546	1,294,199	250,677	1,445,882	4,257,859
Disposal	(1,850,102)	-	-	(69,923)	-	(1,920,025)
At 30 June 2008	6,204,907	5,702,905	19,237,134	3,297,501	11,663,717	46,106,164
Charge for the year	1,173,274	494,517	1,592,598	250,677	505,469	4,016,535
Disposal	(1,652,452)	(72,699)	-	-	-	(1,725,151)
At 30 June 2009	5,725,729	6,124,723	20,829,732	3,548,178	12,169,186	48,397,548
NET BOOK VALUE						
At 30 June 2008	2,440,000	2,481,196	4,111,902	9,236,361	2,165,630	20,435,089
At 30 June 2009	4,083,096	2,440,608	7,448,900	8,985,684	1,998,821	24,957,109

The financial statements have been prepared on the historical cost basis. There has been no change in accounting policy or depreciation method during the reporting period.

Depreciation charges amounting to MUR 4,016,536 for 2008-2009 (MUR 4,257,858 for 2007-2008) has been included in Administrative Expenses in the Income Statement.

Notes to Financial Statement for the year ended June 2009**B. STC**

	Motor Vehicles MUR	Office Equipment & Furniture MUR	Plant & Machinery MUR	Buildings MUR	Computer System MUR	TOTAL MUR
COST						
At 01 July 2007	7,445,009	7,768,458	21,769,586	12,922,321	12,509,959	62,415,333
Additions	3,050,000	410,439	47,323	-	1,216,462	4,724,224
Disposal	(1,850,102)	-	-	(388,459)	-	(2,238,561)
At 30 June 2008	8,644,907	8,178,897	21,816,909	12,533,862	13,726,421	64,900,996
Additions	2,816,370	455,754	4,929,596	-	338,660	8,540,380
Disposal	(1,652,452)	(92,499)	-	-	-	(1,744,951)
At 30 June 2009	9,808,825	8,542,152	26,746,505	12,533,862	14,065,081	71,696,425
DEPRECIATION						
At 1 July 2007	7,294,454	5,196,359	17,942,935	3,116,747	10,217,835	43,768,330
Charge for the year	760,555	506,415	1,294,199	250,677	1,442,451	4,254,297
Disposal	(1,850,102)	-	-	(69,923)	-	(1,920,025)
At 30 June 2008	6,204,907	5,702,774	19,237,134	3,297,501	11,660,286	46,102,602
Charge for the year	1,173,274	492,199	1,286,173	250,677	484,885	3,687,208
Disposal	(1,652,452)	(72,698)	-	-	-	(1,725,150)
At 30 June 2009	5,725,729	6,122,275	20,523,307	3,548,178	12,145,171	48,064,660
NET BOOK VALUE						
At 30 June 2008	2,440,000	2,476,123	2,579,775	9,236,361	2,066,135	18,798,394
At 30 June 2009	4,083,096	2,419,877	6,223,198	8,985,684	1,919,910	23,631,765

Note: Miscellaneous Income in the Income Statement includes an amount of MUR 216,562 as Gain on Disposal of PPE during the reporting period.
Depreciation charges amounting to MUR 3,687,208 for 2008-2009 (MUR 4,254,297 for 2007-2008) has been included in Administrative Expenses in the Income Statement.

Notes to Financial Statement for the year ended June 2009**9. INVESTMENTS
A. CONSOLIDATED**

Name of Company	Country of incorporation	% Ownership	Consideration	2009 MUR	2008 MUR
STCM Ltd Rodrigues Trading and Marketing Co Ltd	Mauritius	100	Cash	1,000,000	1,000,000
State Property Development Co Ltd (SPDC)	Mauritius	40	Cash	1,939,604	2,000,000
Africa Export – Import Bank (Afreximbank)	Egypt	0.06015	Cash	400,000	400,000
		0.01333	Cash	725,660	725,660
At 30 June				<u>4,065,264</u>	<u>4,125,660</u>

Note (i) As at 30 June 2009 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 30 June 2009 STC holds 10 out of 75,000 shares in Afreximbank.
(iii) As at 30 June 2009 STC holds 200,000 shares out of 500,000 shares in Rodrigues Trading & Marketing Co Ltd (RTMC).
(iv) In April 2009, a private limited company, named LP GAS TERMINAL LTD was incorporated for STC to own 20% shares in the future. To date no shares have been acquired and the company is still not in operation.

9 B. INVESTMENT IN SUBSIDIARY

Name of Company	Country of incorporation	% Ownership	Consideration	2009 MUR	2008 MUR
STCM Ltd	Mauritius	100	Cash	1,000,000	1,000,000
At 30 June				<u>1,000,000</u>	<u>1,000,000</u>

9 C. INVESTMENT IN ASSOCIATE

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	2009 MUR	2008 MUR
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	1,939,604	2,000,000
At 30 June				<u>1,939,604</u>	<u>2,000,000</u>

Notes to Financial Statement for the year ended June 2009

The reporting date of RTML is 30 June 2009. This was the financial reporting date established when the Company was incorporated. For the purpose of applying the equity method of accounting, the financial statements of RTML for the year ended 30 June 2009 has been used.

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

	2009 MUR	2008 MUR
Total revenue	1,280,614	280,198
Total expenses	1,431,603	371,896
Net loss	(150,989)	(91,698)
STC's share of net loss in associate	(60,396)	NIL

	2009 MUR	2008 MUR Restated
Investment in Associate at 1 July	2,000,000	2,000,000
Group share of net loss period	(60,396)	NIL
Investment in associate at 30 June	1,939,604	2,000,000

9 D.AVAILABLE FOR SALE

Name of Company	Country of incorporation	% Ownership	Consideration	2009 MUR	2008 MUR
State Property Development Co Ltd (SPDC)	Mauritius	0.06015	Cash	400,000	400,000
Africa Export – Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
At 30 June				<u>1,125,660</u>	<u>1,125,660</u>

Investment in Subsidiary	% of Shares	2009 MUR	2008 MUR
Unquoted (as at 30 June)			
a) State Property Development Co Ltd (SPDC) Note (i)	less than 1	400,000	400,000
b) Africa Export-Import Bank (Afreximbank) Note (ii)	less than 1	725,660	725,660
c) Rodrigues Trade & Marketing (Note iii)	40	2,000,000	2,000,000
d) STCM (Note iv)	100	1,000,000	1,000,000
		<u>4,125,660</u>	<u>4,125,660</u>

Notes to Financial Statement for the year ended June 2009**10. INVENTORIES**

COMMODITIES	Consolidated Year ended 30 June 2009 MUR	STC Year ended 30 June 2009 MUR	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR
Ration Rice	43,443,850	43,443,850	49,565,791	49,565,791
Flour	43,842,350	43,842,350	81,995,215	81,995,215
Sugar	2,604,109	2,604,109	629,697	629,697
Luxury Rice	-	-	5,387,400	5,387,400
Milk and Butter	-	-		
Beans			13,285,765	-
TOTAL	89,890,309	89,890,309	150,863,868	137,578,103

COMMODITIES	Year ended 30 June 2009			
	Consolidated		STC	
	COST	Net Realisable Value	COST	Net Realisable Value
	MUR	MUR	MUR	MUR
Ration Rice	58,707,668	43,443,850	58,707,668	43,443,850
Flour	51,801,197	43,842,350	51,801,197	43,842,350
Sugar	2,604,109	2,691,240	2,604,109	2,691,240
TOTAL	113,112,974	89,977,440	113,112,974	89,977,440

The cost of inventories recognised as an expense includes MUR23,222,665 for STC in respect of write-downs of inventory **of Rice and Flour** to Net Realisable Value (NRV) during 2008-2009 as a result of Government policy of fixing the selling price of these products. The subsidiary did not have any inventory at 30 June 2009.

Notes to Financial Statement for the year ended June 2009

COMMODITIES	Year ended 30 June 2008			
	Consolidated		STC	
	COST MUR	Net Realisable Value MUR	COST MUR	Net Realisable Value MUR
Ration Rice	65,807,908	49,565,791	65,807,908	49,565,791
Flour	123,580,131	81,995,215	123,580,131	81,995,215
Sugar	629,697	638,890	629,697	638,890
Luxury Rice	11,755,823	5,387,400	11,755,823	5,387,400
Milk and Butter Beans	14,955,596	13,285,765	-	-
TOTAL	216,729,155	150,873,061	201,773,559	137,587,296

The cost of inventories recognized as an expense includes MUR 65,865,287 (*MUR 64,195,456 for STC*) in respect of write-downs of inventory of Rice and Flour to Net Realisable Value (NRV) during 2007-2008 as a result of Government policy of fixing the selling price of these products.

At 30 June 2009, STC did not hold any inventories for Petroleum Products, LPG and Cement as the risk in these products passes from the Seller (STC) to the Buyers as the product passes the vessel's discharge manifold.

11. TRADE & OTHER RECEIVABLES

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

	Consolidated Year ended 30 June 2009 MUR	STC Year ended 30 June 2009 MUR	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR
Recovery Account <i>(see note 12)</i>	3,522,802	3,522,802	62,699,327	62,699,327
STCM Ltd –Working Capital Loan <i>(see note 18)</i>	-	33,878,932	-	30,880,428
APM Recovery Account <i>(see note 13 on APM)</i>	126,991,055	126,991,055	484,767,911	484,767,911
Large Taxpayers Department	-	-	125,132,745	125,132,745
Trade Receivable	3,654,332,865	3,636,316,162	5,150,157,049	5,139,725,137
Other Receivables	14,542,945	14,542,945	37,256,571	33,175,091
TOTAL			5,860,013,603	

3,799,389,667 3,815,251,896

5,876,380,639

Notes to Financial Statement for the year ended June 2009

Note: An amount of MUR 50,716,664 made up of MUR 33,878,932 (working capital loan) and MUR 16,837,734 (Trade Receivable) due by the subsidiary at balance sheet date has been eliminated on consolidation.

12. RECOVERY ACCOUNT

The amount of **MUR 3.5 million** (*MUR 63 million as at 30 June 2008*) represents recovery of past loss on LPG and Cement.

13. AUTOMATIC PRICING MECHANISM

The Automatic Pricing Mechanism was introduced in April 2004 to determine, on a quarterly basis, the retail prices of Mogas and Gas Oil as per the Consumer Protection (Price and supplies Control) Act (G.N.38 of 2004). The Regulation has been amended in June 2006 to include Fuel Oil with effect from July 2006.

On 31 October 2008, the Regulations have been amended to determine the price of Mogas, Gas Oil and Fuel Oil for sales on the local market on a monthly basis.

The Regulation defines the mechanism of fixing the retail prices of the commodities with minimum of 2.5% and a maximum adjustment of 7.5% for petroleum products. It is a transparent system for fixing the price for a period of a month based on the actual cost that prevailed in the previous month. It also provides to carry forward any gain or loss of one month to the subsequent month(s).

Thus the loss made as at 30 June 2009 due to APM amounting to MUR 127 million (*MUR 485 m for 2007-2008*) has been treated as an account receivable on the basis that the Corporation is entitled to recover this amount through the Statutory Regulations. It is virtually certain that the gains or losses will be realized under the Statutory Regulations.

14. CASH AND CASH EQUIVALENT

	Consolidated Year ended 30 June 2009	STC Year ended 30 June 2009	Consolidated Year ended 30 June 2008	STC Year ended 30 June 2008
	MUR	MUR	MUR	MUR
Bank Balances	90,814,046	73,548,206	356,614,925	354,637,870
Overdraft	(844,185,289)	(844,185,289)	-	-
TOTAL	(753,371,243)	(770,637,083)	356,614,925	354,637,870

Overdraft facilities for the amount of MUR 100 million with Barclays and MUR 200 million with SBM Ltd are guaranteed by Government of Mauritius.

Notes to Financial Statement for the year ended June 2009**15. SHARE CAPITAL**

	2009 MUR	2008 MUR
Authorised:		
1 million ordinary shares of MUR10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
40,000 shares of MUR10 each	400,000	400,000

16. RETAINED EARNINGS

	CONSOLIDATED MUR	STC MUR
At 01 July 2007	21,671,537	21,671,537
Profit for the year 2007-2008	<u>65,192,772</u>	<u>65,164,332</u>
At 01 July 2008	<u>86,864,309</u>	<u>86,835,869</u>
Profit for the year 2008-2009	<u>(3,308,932,400)</u>	<u>(3,310,028,328)</u>
Balance at 30 JUNE 2009	<u>(3,222,068,091)</u>	<u>(3,223,192,459)</u>

The hedging loss of MUR 4.7 billion has been accounted in the income statement of 2008-2009 resulting in a negative result of MUR 3.2 billion. An amount of MUR 3 per litre has been provided in the price structure of Mogas and Gas oil to recover the hedging loss.

17. ADMINISTRATIVE EXPENDITURE & EMPLOYEE BENEFIT OBLIGATIONS

Administrative Expenditure of MUR 153 million (*MUR150.2 million for STC*) for 2008-2009 includes an amount of MUR 110.5 million (*MUR109.2 million for STC*) in respect of staff cost and MUR 3.7 million for Depreciation charge.

Employee Benefit Obligations

Employee entitlements to bank sick leave and vacation leaves as defined in the PRB Report (the regulatory body for determining remuneration of STC employees) are recognized when they accrue to employees. An accrual amount of MUR 34.8 million is made for the estimated liability for bank sick leave and vacation leaves. Administrative Expenditure for 2008-2009 includes an amount of MUR 10 million in this respect.

DEFINED RETIREMENT BENEFIT SCHEME

The Corporation operates a defined benefit scheme for qualifying employees which is managed by the SICOM Ltd. Under the scheme, the employees are entitled to retirement benefits of a maximum of 66.6 per cent of final salary on attainment of normal retirement age of 65. The schemes are funded schemes.

Notes to Financial Statement for the year ended June 2009

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by SICOM Ltd. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

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

The overall expected rate of return on plan assets is determined by reference to market yields on bonds and expected yields differences on other types of assets held based on historical return trends.

Main actuarial assumptions at end of year:

	30 June 2009	30 June 2008
Discount rate	10.50%	11.00%
Expected rate of return on plan assets	11.00%	11.50%
Future salary increases	7.50%	8.00%
Future pension increases	5.50%	6.00%

Amounts recognised in balance sheet in respect of the defined benefit plan are as follows:

	Year ended 30 June 2009 MUR	Year ended 30 June 2008 MUR
Present value of funded obligation	233,023,634	193,864,822
(Fair value of plan assets)	(197,865,473)	(200,975,023)
	35,158,162	(7,110,201)
Present value of unfunded obligation	-	-
Unrecognized actuarial gain /(loss)	(35,158,162)	7,110,201
Unrecognized transition amount	-	-
Liability recognized in Balance Sheet at end of year	-	-

Amounts recognised in income statement in respect of the defined benefit plan are as follows:

	Year ended 30 June 2009 MUR	Year ended 30 June 2008 MUR
Current service cost	2,967,951	5,822,127
Fund Expenses	263,838	197,504
Interest cost	20,355,806	19,877,168
(Expected return on plan assets)	(22,196,031)	(19,566,861)
Actuarial loss/(gain) recognized	8,649,026	(8,378,927)
Past service cost recognised	-	-

Transition effect of adopting IAS 19	-	11,924,189
Total, included in staff costs	10,040,590	9,875,200

Notes to Financial Statement for the year ended June 2009

Movements in liability recognised in balance sheet:

At Start of year	-	-
Total Staff cost as above	10,040,590	9,875,200
(Net Contributions paid)	(10,040,590)	(9,875,200)
At end of year	-	-
Actual Return on Plan Assets	(4,723,699)	29,459,126

Movements in the present value of defined benefit obligation

	Year ended 30 June 2009 MUR	Year ended 30 June 2008 MUR
Present value of defined benefit obligation at start of year	193,864,822	180,701,530
Current Service Cost	2,967,951	5,822,127
Employee contributions	3,151,289	-
Interest Cost	20,355,806	19,877,168
(Benefits paid + interest)	(11,313,893)	(6,939,140)
Liability (gain)/loss	23,997,659	(5,596,863)
Present value of obligation at end of year	233,023,634	193,864,822

Movement in the fair value of plan assets

	Year ended 30 June 2009 MUR	Year ended 30 June 2008 MUR
Fair Value of plan assets at start of year	200,975,023	168,777,341
Expected return on plan assets	22,196,031	19,566,861
Employer contributions	10,040,590	9,875,200
Employee Contributions	3,151,289	-
(Benefits paid + other outgo)	(11,577,730)	(7,136,644)
Asset gain/(loss)	(26,919,730)	9,892,265
Fair value of plan assets at end of year	197,865,473	200,975,023

Distribution of plan assets at end of period is as follows:

The analysis of the plan assets and the expected rate of return at the balance sheet date was as follows:

Percentage of assets at end of year	2009	2008
Government securities and cash	56.35%	46.8%
Loans	8.06%	8.2%
Local equities	20.97%	30.2%
Overseas bonds and equities	13.65%	13.8 %
Property	0.97%	1.0%

Debenture stocks	0.00%	0.0%
TOTAL	100%	100 %

Notes to Financial Statement for the year ended June 2009

Additional disclosure on assets issued or used by the reporting entity		
	2009	2008
Percentage of assets at end of year	(%)	(%)
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other Assets used by the entity	0	0

History of obligations, assets and experience adjustments		
Year	2009	2008
Currency	MUR	MUR
Fair value of plan assets	197,865,473	200,975,023
(Present value of defined benefit obligation)	(233,023,634)	(193,864,822)
Surplus/(deficit)	(35,158,161)	7,110,201
Asset experience gain/(loss) during the year	(26,919,730)	9,892,265
Liability experience gain/(loss) during the year	(23,997,659)	5,596,863

Year	2010
Expected employer contributions	MUR 10,075,044

18. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the financial year 2008-2009, the Corporation sold Petroleum products (Fuel Oil) to the Central Electricity Board (CEB) which is equally owned by the Government of Mauritius.

Sales of goods to CEB:

Year ended 2009	Year ended 2008
MUR	MUR
2,288,444,259	2,244,073,579

- Sales of goods to CEB were made at market related prices.
- Outstanding balance as at 30 June 2009 – MUR 266.2 million (2008 MUR430.6 million)

STCM LTD

STCM Ltd is a company incorporated in September 2007 and is wholly owned by the Corporation. During the financial year ending 30 June 2009, the Corporation has purchased goods from STCM Ltd on commercial terms. The Board of STC has decided to grant an unsecured interest free loan of MUR 50 million with no repayment terms to the Subsidiary. The balance of the loan stands at MUR 33.9 million as at 30 June 2009.

Notes to Financial Statement for the year ended June 2009**Compensation of key management personnel**

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

	CONSOLIDATED	STC	CONSOLIDATED	STC
	Year ended	Year ended	Year ended	Year ended
	2009	2009	2008	2008
Short-term benefits	6,882,904	5,589,307	4,507,125	3,926,665
Post-employment benefits	3,194,062	3,194,062	2,067,059	2,067,059
Fees to Board Members	986,050	776,050	819,734	696,484

The remunerations of Board Members are determined by the parent Ministry and those of key management are determined by the Pay Research Bureau, the body responsible for remuneration in the public sector. Out of 5 key management personnel, three are on contract and two are on substantive capacity.

19. TRADE AND OTHER PAYABLES

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

The average credit period taken for trade purchases is 45 days. Management considers that the carrying amount of trade payables approximates to their fair value.

	Consolidated	Year ended	Consolidated	STC
	Year ended	Year ended	Year ended	Year ended
	30 June 2009	30 June 2009	30 June 2008	30 June 2008
	MUR	MUR	MUR	MUR
<u>NON-CURRENT LIABILITIES</u>	<u>34,794,364</u>	<u>34,794,364</u>	<u>24,908,676</u>	<u>24,908,676</u>
<u>CURRENT LIABILITIES</u>				
Government of Mauritius	104,253,944	104,253,944	204,417,129	204,417,129
Mauritius Revenue Authority	611,111,465	611,028,156	473,459,082	473,459,082
Trade Payables	2,299,650,367	2,299,650,367	4,759,697,082	4,759,631,905
Risk Management Fund	-	-	78,576,369	78,576,369
Other Payables	518,374,538	517,853,260	222,580,498	223,141,636
TOTAL	3,533,390,314	3,532,785,727	5,738,730,160	5,739,226,121

Notes to Financial Statement for the year ended June 2009**20. BORROWINGS – LOANS AND LINES OF CREDIT**

The borrowings are repayable within one year

BORROWINGS	CONSOLIDATED Year ended 30 June 2009		STC Year ended 30 June 2009		CONSOLIDATED Year ended 30 June 2008	
	USD	MUR	USD	MUR	USD	MUR
Line of Credit	73,250,000	2,420,912,501	73,250,000	2,420,912,501	19,500,000	540,150,000
Long Term Facilities	-	225,000,000	-	225,000,000		
Short term Line of Credit	5,189,168.48	171,502,018	5,189,168.48	171,502,018		
TOTAL BORROWINGS	78,439,168.48	2,817,414,519	78,439,168.48	2,817,414,519	19,500,000	540,150,000

The average interest rates paid were as follows:

Year ended 2009 **2.86%** - (Year ended 2008 ... 4.60%)

Lines of Credit

- i) Lines of Credit borrowings are arranged at variable interest rates based on LIBOR
- ii) The Corporation has lines of Credit which are long-term credit facility and carry an average interest rate at 2.37 % above LIBOR.
- iii) Line of Credit for the amount of USD 35 million is guaranteed by Government of Mauritius.

21. RISK MANAGEMENT POLICIES

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

a) Credit risk

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

Notes to Financial Statement for the year ended June 2009**b) Liquidity risk**

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

c) Interest rate risk

The Corporation has short-term loans at average floating interest rates of 2.86% per annum. As such, its income and cash flows are exposed to interest rate risks. These risks are to some extent mitigated as the Corporation maintains a cash surplus that is invested in short-term deposits.

d) Commodity risk

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

During the financial year 2008-2009 two hedge transactions have been made to cover commodity price risk exposures. As at 30 June 2009, there was one outstanding hedging transaction on Gas Oil.

e) Currency Risk

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

Currency exposure arising from commercial transactions is primarily managed through:

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

Notes to Financial Statement for the year ended June 2009**22. DERIVATIVE FINANCIAL INSTRUMENTS****Forward Foreign Exchange Contracts**

At the Balance Sheet date, total notional amount of outstanding Forward Foreign Exchange Contracts that the Corporation has committed are as below:

For terms not exceeding 3 months	2009		2008	
	USD (Million)	MUR (Million)	USD (Million)	MUR (Million)
Forward Foreign Exchange Contracts	17.025	562.676	29.020	802.357

At 30 June 2009, the fair value of the Corporation's currency derivatives is MUR 553.019 million. These amounts are based on market value at Balance Sheet date. An amount of MUR 2,452,000 (gain) has been transferred to Income Statement.

23. EVENT AFTER THE BALANCE SHEET DATE

The wholly owned subsidiary company of STC, the STCM Ltd has ceased its activity in May 2010 and all assets and liabilities have been taken over by STC.

24. OPERATING SEGMENT.

The consolidated deficit of MUR 3,308,933 for the financial year ending 30 June 2009 is made up as shown below. The selling prices of Rice, Flour and LPG are fixed by Government. Deficits on these products are met from surpluses on sales of other products.

STC

	RICE	FLOUR	PETROL	CEMENT	SUGAR	LPG	Others	TOTAL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
REVENUE	240,457	1,166,776	23,338,634	652,047	12,258	1,299,120	11	26,709,303
COST OF SALES	(389,178)	(1,560,067)	(20,313,640)	(636,357)	(10,389)	(1,778,289)	(175)	(24,688,095)
Loss on Hedging	-	-	(4,740,553)	-	-	-	-	(4,740,553)
Gross Surplus/(Deficit)	(148,721)	(393,291)	(1,715,559)	15,690	1,869	(479,169)	(164)	(2,719,345)
Other costs	(19,593)	(81,434)	(430,746)	(13,685)	(1,334)	(42,674)	(1,217)	(590,683)
NET SURPLUS /(DEFICIT) FOR THE YEAR	(168,314)	(474,725)	(2,146,305)	2,005	535	(521,843)	(1,381)	(3,310,028)

Notes to Financial Statement for the year ended June 2009**CONSOLIDATED**

	RICE	FLOUR	PETROL	CEMENT	SUGAR	LPG	Others	STCM LTD	Inter Company Transactions	TOTAL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000		MUR 000
REVENUE	240,457	1,166,776	23,338,634	652,047	12,258	1,299,120	11	83,467	(47,324)	26,745,446
COST OF SALES	(389,178)	(1,560,067)	(20,313,640)	(636,357)	(10,389)	(1,778,289)	(175)	(74,708)	47,324	(24,715,479)
Loss on Hedging	-	-	(4,740,553)	-	-	-	-	-	-	(4,740,553)
Gross Surplus/(Deficit)	(148,721)	(393,291)	(1,715,559)	15,690	1,869	(479,169)	(164)	8,759	-	(2,710,586)
Other costs	(19,593)	(81,434)	(430,746)	(13,685)	(1,334)	(42,674)	(1,217)	(7,663)	-	(598,346)
NET Surplus/(Deficit) FOR THE YEAR	(168,314)	(474,725)	(2,146,305)	2,005	535	(521,843)	(1,381)	1,096	-	(3,308,932)

25. TAX

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

26. FUTURE COMMITMENTS

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

(ii) STC has entered into a fifteen year agreement for the transportation of petroleum products in accordance with Government decision.