STATE TRADING CORPORATION

FINANCIAL STATEMENTS 2006 - 2007

REPORT OF THE DIRECTOR OF AUDIT

TO THE CHAIRPERSON OF THE

STATE TRADING CORPORATION

I have audited the accompanying balance sheet of the State Trading Corporation as of 30 June 2007, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my Opinion.

Audit Opinion

In my opinion, the financial statements give a true and fair view of the state of affairs of the State Trading Corporation as of 30 June 2007, and of its income and expenditure for the year then ended in accordance with International Financial Reporting Standards and comply with the Statutory Bodies (Accounts and Audit) Act 1972.

Code of Corporate Governance

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

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

(DR R. JUGURNATH)
Director of Audit.
National Audit Office
Level 14, Air Mauritius Centre
PORT LOUIS

31 October 2007

STATE TRADING CORPORATION

Balance Sheet as at 30 June 2007

-	Notes	2007 MUR	2006 Restated MUR
NON-CURRENT ASSETS			
Property, Plant and Equipment	**9**	18,647,003	21,481,856
Investments	**10**	1,125,660	1,125,660
		19,772,663	**22,607,516**
CURRENT ASSETS			
Inventories	**11**	50,703,071	66,830,938
Trade and other receivable	**12**	4,410,858,535	4,021,602,008
Short Term Deposits	**15**	6,403,200	1,592,524,994
Bank Balance	**15**	72,130,996	285,280,205
TOTAL CURRENT ASSETS		**4,540,095,802**	**5,966,238,145**
TOTAL ASSETS		**4,559,868,465**	**5,988,845,661**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	**16**	400,000	400,000
Retained Earnings	**17**	21,671,537	(94,359,961)
Total Equity		**22,071,537**	**(93,959,961)**
NON-CURRENT LIABILITIES			
Employee Benefit obligations	**18**	23,516,941	23,807,032
Total Non Current Liabilities		**23,516,941**	**23,807,032**
CURRENT LIABILITIES			
Trade and other payables	**20**	3,889,967,987	3,113,782,512
Borrowings	**21**	624,312,000	2,945,216,078
Total Current Liabilities		**4,514,279,987**	**6,058,998,590**
Total Liabilities		**4,537,796,928**	**6,082,805,622**
TOTAL EQUITY AND LIABILITIES		**4,559,868,465**	**5,988,845,661**

These financial statements were approved and authorized for issue by the Board on 31 October 2007.

A TEELOKEE
FINANCIAL MANAGER

R S SOOMAROOAH
GENERAL MANAGER

Income Statement for the year ended 30 June 2007

-	Notes	2007 MUR	2006 Restated MUR
REVENUE	**5**	23,404,361,478	20,507,563,603
COST OF SALES		22,644,500,432	20,359,878,692
GROSS PROFIT		**759,861,046**	**147,684,911**
Interest Income	**7**	121,063,936	101,723,707
Loss on Exchange		(526,272,586)	(172,307,940)
Miscellaneous Income		48,856	1,537,475
Investment Income		34,824	42,248
Administrative Expenses		(103,021,273)	(126,624,307)
Exceptional Item	**6**	**-**	(574,232,671)
Profit/(Loss) from operations		**251,714,803**	(622,176,577)
Interest Expense	**8**	(135,683,306)	(119,882,097)
Profit/(Loss) for the year		**116,031,497**	**(742,058,674)**

Statement of Changes in Equity for the year ended 30 June 2007

	Share Capital MUR	Retained Earnings MUR	Total Equity MUR
Balance as at 01 July 2005			
As previously reported	400,000	647,698,714	648,098,714
IFRS Conversion adjustments			
Effect of IFRS adoption			
Employee benefits obligations		(27,748,256)	(27,748,256)
Restated at 01 July 2005	400,000	619,950,458	620,350,458
Loss for the year 2005-2006		(718,251,643)	(718,251,643)
Effect of IFRS adoption			
Employee benefits obligations		3,941,224	3,941,224
Balance as at 30 June 2006	**400,000**	**(94,359,961)**	**(93,959,961)**

	Share Capital MUR	Retained Earnings MUR	Total Equity MUR
Balance as at 01 July 2006			
As previously reported	400,000	(70,552,929)	(70,152,929)
IFRS Conversion adjustments			
Effect of IFRS adoption			
Employee benefits obligations		(23,807,032)	(23,807,032)
Restated at 01 July 2006	400,000	(94,359,961)	(93,959,961)
Profit for the year 2006-2007		116,031,497	116,031,497
Balance as at 30 June 2007	**400,000**	**21,671,537**	**22,071,537**

Cash Flow Statement

For the Year ended June 2007

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 Restated MUR
Cash flows from Operating Activities		
Profit/(Loss) for the year	116,031,497	(742,058,674)
Investment revenue recognised in Income Statement	(34,824)	(42,248)
(Gain)/Loss on sale or disposal of property, plant and equipment	7,061	105,419
Depreciation of non current assets	4,544,225	5,186,320
Foreign Exchange Loss	327,768,338	116,431,079
Interest Receivable	(121,063,936)	(101,723,707)
Interest Payable	135,683,306	119,882,097
	462,935,667	(602,219,714)
Movements in Working Capital		
Increase in trade and other receivables	(394,268,017)	(658,522,475)
Decrease in inventories	16,127,868	22,112,898
Increase in trade and other payables	785,100,792	969,604,533
Cash generated from operations	**869,896,310**	**(269,024,758)**
Interest Paid	(144,888,715)	**(111,581,153)**
Net Cash generated from/(absorbed by) operating activities	**725,007,595**	**(380,605,911)**
Cash flow from investing activities		
Interest received	126,075,426	98,861,802
Dividends received	34,824	42,248
Payments for property, plant and equipment	(1,734,082)	(838,532)
Proceeds from disposal of property, plant and equipment	17,650	43,100
Net cash (used in)/generated by investing activities	**124,393,818**	**98,108,618**
Cash flow from financing activities		
Proceeds from borrowings	-	1,410,487,273
Repayment of borrowings	(2,320,904,078)	-
Net cash (used in)/generated from financing activities	**(2,320,904,078)**	**1,410,487,273**
Net increase/(decrease) in cash and cash equivalents	(1,471,502,665)	1,127,989,980
Cash and cash equivalents at the beginning of the year	1,877,805,199	866,246,298
Effects of Exchange Rate changes	(327,768,338)	(116,431,079)
Cash and Cash equivalents at the end of the Financial Year **Note 15**	**78,534,196**	**1,877,805,199**

Notes to Financial Statement for the Year ended 30 June 2007

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, 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. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Corporation has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 01 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Corporation's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Financial Instruments
- Employee Benefits Obligations

The impact of these changes is explained in detail later in these notes to the Financial Statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1	Amendment to IAS 1: Presentation of financial statements – Capital Disclosures
IAS 23	Amendment to IAS 23: Capitalisation of Borrowings Costs
IFRS 8	Operating Segments
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Share Treasury Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programme
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition to IFRSs are given in note 24.

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.

ii) 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 title have been transferred to the buyer. Interest income is accrued on a time basis.

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

iii) Leasing

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

iv) 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 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.

v) Government Subsidy

Government Subsidy to compensate any shortfall in revenue due to selling rice and flour at below cost is recognized as income in the same accounting period.

vi) Retirement and other Benefits

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

For defined benefit retirement 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 2003 Report (the regulatory body for remuneration of STC employees) are recognized as and when they accrue to employees. An accrual is made for the estimated liability for bank sick leave and vacation leaves.

vii) Property, Plant and Equipment

Building (held for administrative purpose), 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:

	Rate (%)
Motor Vehicles	**20**
Office Equipment anf 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.

viii) 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.

ix) Investments

Investments have been carried at cost as they are unquoted equity instruments whose fair value cannot be reliably measured.

x) 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.

xi) Trade Payables

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

xii) 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.

xiii) Provisions

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

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 have 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 benefited 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 (vi) and as detailed in Note 18 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. REVENUE

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

	Year ended 30 June 2007		Year ended 30 June 2006	
	Metric Tons	**MUR**	**Metric Tons**	**MUR**
Petroleum Products	999,389	20,467,176,966	989,930	17,961,261,956
Cement	273,979	602,364,237	171,950	324,500,823
Ration Rice	14,444	147,483,148	24,097	149,019,566
Flour	89,917	892,863,090	96,478	536,429,229
LPG	65,559	1,285,863,179	64,020	1,111,247,433
Sugar	1,061	5,499,808	1,047	5,494,638
Subsidy		Nil		400,000,000
Others		3,111,050		19,609,958
TOTAL REVENUE		**23,404,361,478**		**20,507,563,603**

Note

1. Following government decision to reorient the subsidy on rice and flour with effect from 01 July 2006, the Corporation is no more receiving any compensation from government for any shortfall in revenue on account of sales of these two products.

2. Turnover and cost of Sales are net of amount collected on behalf of third party.

6. EXCEPTIONAL ITEMS

		2007 MUR	2006 MUR
	This amount represents:		
(a)	Provision for payment of Dead Freight relates to a contract for handling of commodities which expired in June 2006	-	6,585,563
(b)	Writing off of accumulated losses previously treated as Account Receivable from Government	-	567,647,108
			574,232,671

Notes to Financial Statement for the Year ended 30 June 2007

7. INVESTMENT INCOME & INTEREST INCOME

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Investment Income	34,824	42,248
Interest on bank balances and bank deposits	121,063,936	101,723,707
TOTAL	**121,098,760**	**101,765,955**

8. INTEREST EXPENSE

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Interest on lines of credit	135,683,306	119,882,097

9. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles *MUR*	Office Equipment & Furniture *MUR*	Plant & Machinery *MUR*	Buildings *MUR*	Computer System *MUR*	TOTAL *MUR*
COST						
At 1 July 2005	7,499,600	7,236,903	21,995,615	12,922,321	11,820,838	61,475,277
Additions	0	264,021	190,327	0	268,749	723,097
Disposal	0	(162,062)	(394,705)	-	(639,140)	(1,195,907)
At 30 June 2006	7,499,600	7,338,862	21,791,237	12,922,321	11,450,447	61,002,467
Additions	0	638,711	22,524	0	1,072,847	1,734,082
Disposal	(54,591)	(209,115)	(44,175)	0	(13,335)	(321,216)
At 30 June 2007	**7,445,009**	**7,768,458**	**21,769,586**	**12,922,321**	**12,509,959**	**62,415,333**
DEPRECIATION						
At 1 July 2005	5,909,849	4,546,274	14,343,141	2,599,854	7,982,562	35,381,680
Charge for the year	1,123,304	467,198	1,987,016	258,447	1,350,355	5,186,320
Disposal	-	(118,004)	(307,775)	-	(621,610)	(1,047,389)
At 30 June 2006	7,033,153	4,895,468	16,022,382	2,858,301	8,711,307	39,520,611
Charge for the year	315,892	490,995	1,959,028	258,446	1,519,863	4,544,224
Disposal	(54,591)	(190,104)	(38,475)	0	(13,335)	(296,505)
At 30 June 2007	**7,294,454**	**5,196,359**	**17,942,935**	**3,116,747**	**10,217,835**	**43,768,330**
NET BOOK VALUE						
At 30 June 2007	**150,555**	**2,572,099**	**3,826,651**	**9,805,574**	**2,292,124**	**18,647,003**
At 30 June 2006	466,447	2,443,394	5,768,855	10,064,020	2,739,140	21,481,856
At 30 June 2005	1,589,751	2,690,629	7,652,474	10,322,467	3,838,276	26,093,597

Depreciation charges amounting to MUR 4,544,224 for 2006-2007 (MUR 5,186,320 for 2005-2006) has been included in Administrative Expenses in the Income Statement.

Notes to Financial Statement for the Year ended 30 June 2007

10. INVESTMENTS AT COST

	% of Shares	2007 MUR	2006 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
		1,125,660	1,125,660

Note (i) As at 30 June 2007 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 30 June 2007 STC holds 10 out of 75,000 shares in Afreximbank.

11. INVENTORIES

COMMODITIES	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Ration Rice	7,583,504	36,489,960
Flour	41,990,661	26,804,590
Sugar	877,968	592,877
Basmati Rice	NIL	2,705,707
Others	250,937	237,804
TOTAL	**50,703,070**	**66,830,938**

COMMODITIES	Year ended 30 June 2007		Year ended 30 June 2006
	COST MUR	Net Realisable Value	COST MUR
Ration Rice	7,583,504	8,160,695	36,489,960
Flour	55,515,661	41,990,661	26,804,590
Sugar	877,968	933,160	592,877
Basmati Rice	NIL	Nil	2,705,707
Others	250,937	671,438	237,804
TOTAL	**64,228,070**	**51,755,954**	**66,830,938**

The cost of inventories recognized as an expense includes MUR 13,525,000 in respect of write-downs of inventory of Flour to Net Realisable Value (NRV) during 2006-2007. In the Financial Year 2005-2006 inventories were stated at cost as the difference between Cost and NRV was met from Government subsidy.

12. TRADE & OTHER RECEIVABLES

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

		Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Recovery Account	*(see note 13)*	266,038,424	249,805,028
APM Recovery Account	*(see note 14 on APM)*	216,628,705	335,465,602
Large Taxpayers Department		75,337,110	253,889,393
Trade Receivable		3,844,944,809	3,166,750,978
Interest Receivable		608,172	5,619,662
Others		7,301,315	10,071,345
TOTAL		**4,410,858,535**	**4,021,602,008**

13. RECOVERY ACCOUNT

The amount of **MUR 266 million** represents past loss on Cement and LPG for which provisions have been made for recovery from future sales.

14. 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 and L.P.Gas filled in cylinders of 5 kg, 6 kg and 12 kg with effect from July 2006.

The Regulation defines the mechanism of fixing the retail prices of the commodities with minimum of 2.5% and a maximum adjustment of 20% for petroleum products, and a maximum adjustment of 5% annually for LPG. It is a transparent system for fixing the price for a period of a quarter based on the actual cost that prevailed in the previous quarter. It also provides to carry forward any gain or loss of one quarter to the subsequent quarter(s).

Thus the loss made as at 30 June 2007 due to APM amounting to MUR 216 million 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.

Notes to Financial Statement for the Year ended 30 June 2007

15. CASH AND CASH EQUIVALENT

	Year ended 30 June 2007	Year ended 30 June 2006
	MUR	MUR
Short Term Deposits	6,403,200	1,592,524,994
Bank Balances	72,130,996	285,280,205
TOTAL	**78,534,196**	**1,877,805,199**

16. SHARE CAPITAL

	2007 MUR	2006 MUR
Authorised:		
1 million ordinary shares of MUR10 each	10,000,000	10,000,000
Issued and fully paid:		
40,000 shares of MUR10 each	400,000	400,000

17. RETAINED EARNINGS

	MUR
Balance at 1 July 2005 as reported	647,698,714
Effect of IFRS adoption	
Employee Benefit Obligation	(27,748,256)
Restated Balance at 01 July 2005	619,950,458
Dividends paid	-
Loss for the year 2005-2006 as reported	(718,251,642)
Effect of IFRS adoption	
Employee benefit obligation	3,941,225
Balance at 1 July 2006 (Restated)	(94,359,961)
Dividends paid	-
Profit for the year 2006-2007	**116,031,497**
Balance at **30 JUNE 2007**	**21,671,537**
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18. EMPLOYEE BENEFIT OBLIGATIONS

Employee leave entitlement

Employee entitlements to bank sick leave and vacation leaves as defined in the PRB 2003 Report (the regulatory body for determining remuneration of STC employees) are recognized when they accrue to employees. An accrual amount of **MUR 23 million** is made for the estimated liability for bank sick leave and vacation leaves.

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 at 66.6 per cent of final salary on attainment of a retirement age of 60.The schemes are funded schemes.

Transitional liability

The transitional liability as at 30 June 2005 amounting to MUR 31.46 million has been amortised over five years. Consequently an amount of MUR 6.29 million has been recognized in the income statement for the year ended 30 June 2006.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 30 June 2007 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.

Main actuarial assumptions at end of year:

	30 June 2007	30 June 2006
Discount rate	10.50%	10.50%
Expected rate of return on plan assets	11.50%	11.00%
Future salary increases	7.50%	7.50%
Future pension increases	5.50%	5.50%

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

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Present value of funded obligation	180,701,530	170,785,358
(Fair value of plan assets)	(168,777,341)	(144,879,672)
	11,924,189	**25,905,686**
Present value of unfunded obligation	0	0
Unrecognised actuarial gain /(loss)	0	0
Unrecognised transition amount	(11,924,189)	(25,167,336)
Liability recognized in Balance Sheet at end of year	**0**	**738,350**

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

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Current service cost	5,809,285	5,799,685
Interest cost	17,932,463	16,291,405
(Expected return on plan assets)	(16,859,526)	(13,835,270)
Actuarial loss/(gain) recognized	(11,275,311)	(4,032,991)
Past service cost recognized	0	0
Transition effect of adopting IAS 19	13,243,147	6,291,834
Total, included in staff costs	**8,850,058**	**10,514,663**
Movements in liability recognized in balance sheet:		
At Start of year	738,350	0
Total Staff cost as above	8,850,058	10,514,663
(Net Contributions paid)	(9,588,408)	(9,776,313)
At end of year	**0**	**738,350**
Actual Return on Plan Assets	**20,447,867**	**17,026,387**

Movements in the present value of defined benefit obligation

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Present value of defined benefit obligation at start of period	170,785,358	155,156,242
Current Service Cost	5,809,285	5,799,685
Interest Cost	17,932,463	16,291,405
(Benefits paid + interest)	(6,138,606)	(5,709,364)
Liability (gain)/loss	(7,686,970)	(752,610)
Present value of obligation at end of period	**180,701,530**	**170,785,358**

Movements in the fair value of plan assets

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
Fair Value of plan assets at start of period	144,879,672	123,697,072
Expected return on plan assets	16,859,526	13,835,270
Employer contributions	9,784,090	9,776,313
(Benefits paid +other outgo)	(6,334,288)	(5,620,100)
Asset gain/(loss)	3,588,341	3,191,117
Fair value of plan assets at end of period	**168,777,341**	**144,879,672**

Notes to Financial Statement for the Year ended 30 June 2007

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	2007	2006
Government securities and cash	53.2%	57.0%
Loans	9.5%	9.0%
Local equities	17.1%	15.8%
Overseas bonds and equities	19.2 %	17.0%
Property	1.0%	1.1%
Debenture stocks	0.0%	0.1%
TOTAL	**100 %**	**100 %**

Additional disclosure on assets issued or used by the reporting entity

Percentage of assets at end of year	2007 (%)	2006 (%)
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other Assets used by the entity	0	0

History of obligations,assets and experience adjustments

Year Currency	2007 MUR	2006 MUR
Fair value of plan assets	168,777,341	144,879,672
(Present value of defined benefit obligation)	(180,701,530)	(170,785,358)
Surplus/(deficit)	(11,924,189)	(25,905,686)
Asset experience gain/(loss) during the period	3,588,341	3,191,117
Liability experience gain/(loss) during the period	7,686,970	752,610

Year	2008
Expected employer contributions	MUR 10,327,575

Notes to Financial Statement for the Year ended 30 June 2007

19. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the financial year, 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 2007 MUR	Year ended 2006 MUR
2,314,878,877	**2,014,645,548**

(i) Sales of goods to CEB were made at market related prices.
(ii) Outstanding balance as at 30 June 2007 – MUR 461,440,639 (2006 MUR 294,601,352)

Compensation of key management personnel

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

	Year ended 2007	Year ended 2006
Short-term benefits	3,332,725	3,116,011
Post-employment benefits	856,940	798,998
Fees to Board Members	173,500	120,000

The remuneration of Board Members and key management is 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.

20. 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 60 days. Management considers that the carrying amount of trade payables approximates to their fair value.

Notes to Financial Statement for the Year ended 30 June 2007

	Year ended 30 June 2007 MUR	Year ended 30 June 2006 MUR
NON-CURRENT LIABILITIES	**23,516,941**	**23,807,033**
CURRENT LIABILITIES		
Government of Mauritius	151,435,491	80,887,496
Mauritius Revenue Authority	221,628,398	338,203,088
Trade Payables	3,435,031,190	2,585,517,904
Interest Payables	684,912	9,890,305
Risk Management Fund	41,541,469	58,834,654
Provision for Through put Fees	3,556,988	-
Others	36,089,539	40,449,066
TOTAL	**3,889,967,987**	**3,113,782,513**

21. BORROWINGS – LOANS AND LINES OF CREDIT

The borrowings are repayable within one year

BORROWINGS	Year ended 30 June 2007		Year ended 30 June 2006	
	USD	MUR	USD	MUR
Line of Credit	19,500,000	624,312,000	85,297,777	2,644,486,978
Trade Financing Loan	-	-	9,700,000	300,729,100
TOTAL BORROWINGS	**19,500,000**	**624,312,000**	**94,997,777**	**2,945,216,078**

The average interest rates paid were as follows:

Year ended 2007 ... ... 5.58% - (Year ended 2006 ... 5.40%)

Lines of Credit

i) Lines of Credit borrowings are arranged at variable interest rates based on LIBOR

ii) The Corporation has two lines of Credit. The lines of credit, a short-term (monthly) credit facility, are secured by Government Guarantee and carry an average interest rate at 0.25 above LIBOR.

22. RISK MANAGEMENT POLICIES

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

a) *Credit risk*

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

b) *Liquidity risk*

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

c) *Interest rate risk*

The Corporation has short-term loans at average floating interest rates of 5.58% 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 2006-2007 seven hedge transactions have been made to cover commodity price risk exposures. As at 30 June 2007, there was no outstanding hedge transaction.

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.

23. 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:

	2007		2006	
For terms not exceeding 3 months	**USD (Million)**	**MUR (Million)**	**USD (Million)**	**MUR (Million)**
Forward foreign exchange contracts	42.95	1,366	Nil	Nil

At 30 June 2007, the fair value of the Corporation's currency derivatives is MUR 1,375 million. These amounts are based on market value at Balance Sheet date. An amount of MUR 543,680 has been transferred to Income Statement.

24. EXPLANATION OF TRANSITION TO IFRSs

This is the first year that the corporation has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under previous GAAP were for the financial year ended 30 June 2006 and the date of transition to IFRSs was therefore 1 July 2005.

The Accounting policies were changed on 01 July 2006 to comply with IFRS. The transition to IFRS is accounted for in accordance with IFRS First-time Adoption of International Financial Reporting Standards, with 01 July 2005 as per date of transition. The changes in Accounting policies as a consequence of the transition to IFRS are described below, and the reconciliations of the effects of the transition to IFRS are presented in the notes to the first IFRS financial statements.

The transition to IFRS resulted in the following changes in accounting policies:

- Employees entitlement to refund for unutilized sick leave and accumulated vacation leave defined in the PRB 2003 Report (The Regulatory Body for determination of remuneration for public sector, including the Corporation) not recognized as a liability under previous GAAP is now recognized under IAS.

- The Corporation operates a defined benefit scheme for qualifying employees which is managed by the SICOM Ltd, as detailed out in Note 18 to the Financial Statement. Plan assets or liabilities not previously recognized are being recognized under IAS 19.

Reconciliation of Profit for the year ended 30 June 2006 under previous GAAP to IFRS

	Under Previous GAAP	Effect of Transition	Under IFRS
	MUR	MUR	MUR
Revenue	20,507,563,603		20,507,563,603
Cost of Sales	20,359,878,692		20,359,878,692
Gross Surplus	147,684,911		147,684,911
Other Income			
Interest receivable	101,723,707		101,723,707
(Loss)/Gain on Exchange	(172,307,940)		(172,307,940)
Miscellaneous Income	1,537,475		1,537,475
Investment Income	42,248		42,248
Total Income	**78,680,401**	**-**	**78,680,401**
Operating Expenses:			
- Administrative Expenses	97,630,955		97,630,955
- Employee benefits obligations	-	23,807,032	23,807,032
- Actuarial fees	-	-	-
- Depreciation	5,186,320		5,186,320
- Interest payable	119,882,097		119,882,097
- Exceptional Item	574,232,671		574,232,671
	796,932,043	**23,807,032**	**820,739,075**
Deficit for the year	**(718,251,642)**	**(23,807,032)**	**(742,058,674)**

Effects of adopting IFRS on Balance Sheets at 30 June 2006 and at 01 July 2005 (Date of Transition) respectively

	30 June 2006			As at 01 July 2005 (date of transition to IFRS)		
	Under Previous GAAP	**Effect of Transition**	**Under IFRS**	**Under Previous GAAP**	**Effect of Transition**	**Under IFRS**
	MUR	**MUR**	**MUR**	**MUR**	**MUR**	**MUR**
NON-CURRENT ASSETS						
Property, plant and equipment	21,481,856		21,481,856	26,093,597		26,093,597
Investments in securities and deposits	1,125,660		1,125,660	1,125,660		1,125,660
Loans	-			-		-
	22,607,516		22,607,516	27,219,257	-	27,219,257
CURRENT ASSETS						
Inventories	66,830,938		66,830,938	88,943,836	-	88,943,836
Accounts Receivable	4,021,602,008		4,021,602,008	3,360,217,627		3,360,217,627
Cash and bank balances	285,280,205		285,280,205	666,246,298	-	666,246,298
Short term deposits	1,592,524,994		1,592,524,994	200,000,000	-	200,000,000
	5,966,238,145		**5,966,238,145**	**4,315,407,761**		**4,315,407,761**
NON CURRENT LIABILITIES						
Employee benefit obligations	-	23,807,032	23,807,032		27,748,256	27,748,256
Other non-current liabilities	-					
CURRENT LIABILITIES						
Accounts payable	3,113,782,512		3,113,782,512	2,159,799,500		2,159,799,500
Borrowings	2,945,216,078		2,945,216,078	1,534,728,804	-	1,534,728,804
	6,058,998,590	**23,807,032**	**6,082,805,622**	**3,694,528,304**	**27,748,256**	**3,722,276,561**
TOTAL ASSETS LESS TOTAL LIABILITIES	**(70,152,929)**	**(23,807,032)**	**(93,959,961)**	**648,098,714**	**(27,748,256)**	**620,350,458**
Accumulated funds	(70,552,929)	(23,807,032)	(93,359,961)	647,698,714	(27,748,256)	619,950,458
Share Capital	400,000		400,000	400,000	-	400,000
TOTAL EQUITY	**(70,152,929)**	**(23,807,032)**	**(93,959,961)**	**648,098,714**	**(27,748,256)**	**620,350,458**

Notes to the reconciliation of equity at 1 July 2006

	MUR
Equity as at 30 June 2005 under previous GAAP	648,098,714
Effect of Transition to IFRS	
Provision for Employee Benefit Obligations	(27,748,256)
Equity as at 01 July 2005 under IFRS	**620,350,458**
Equity as at 30 June 2006 under previous GAAP	**(70,152,929)**
Effect of Transition to IFRS	
Provision for Employee Benefit Obligations	(23,807,032)
Equity as at 01 July 2006 under IFRS	**(93,959,961)**

25. TAX

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