

STATE TRADING CORPORATION



FINAL ACCOUNTS

2003-2004

**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 (STC) as of 30 June 2004, 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 2004, and of its income and expenditure for the year then ended and comply with the Statutory Bodies (Accounts and Audit) Act 1972.


(R. JUGURNATH)
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
President J. Kennedy Street
PORT LOUIS
11 November, 2004

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

**STATE TRADING CORPORATION
BALANCE SHEET AS AT 30 JUNE 2004**

	NOTE	2004 MUR	2003 MUR
FIXED ASSETS			
Property, Plant and Equipment	2	29,343,246	29,543,656
Investments	3	1,125,660	1,125,660
		30,468,906	30,669,316
CURRENT ASSETS			
Stocks		116,930,015	73,926,011
Accounts Receivable	4	2,171,895,713	1,726,680,494
Short Term Deposits	5	127,650,818	188,806,400
Bank Balance		212,793,713	345,875,451
		2,629,270,259	2,335,288,356
CREDITORS			
Bank Overdraft		0	295,010,000
Accounts Payable	6	1,665,585,339	1,151,773,991
US Dollar Loans	7	483,157,000	442,515,000
		2,148,742,339	1,889,298,991
NET CURRENT ASSETS		480,527,920	445,989,365
		510,996,826	476,658,681
CAPITAL AND RESERVE			
Share Capital	8	400,000	400,000
General Reserve		510,596,826	476,258,681
		510,996,826	476,658,681



R R Bapamah
Ag. Financial Manager



R S Soomarooah
General Manager

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

**INCOME AND EXPENDITURE FOR THE
YEAR ENDED 30 JUNE 2004**

	2004 MUR	2003 MUR
Turnover (Note 9)	10,229,517,314	8,873,212,351
Recovery from Government	88,936,573	13,412,624
Subsidy for the year	400,136,396	371,912,181
Transfer from surplus on petroleum product	44,977,464	0
TOTAL REVENUE	10,763,567,748	9,258,537,156
COST OF SALES	10,649,349,156	9,114,846,830
	114,218,592	143,690,326
OTHER INCOME		
Interest receivable (Note 12)	11,276,302	15,499,993
Gain/(Loss) on Exchange	143,613,251	116,710,336
Miscellaneous Income	1,436,870	1,086,261
Investment Income	21,321,639	682,417
	177,648,062	133,979,007
EXPENDITURE		
Exceptional Item (Note 13)	5,122,952	12,799,899
Administrative Expenses	91,300,155	78,139,988
Depreciation (Note 2)	5,295,891	4,673,143
Interest Payable (Note 14)	796,046	9,244,441
	102,515,044	104,857,472
SURPLUS FOR THE YEAR (Note 15)	189,351,609	172,811,861
Transfer to subsidy on Flour	(44,977,464)	0
NET SURPLUS FOR THE YEAR	144,374,145	172,811,861
RETAINED SURPLUS B/F	476,258,681	618,617,628
	620,632,826	791,429,489
Transfer to Over/(Under) Rec. A/C (Note 16)	(110,036,000)	(315,170,810)
RETAINED SURPLUS C/F	510,596,826	476,258,679

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2004

	NOTE	2004 MUR	2003 MUR
Net Cash (Outflow)/Inflow from			
Operating Activities	20	32,708,263	800,394,844
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest Paid		(899,900)	(10,660,918)
Interest Received		11,965,036	14,598,387
Investment Income Received		21,321,639	647,930
Dividend received		34,487	
Net Cash (Outflow) from Returns on Investments & Servicing of Finance		32,421,262	4,585,399
INVESTING ACTIVITIES			
Sale of Investments		-	793,953
Acquisition of Fixed Assets	**	(5,153,148)	(3,320,484)
Sales of Fixed Assets		154,303	1,108,260
Net Cash (Outflow)/Inflow from Investing Activities		(4,998,845)	(1,418,271)
FINANCING			
US Dollar Loans: (Decrease)/Increase in		40,642,000	(462,735,000)
Cash & Cash Equivalents	20(a)	100,772,680	340,826,972

STC has acquired a new router (cabling) and has obtained an amount of MUR 14,430 as trade off against the old one.

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

1. ACCOUNTING POLICIES

The principal accounting policies adopted by the Corporation are as follows:

(a) Basis of Accounting

The accounts are prepared under the historical cost convention.

(b) Turnover

Turnover is based on the invoiced value net of Value Added Tax.

(c) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The annual rates used are:

Buildings	2%
Plant and Machinery	10%
Motor Vehicles	20%
Office Equipment & Furniture	10%
Computer System	20%

(d) Stocks

Stocks are valued at the lower of cost and net realisable value.

(e) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into Mauritian Rupees at the rates of exchange prevailing at Balance Sheet date.

2. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Office Equipment & Furniture	Plant and Machinery	Buildings	Computer System	TOTAL
	MUR	MUR	MUR	MUR	MUR	MUR
COST						
At 1 July 2003	7,174,324	6,082,657	21,786,414	12,922,321	7,163,629	55,129,345
Additions	752,777	1,356,383	83,788		2,974,630	5,167,578
Disposal	(427,500)	(301,815)	(67,490)		(26,204)	(823,009)
At 30 June 2004	7,499,601	7,137,225	21,802,712	12,922,321	10,112,055	59,473,914
DEPRECIATION						
At 1 July 2003	3,844,860	3,962,452	10,280,719	2,082,960	5,414,698	25,585,689
Charge for the year	1,246,244	481,950	2,055,626	258,447	1,253,624	5,295,891
Disposal	(427,500)	(245,441.00)	(67,490.00)		(10,481.00)	(750,912.00)
At 30 June 2004	4,663,604	4,198,961	12,268,855	2,341,407	6,657,841	30,130,668
At 30 June 2004	2,835,997	2,938,264	9,533,857	10,580,914	3,454,214	29,343,246
At 30 June 2003	3,329,645	2,120,204	11,505,695	10,839,361	1,748,931	29,543,656

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

		2004	2003
	% of Shares	MUR	MUR
3 INVESTMENTS			
Unquoted (As at 30 June)			
a) State Property Development Co Ltd (SPDC) - <i>Note 1</i>	Less than 1	400,000	400,000
b) Africa Export-Import Bank (Afreximbank) - <i>Note 2</i>	Less than 1	725,660	725,660
		<u>1,125,660</u>	<u>1,125,660</u>

Note 1: As at 30 June 2004 STC holds 4,000 (0.06%) out of 6,650,000 shares in State Property Development Co. Ltd.

Note 2: As at 30 June 2004 STC holds 10 (0.01%) out of 75,000 shares in Afreximbank.

4 ACCOUNTS RECEIVABLE

The Accounts Receivable are as follows:

Over/(Under) Recovery A/C: Petroleum Products **	458,697,676	502,968,263
Over/(Under) Recovery A/C: LPG**	31,060,581	0
Interest on US\$ Loan	1,311,837	903,252
Recovery on Cement **	73,377,245	59,859,638
VAT	161,809,322	136,371,753
Government of Mauritius	<u>726,256,661</u>	<u>700,102,906</u>
Trade Debtors	1,406,311,833	1,014,450,357
Interest Receivable	212,872	901,606
Dividend Receivable	0	34,487
SBM LTD Forward Contract	30,120,000	0
SICOM-Insurance Claims Receipts	271,293	0
Others	8,723,054	11,191,138
	<u>2,171,895,713</u>	<u>1,726,680,494</u>

** NB: Refer to Note 10 for details

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

	2004	2003
	<i>MUR</i>	<i>MUR</i>
5 SHORT TERM DEPOSITS		
Short Term Deposits are made up as follows:		
(a) Dollar Deposit		
<i>USD 2,186,000 @ MUR28.421/USD</i>	62,128,306	-
<i>AUD 3,346,400 @ MUR 19.58/AUD</i>	65,522,512	-
<i>USD 6,400,000 @ MUR 29.501/USD</i>	-	188,806,400
	127,650,818	188,806,400
	127,650,818	188,806,400

6 ACCOUNTS PAYABLE

The Accounts Payable are amounts falling due within one year and are as follows:

Customs Dept	421,154,005	317,311,237
Fluctuction A/C- Cement	4,854,612	-
Road Fund	10,840,686	-
Rodrigues subsidy LPG	452,506	-
Rodrigues Subsidy - Petroleum Products	3,130,798	1,915,552
Rodrigues Subsidy Cement	952,762	952,762
Subsidy on Rice & Flour	-	23,202,843
Price Equalisation A/C - Cement	4,450,237	3,687,779
Price Equalisation A/C - LPG	477,755	475,795
Over/(Under) Recovery A/C - LPG <i>(Note10)</i>	-	2,857,997
Government of Mauritius	446,313,361	350,403,965
Trade Creditors	1,130,779,495	777,006,112
Accrued Interest	1,713,430	490,305
SBM Ltd Forward contract	30,120,000	-
Others	56,659,053	23,873,609
	1,665,585,339	1,151,773,991
	1,665,585,339	1,151,773,991

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

			2004 MUR	2003 MUR
7 US DOLLAR LOANS				
	2004 USD MILLION			
<i>Barclays Bank Plc</i>				295,010,000
At 1 July 2003	10			
Repaid during the year	<u>(10)</u>		-	-
<i>IDB</i>				
At 1 July 2003	5			147,505,000
Repaid during the year	(5)			
Addition during the year	<u>4</u>	4	113,684,000	-
<i>State Bank of Mauritius Ltd</i>				
Addition during the year	8.5			
Repaid during the year	<u>(4)</u>	4.5	127,894,500	-
<i>HSBC</i>				
At 1 July 2003	-			
Addition during the year	<u>8.5</u>	8.5	241,578,500	-
Balance as at 30 June			<u>483,157,000</u>	<u>442,515,000</u>
8 SHARE CAPITAL				
Authorised				
1,000,000 shares of MUR 10 each			<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid				
40,000 shares of MUR 10 each			<u>400,000</u>	<u>400,000</u>
9 TURNOVER				
<i>Turnover is made up as follows:</i>				
Petroleum Products: Inland			5,086,269,825	5,074,212,337
Fuel oil (CEB)			797,827,523	-
Windfall gain			11,470,616	-
International			<u>3,021,281,877</u>	<u>2,668,201,454</u>
			8,916,849,841	7,742,413,791
Cement			164,015,899	353,782,841
Ration Rice			134,642,777	150,322,198
Flour			407,322,743	361,348,588
Sugar			5,601,838	5,656,677
LPG			601,084,216	259,688,256
			<u>10,229,517,314</u>	<u>8,873,212,351</u>

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

	2004 <i>MUR</i>	2003 <i>MUR</i>
10 AMOUNT RECOVERABLE FROM GOVERNMENT		
(a) Inland sales of Petroleum Products		
At 01 July	502,968,263	1,384,484,215
Refund from Accountant General *		(296,880,587)
Set Off from:		
<i>Road Fund - 2001/02 *</i>	(167,463,303)	
<i>Road Fund - 2002/03 *</i>	(70,494,052)	
<i>Reservoir Fund - 2001/02 *</i>	<u>(31,507,200)</u>	(269,464,555)
Set Off from:		
<i>Surplus Intl. Trade - 2001/02 *</i>		(151,482,312)
<i>Surplus Intl. Trade - 2002/03 *</i>	(175,215,123)	
<i>Surplus/(Deficit) on Inland Trade *</i>	<u>11,526,625</u>	(163,688,498)
<i>Surplus Intl. Trade - 2003/04</i>	(110,036,000)	
<i>Deficit on Inland Trade</i>	<u>65,765,413</u>	
At 30 June	<u>458,697,676</u>	<u>502,968,263</u>
(b) Amount Receivable on LPG		
At 01 July	(2,857,997)	0
Amount Paid/(Received) during the year	21,667,733	(16,270,621)
Charge for the year	<u>12,250,845</u>	<u>13,412,624</u>
	<u>31,060,581</u>	<u>(2,857,997)</u>
(c) Losses on sales of Cement		
At 01 July	59,859,638	83,706,663
Recovery on loss from government	10,920,315	(23,847,025)
<i>Unloading fees</i>	<u>2,597,292</u>	
At 30 June	<u>73,377,245</u>	<u>59,859,638</u>

All the deficits on LPG have been claimed to Accountant General from the Price Equalisation Account.

* In the Budget Speech of 2002/03, the Government announced its decision to take over all deficits on petroleum products. Accordingly, measures were taken to reduce the debt.

11 SUBSIDY RECEIVABLE

	2004 <i>MUR</i>	2003 <i>MUR</i>
<i>Rice and Flour</i>		
At 01 July	(23,202,843)	15,237,307
Subsidy for the year	445,113,860	371,912,182
Transfer from surplus on petroleum product	(44,977,464)	-
Subsidy Received	<u>(376,933,553)</u>	<u>(410,352,332)</u>
At 30 June	<u>0</u>	<u>(23,202,843)</u>

A subsidy is receivable from Government to enable STC to breakeven on the sales of ration rice and flour.

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

12 INTEREST RECEIVABLE

This amount includes interest receivable on short term deposits and bank balances.

13 EXCEPTIONAL ITEMS

	2004 <i>MUR</i>	2003 <i>MUR</i>
This amount represents :		
(a) increase in port dues paid in 1999/2000 and 2000/2001 provided as debtor and now written-off.	–	9,073,514
(b) Provision for payment of Dead Freight to Scott Granary & Co. Ltd	5,122,952	3,983,314
(c) STC's share of Expenses in connection with lumps of cement written off	–	325,863
(d) Decrease in provision for Insurance claim on Rice	–	163,163
(e) Decrease in provision for Insurance claim on Flour	–	163,144
(f) Subsidy on export of Sugar to Rodrigues		82,156
(g) decrease in provision for storage charges on rice & flour written off by Mauritius Ports Authority.	–	(991,255)
	<u>5,122,952</u>	<u>12,799,899</u>

14 INTEREST PAYABLE

This amount includes interest payable on bank overdraft and US Dollar Loans .

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

	2004 MUR	2003 MUR
15 NET SURPLUS FOR THE YEAR		
Net Surplus has been realised as follows:		
Petroleum Products	155,013,464	163,688,498
Cement	(683,890)	925,445
Sugar	-	17,688
LPG	2,017,110	1,060,102
Interest Receivable	11,276,302	15,499,993
Investment Income	21,321,639	682,417
Interest payable	(21,552)	(721,905)
Exceptional Item	-	(9,399,376)
Impairment Loss	-	-
Miscellaneous Income	428,536	1,058,999
NET SURPLUS	189,351,609	172,811,861

The above amount include a figure of MUR 101,671,625 representing losses incurred by STC only for the first quarter of APM, April to June 2004. These losses have been adjusted in the prices in the next quarter with effect from July 2004. (See note 17 on APM).

16 TRANSFER TO OVER/(UNDER) RECOVERY A/C - PETROLEUM PRODUCTS

	2004 MUR	2003 MUR
Net Surplus on International Trade:		
Year ending 30 June 2002	-	151,482,312
Year ending 30 June 2003	-	163,688,498
Year ending 30 June 2004 (Note 15)	155,013,464	-
	155,013,464	315,170,810
Less :Transfer to subsidy on flour	(44,977,464)	
Less : Transfer to over/under recovery A/C	(110,036,000)	
	0	

17 AUTOMATIC PRICE MECHANISM(APM)

The Budget speech 2002-2003 mentioned that: "a transparent and automatic pricing mechanism for petroleum products will be introduced to prevent STC from relapsing into financial mess. It will incorporate features for smoothing wide price fluctuations". The APM Regulations made under Section 35 of the Consumer Protection (Price and Supplies Control Act)were introduced with effect from 01 April 2004.

17 AUTOMATIC PRICE MECHANISM(APM)(Continued)

The Major Features of APM are that:

- i) It will be applicable initially for Motor Gasoline (Mogas) and Gas Oil (Diesel) sold on the local market.
- ii) Price change if any will be effected on a quarterly basis.
- iii) Price change, downward or upward, will be within the range of 2.5% and 15% respectively. Any price change (cumulative) below 2.5% and above 15% will be carried forward for the next quarter.
- iv) A Certification Committee shall have as Chairman in the person of the Director of Central Statistical Office, and three members appointed by the Minister of Commerce and Cooperatives. The Committee will verify the computation of STC and certify the price changes on the eve of the price change.
- v) There may be windfall gain or loss on account of stocks being held by oil companies on the day of price change.
- vi) The CIF price to be used for calculation of retail prices for next quarter will be the weighted average of the CIFs of all the vessels of the previous quarter, including vessel(s) already loaded but still in transit up to the fifteenth of the last month of the previous quarter.

18 PENSION SCHEME

All permanent employees of the Corporation are members of the State Trading Corporation Pension Scheme, a defined benefit Scheme managed by SICOM LTD. The Pension Fund which is wholly funded by the Corporation has a market value of MUR 107.3m as at 30 June 2004.

19 CONTINGENCIES

A consignment of 12,600 MT of Ration Rice was purchased from Unitech Ltd in February 1995. The consignment arrived in November 1995. In view of the poor quality of the rice, 7,199 MT was sold as animal feed. A claim of Rs 27.6 m has been lodged by the Corporation's legal adviser to the supplier for losses sustained by the Corporation, and an Arbitrator has been appointed as provided in the contract.

STATE TRADING CORPORATION – FINAL ACCOUNTS 2003-04

20. NOTES TO CASH FLOW STATEMENT

Reconciliation of Operating Surplus to Net Cash (Outflow)/Inflow from Operating Activities

	2004	2003
	<i>MUR</i>	<i>MUR</i>
Net Surplus for Year	189,351,609	172,811,863
Interest Payable	796,046	9,244,441
Transfer from Surplus on petroleum products	(44,977,464)	
Interest Receivable	(11,276,302)	(15,499,993)
Investment Income	<u>(21,321,639)</u>	<u>(682,417)</u>
Operating Surplus	112,572,250	165,873,894
Transfer to Over/(Under) Reco. A/C	(110,036,000)	(315,170,810)
Depreciation Charges	5,295,891	4,673,143
(Profit)/Loss on Sale of Investments	-	6,047
(Profit)/Loss on Sales of Fixed Assets	(96,636)	(103,709)
(Increase)/Decrease in Stocks	(43,004,004)	(1,991,773)
(Incr)/Decr in Accounts Receivable	(445,938,440)	1,503,004,399
Incr/(Decr) in Accounts Payable	513,915,202	(555,896,347)
Net Cash (Outflow)/Inflow from Operating Activities	<u>32,708,263</u>	<u>800,394,844</u>

20 (a). Analysis of Changes in Cash & Cash Equivalents during the year

	<i>MUR</i>	<i>MUR</i>
At 1 July	239,671,851	(101,155,121)
Net Cash (Outflow)/Inflow (Note 20 b)	<u>100,772,680</u>	<u>340,826,972</u>
At 30 JUNE	<u>340,444,531</u>	<u>239,671,851</u>

20(b). Analysis of the Balances of Cash & Cash Equivalents as shown in the Balance Sheet

	2004	2003	CHANGE IN YEAR	2003	2002	CHANGE IN YEAR
	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>
Bank Balances	212,793,713	50,865,451	161,928,262	50,865,451	(145,839,848)	196,705,299
Short Term Deposits	127,650,818	188,806,400	(61,155,582)	188,806,400	44,684,727	144,121,673
	<u>340,444,531</u>	<u>239,671,851</u>	<u>100,772,680</u>	<u>239,671,851</u>	<u>(101,155,121)</u>	<u>340,826,972</u>