



OF THE
DIRECTOR OF AUDIT

On the Financial Statements
of the State Trading Corporation
for the Year Ended 30 June 2008

NATIONAL AUDIT OFFICE

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

Report on the Financial Statements

I have audited the financial statements of the State Trading Corporation which comprise the balance sheet as of 30 June 2008, and the related statements of income, statement of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the State Trading Corporation and for the preparation and 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, 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 whether the financial statements are free from 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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's 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 entity's internal control. 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 2008, and of its income and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Statutory Bodies (Accounts and Audit) Act, 1972.

The Financial Reporting Act 2004

The Board is 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"). My responsibility is to report on these disclosures.

In my 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

30 June 2009

STATE TRADING CORPORATION

Consolidated Balance Sheet as at 30 June 2008

		CONSOLIDATED 2008	STC 2008	STC 2007
-	Notes	MUR	MUR	MUR
NON-CURRENT ASSETS				
Property, Plant and Equipment	8	20,435,089	18,798,394	18,647,003
Investments	9	3,125,660	4,125,660	1,125,660
TOTAL NON-CURRENT ASSETS		23,560,749	22,924,054	19,772,663
CURRENT ASSETS				
Inventories	10	150,863,868	137,578,103	50,703,071
Trade and other receivable	11	5,860,013,603	5,876,380,639	4,410,858,535
Short Term Deposits	14	-	-	6,403,200
Bank Balance	14	356,614,925	354,637,870	72,130,996
TOTAL CURRENT ASSETS		6,367,492,396	6,368,596,612	4,540,095,802
TOTAL ASSETS		6,391,053,145	6,391,520,666	4,559,868,465
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	15	400,000	400,000	400,000
Retained Earnings	16	86,864,309	86,835,869	21,671,537
TOTAL EQUITY		87,264,309	87,235,869	22,071,537
NON-CURRENT LIABILITIES				
Employee Benefit obligations	17	24,908,676	24,908,676	23,516,941
TOTAL NON CURRENT LIABILITIES		24,908,676	24,908,676	23,516,941
CURRENT LIABILITIES				
Trade and other payables	19	5,738,730,160	5,739,226,121	3,889,967,987
Borrowings	20	540,150,000	540,150,000	624,312,000
TOTAL CURRENT LIABILITIES		6,278,880,160	6,279,376,121	4,514,279,987
TOTAL LIABILITIES		6,303,788,836	6,304,284,797	4,537,796,928
TOTAL EQUITY AND LIABILITIES		6,391,053,145	6,391,520,666	4,559,868,465

The notes on pages 5 to 25 form part of these financial statements.

These financial statements were approved and authorized for issue by the Board on 26 June 2009.


R. R. BAPAMAH
 FINANCIAL MANAGER


R. S. SOOMAROOAH
 GENERAL MANAGER

Consolidated Income Statement year ended 30 June 2008

-	Notes	CONSOLIDATED 2008 MUR	STC 2008 MUR	STC 2007 MUR
REVENUE	5	29,322,204,770	29,303,433,449	23,404,361,478
COST OF SALES		29,508,898,816	29,493,656,146	22,644,500,432
GROSS PROFIT / (LOSS)		(186,694,046)	(190,222,697)	759,861,046
Interest Receivable	6	17,297,312	17,297,312	121,063,936
(Loss)/Gain on Exchange		373,837,052	373,837,052	(526,272,586)
Miscellaneous Income		9,922,036	9,922,036	48,856
Investment Income	6	48,931	48,931	34,824
Administrative Expenses	17	(120,946,099)	(117,452,417)	(103,021,273)
Profit/(Loss) from operations		93,465,186	93,430,217	251,714,803
Interest Expense	7	(28,272,414)	(28,265,885)	(135,683,306)
Profit/(Loss) for the year		65,192,772	65,164,332	116,031,497

Statement of Changes in Equity for the year ended 30 June 2008

A. CONSOLIDATED

Equity	Share Capital MUR	Retained Earnings MUR
Balance as at 30 June 2007	400,000	21,671,537
Consolidated Profit for the year 2007-2008		65,192,772
Balance as at 30 June 2008	400,000	86,864,309

B. STC

Equity

	MUR	MUR
Balance as at 01 July 2006		
As previously reported	400,000	(70,552,929)
<i>IFRS Conversion adjustments</i>		
Effect of IFRS adoption		
Employee benefits obligations		(23,807,032)
Restated at 01 July 2006	400,000	(94,359,961)
Profit for the year 2006-2007		116,031,498
Balance as at 30 June 2007	400,000	21,671,537
Profit for the year 2007-2008		65,164,332
Balance as at 30 June 2008	400,000	86,835,869

Consolidated Cash Flow Statement for the Year ended 30 June 2008

	Consolidated Year ended 30 June 2008	STC Year ended 30 June 2008	STC Year ended 30 June 2007
	MUR	MUR	MUR
Cash flows from Operating Activities			
Profit/(Loss) for the year	65,192,772	65,164,332	116,031,497
Investment revenue recognised in Income Statement	(48,931)	(48,931)	(34,824)
(Gain)/Loss on sale or disposal of property, plant and equipment	(57,464)	(57,464)	7,061
Depreciation of non current assets	4,257,859	4,254,298	4,544,225
Effects of Exchange Rate changes on the balance of Cash held in foreign currencies	(178,247,669)	(178,247,669)	327,768,338
Interest Receivable	(17,297,312)	(17,297,312)	(121,063,936)
Interest Payable	28,272,415	28,265,886	135,683,306
	(97,928,330)	(97,966,860)	462,935,667
Movements in Working Capital			
Increase in trade and other receivables	(1,448,059,184)	(1,464,426,220)	(394,268,017)
(Increase)/Decrease in inventories	(100,160,798)	(86,875,033)	16,127,868
Increase in trade and other payables	1,850,457,087	1,850,953,047	785,100,792
Cash generated from operations	204,308,775	201,684,934	869,896,310
Interest Paid	(28,575,592)	(28,569,063)	(144,888,715)
Net Cash generated from operating activities	175,733,183	173,115,871	725,007,595
Cash flow from investing activities			
Interest received	16,201,428	16,201,428	126,075,426
Dividends received	48,931	48,931	34,824
Payments for property, plant and equipment	(6,364,482)	(4,724,225)	(1,734,082)
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	376,000	376,000	17,650
Net cash (used in)/generated by investing activities	8,261,877	8,902,134	124,393,818
Cash flow from financing activities			
Proceeds from borrowings	3,104,755,899	3,104,755,899	-
Repayment of borrowings	(3,100,863,414)	(3,100,863,414)	(2,320,904,078)
Net cash (used in)/generated from financing activities	3,892,485	3,892,485	(2,320,904,078)
Net increase/(decrease) in cash and cash equivalents	187,887,545	185,910,490	(1,471,502,665)
Cash and cash equivalents at the beginning of the year	78,534,196	78,534,196	1,877,805,199
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	90,193,184	90,193,184	(327,768,338)

Cash and Cash equivalents at the end of the Financial Year Note 14	356,614,925	354,637,870	78,534,196
---	-------------	-------------	------------

Notes to Financial Statement for the year ended June 2008

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. 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 2007.

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

IFRIC 09	Reassessment of Embedded Derivatives
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
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations
IFRS 2	Share-based Payment – Amendments resulting from April 2009 Annual Improvements to IFRSs
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk
IFRS 8	Operating Segments

IFRS 8	Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income

Notes to Financial Statement for the year ended June 2008

IAS 1	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2008 annual improvements to IFRSs
IAS 1	Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 16	Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 17	Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 20	Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 23	Borrowing Costs – Comprehensive revision to prohibit immediate expensing
IAS 23	Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3
IAS 27	Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first-time adoption
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 28	Investment in Associates - Consequential amendments arising from amendments to IFRS 3
IAS 28	Investment in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 29	Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 31	Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3
IAS 31	Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 32	Financial Instruments Presentation - Amendments relating to puttable instruments and obligations arising on liquidation
IAS 36	Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 36	Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 38	Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs

IAS 38 Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 39 Financial Instruments Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs

Notes to Financial Statement for the year ended June 2008

IAS 39 Financial Instruments Recognition and Measurement – Amendments for eligible hedged items

IAS 39 Financial Instruments Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments

IAS 39 Financial Instruments Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs

IAS 41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs

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).

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) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly owned Subsidiary. Control is achieved where the 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 during the year is included in the Consolidated Income Statement from the date of creation.

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.

This is the first time that we are presenting a set of consolidated financial statements as STCM Limited has been created in September 2007. The comparative figures of the consolidated accounts for the year 2006/2007 are the same figures as for STC for the financial year 2006/2007.

Notes to Financial Statement for the year ended June 2008

iii) 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.

iv) Leasing

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

v) 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.

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.

Notes to Financial Statement for the year ended June 2008

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.

vi) 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:

	<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.

vii) 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.

viii) Investments

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

Notes to Financial Statement for the year ended June 2008

ix) 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.

x) Trade Payables

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

xi) 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.

xii) 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 there from 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

Notes to Financial Statement for the year ended June 2008

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 (v) and as detailed in Note 17 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 2008				Year ended 30 June 2007	
	Consolidated		STC		STC	
	Metric Tons	MUR	Metric Tons	MUR	Metric Tons	MUR
Petroleum Products	1,013,587	26,378,220,171	1,013,587	26,378,220,171	999,389	20,467,176,966
Cement Ration	201,672	450,038,649	201,672	450,038,649	273,979	602,364,237
Rice	15,370	157,463,344	15,370	157,463,344	14,444	147,483,148
Flour	94,849	1,065,469,417	94,849	1,065,469,417	89,917	892,863,090
LPG	61,522	1,246,572,097	61,522	1,246,572,097	65,559	1,285,863,179
Sugar	1,089	5,640,160	1,089	5,640,160	1,061	5,499,808

Others	18,800,932	29,611	3,111,050
TOTAL REVENUE	29,322,204,770	29,303,433,449	23,404,361,478

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

Notes to Financial Statement for the year ended June 2008

6. INVESTMENT INCOME & INTEREST INCOME

	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR	STC Year ended 30 June 2007 MUR
Investment Income	48,931	48,931	34,824
Interest on bank balances and bank deposits	17,297,312	17,297,312	121,063,936
TOTAL	17,346,243	17,346,243	121,098,760

7. INTEREST EXPENSE

	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR	STC Year ended 30 June 2007 MUR
Interest on lines of credit	28,272,414	28,265,885	135,683,306

Notes to Financial Statement for the year ended June 2008

**8. PROPERTY, PLANT AND EQUIPMENT
A. CONSOLIDATED**

	Motor Vehicles	Office Equipment & Furniture	Plant & Machinery	Buildings	Computer System	TOTAL
	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>
COST						
At 1 July 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
Additions	3,050,000	415,643	1,579,450	0	1,319,388	6,364,481
Disposal	(1,850,102)	0	0	(388,459)	0	(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
DEPRECIATION						
At 1 July 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
Charge for the year	760,555	506,546	1,294,199	250,677	1,445,882	4,257,859
Disposal	(1,850,102)	0	0	(69,923)	0	(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
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 2008	2,440,000	2,481,196	4,111,902	9,236,361	2,165,630	20,435,089

Depreciation charges amounting to MUR 4,257,859 for 2007-2008 (MUR 4,544,224 for 2006-2007) has been included in Administrative Expenses in the Income Statement.

Additions for the year include an amount of MUR 5,204 for Office Equipment, MUR1,532,127 for Plant & Machinery and MUR 102,926 for Computer System respectively for the Subsidiary.

Depreciation for the year includes an amount of MUR 130 for Office Equipment and MUR 3,431 for Computer System, for the Subsidiary.

Notes to Financial Statement for the year ended June 2008

B. STC

	Motor Vehicles	Office Equipment & Furniture	Plant & Machinery	Buildings	Computer System	TOTAL
	MUR	MUR	MUR	MUR	MUR	MUR
COST						
At 1 July 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
Additions	3,050,000	410,439	47,323	0	1,216,462	4,724,224
Disposal	(1,850,102)	0	0	(388,459)	0	(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
DEPRECIATION						
At 1 July 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
Charge for the year	760,555	506,415	1,294,199	250,677	1,442,451	4,254,297
Disposal	(1,850,102)	0	0	(69,923)	0	(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
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 2008	2,440,000	2,476,123	2,579,775	9,236,361	2,066,135	18,798,394

9. INVESTMENTS AT COST
A. CONSOLIDATED

	% of Shares	2008 MUR	2007 MUR
Unquoted (as at 30 June)			
a) State Property Development Co Ltd (<i>SPDC</i>) <i>Note (i)</i>	less than 1	400,000	400,000
b) Africa Export-Import Bank (<i>Afreximbank</i>) <i>Note (ii)</i>	less than 1	725,660	<u>725,660</u>
c) Rodrigues Trade & Marketing (<i>Note iii</i>)	40	<u>2,000,000</u>	
		<u>3,125,660</u>	<u>1,125,660</u>

Note (i) As at 30 June 2008 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 30 June 2008 STC holds 10 out of 75,000 shares in Afreximbank.
(iii) As at 30 June 2008 STC holds 200,000 shares out of 500,000 shares in Rodrigues Trade & Marketing Ltd

Notes to Financial Statement for the year ended June 2008**B. STC**

	%	2008	2007
	of Shares	MUR	MUR
Unquoted (as at 30 June)			
a) State Property Development Co Ltd (<i>SPDC</i>) <i>Note (i)</i>	less than 1	400,000	400,000
b) Africa Export-Import Bank (<i>Afreximbank</i>) <i>Note (ii)</i>	less than 1	725,660	<u>725,660</u>
c) Rodrigues Trade & Marketing (<i>Note iii</i>)	40	2,000,000	
d) STCM (<i>Note iv</i>)	100	<u>1,000,000</u>	
		<u>4,125,660</u>	<u>1,125,660</u>

- Note** (i) As at 30 June 2008 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 30 June 2008 STC holds 10 out of 75,000 shares in Afreximbank.
(iii) As at 30 June 2008 STC holds 200,000 shares out of 500,000 shares in Rodrigues Trade & Marketing Ltd
(iv) As at 30 June 2008 STC holds 100% shares in STCM Ltd.

10. INVENTORIES

COMMODITIES	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR	STC Year ended 30 June 2007 MUR
Ration Rice	49,565,791	49,565,791	7,583,504
Flour	81,995,215	81,995,215	41,990,661
Sugar	629,697	629,697	877,968
Luxury Rice	5,387,400	5,387,400	0
Others	13,285,765	0	250,938
TOTAL	150,863,868	137,578,103	50,703,071

Notes to Financial Statement for the year ended June 2008

COMMODITIES	Year ended 30 June 2008				Year ended 30 June 2007	
	Consolidated		STC		STC	
	COST MUR	Net Realisable Value	COST MUR	Net Realisable Value	COST MUR	Net Realisable Value
Ration Rice	65,807,908	49,565,791	65,807,908	49,565,791	7,583,504	8,160,695
Flour	123,580,131	81,995,215	123,580,131	81,995,215	55,515,661	41,990,661
Sugar	629,697	638,890	629,697	638,890	877,968	933,160
Luxury Rice	11,755,823	5,387,400	11,755,823	5,387,400	NIL	Nil
Others	14,955,596	13,285,765	0	0	250,937	671,438
TOTAL	216,729,155	150,873,061	201,773,559	137,587,296	64,228,070	51,755,954

The cost of inventories recognized as an expense includes MUR 65,865,287 in respect of write-downs of inventory of **Ration Rice and Flour** to Net Realisable Value (NRV) during 2007-2008.

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 2008 MUR	STC Year ended 30 June 2008 MUR	STC Year ended 30 June 2007 MUR
Recovery Account (see note 12)	62,699,327	62,699,327	266,038,424
STCM Ltd (see note 18)		30,880,428	

APM Recovery Account <i>(see note 13 on APM)</i>	484,767,911	484,767,911	216,628,705
Large Taxpayers Department	125,132,745	125,132,745	75,337,110
Trade Receivable	5,150,157,049	5,139,725,137	3,844,944,809
Others	37,256,571	33,175,091	7,909,487
TOTAL	5,860,013,603	5,876,380,639	4,410,858,535

Notes to Financial Statement for the year ended June 2008

12. RECOVERY ACCOUNT

The amount of **MUR 63 million (MUR 266 million as at 30 June 2007 represented recovery a/c on LPG and Cement)** represents past loss on LPG for which provisions have been made for recovery from future sales.

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.

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. 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 2008 due to APM amounting to MUR 485 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.

14. CASH AND CASH EQUIVALENT

	Consolidated Year ended 30 June 2008	STC Year ended 30 June 2008	STC Year ended 30 June 2007
	MUR	MUR	MUR
Short Term Deposits	0	0	6,403,200
Bank Balances	356,614,925	354,637,870	72,130,996
TOTAL	356,614,925	354,637,870	78,534,196

15. SHARE CAPITAL

	2008 MUR	2007 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
Notes to Financial Statement for the year ended June 2008		

16. RETAINED EARNINGS

	CONSOLIDATED MUR	STC MUR
Balance at 1 July 2006 (Restated)	(94,359,961)	(94,359,961)
Dividends paid		
Profit for the year 2006-2007	<u>116,031,498</u>	<u>116,031,498</u>
Balance at 30 JUNE 2007	21,671,537	21,671,537
Profit for the year 2007-2008	<u>65,192,772</u>	<u>65,164,332</u>
Balance at 30 JUNE 2008	<u>86,864,309</u>	<u>86,835,869</u>

17. ADMINISTRATIVE EXPENDITURE & EMPLOYEE BENEFIT OBLIGATIONS

Administrative Expenditure of MUR 121 million for 2007-2008 includes an amount of MUR 76 million for employee benefit expenditure.

Employee Benefit Obligations

Employee entitlements to bank sick leave and vacation leaves as defined in the PRB 2008 Report (the regulatory body for determining remuneration of STC employees) are recognized when they accrue to employees. An accrual amount of MUR 25 million is made for the estimated liability for bank sick leave and vacation leaves. Administrative Expenditure for 2007-2008 includes an amount of MUR 2.0 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 at 66.6 per cent of final salary on attainment of a retirement age of 60. The schemes are funded schemes.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 30 June 2008 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.

Notes to Financial Statement for the year ended June 2008

Main actuarial assumptions at end of year:

	30 June 2008	30 June 2007
Discount rate	11.00%	10.50%
Expected rate of return on plan assets	11.50%	11.50%
Future salary increases	8.00%	7.50%
Future pension increases	6.00%	5.50%

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

	Year ended 30 June 2008 MUR	Year ended 30 June 2007 MUR
Present value of funded obligation	193,864,822	180,701,350
(Fair value of plan assets)	(200,975,023)	(168,777,341)
	(7,110,201)	11,924,189
Present value of unfunded obligation	0	0
Unrecognized actuarial gain /(loss)	7,110,201	0
Unrecognized transition amount	0	(11,924,189)
Liability recognized in Balance Sheet at end of year	0	0

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

	Year ended 30 June 2008 MUR	Year ended 30 June 2007 MUR
Current service cost	5,822,127	5,809,285
Fund Expenses	197,504	0
Interest cost	19,877,168	17,932,463
(Expected return on plan assets)	(19,566,861)	(16,859,526)
Actuarial loss/(gain) recognized	(8,378,927)	(11,275,311)
Past service cost recognized	0	0
Transition effect of adopting IAS 19	11,924,189	13,243,147
Total, included in staff costs	9,875,200	8,850,058

Movements in liability recognized in balance sheet:

At Start of year	0	738,350
Total Staff cost as above	9,875,200	8,850,058
(Net Contributions paid)	(9,875,200)	(9,588,408)
At end of year	0	0
Actual Return on Plan Assets	29,459,126	20,447,867

Notes to Financial Statement for the year ended June 2008

Movements in the present value of defined benefit obligation

	Year ended 30 June 2008 MUR	Year ended 30 June 2007 MUR
Present value of defined benefit obligation at start of period	180,701,530	170,785,358
Current Service Cost	5,822,127	5,809,285
Interest Cost	19,877,168	17,932,463
(Benefits paid + interest)	(6,939,140)	(6,138,606)
Liability (gain)/loss	(5,596,863)	(7,686,970)
Present value of obligation at end of period	193,864,822	180,701,530

Movements in the fair value of plan assets

	Year ended 30 June 2008 MUR	Year ended 30 June 2007 MUR
Fair Value of plan assets at start of period	168,777,341	144,879,672
Expected return on plan assets	19,566,861	16,859,526
Employer contributions	9,875,200	9,784,090
(Benefits paid + other outgo)	(7,136,644)	(6,334,288)
Asset gain/(loss)	9,892,265	3,588,341
Fair value of plan assets at end of period	200,975,023	168,777,341

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	2008	2007
Government securities and cash	46.8%	53.2%
Loans	8.2%	9.5%
Local equities	30.2%	17.1%
Overseas bonds and equities	13.8 %	19.2%
Property	1.0%	1.0%
Debenture stocks	0.0%	0.0%
TOTAL	100 %	100 %

Additional disclosure on assets issued or used by the reporting entity

	2008	2007
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

Notes to Financial Statement for the year ended June 2008

History of obligations, assets and experience adjustments

Year	2008	2007
Currency	MUR	MUR
Fair value of plan assets	200,975,023	168,777,341
(Present value of defined benefit obligation)	(193,864,822)	(180,701,530)
Surplus/(deficit)	7,110,201	(11,924,189)
Asset experience gain/(loss) during the period	9,892,265	3,588,341
Liability experience gain/(loss) during the period	5,596,863	7,686,970

Year	2009
Expected employer contributions	MUR 13,483,904

18. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the financial year 2007-2008, 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 2008	Year ended 2007
MUR	MUR
2,244,073,579	2,314,878,877

- Sales of goods to CEB were made at market related prices.
- Outstanding balance as at 30 June 2008 – MUR430,624,887 (2007 MUR461,440,639)

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 2008, 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 30.9 million as at 30 June 2008.

Notes to Financial Statement for the year ended June 2008

Compensation of key management personnel

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

	CONSOLIDATED Year ended 2008	STC Year ended 2008	STC Year ended 2007
Short-term benefits	4,507,125	3,926,665	3,332,725
Post-employment benefits	-	2,067,059	856,940
Fees to Board Members	819,734	696,484	173,500

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

	Consolidated Year ended 30 June 2008 MUR	STC Year ended 30 June 2008 MUR	STC Year ended 30 June 2007 MUR
<u>NON-CURRENT LIABILITIES</u>	<u>24,908,676</u>	<u>24,908,676</u>	<u>23,516,941</u>
CURRENT LIABILITIES			
Government of Mauritius	204,417,129	204,417,129	151,435,491

Mauritius Revenue Authority	473,459,082	473,459,082	221,628,398
Trade Payables	4,759,697,082	4,759,631,905	3,435,031,190
Risk Management Fund	78,576,369	78,576,369	41,541,469
Others	222,580,498	223,141,636	40,331,439
TOTAL	5,738,730,160	5,739,226,121	3,889,967,987

Notes to Financial Statement for the year ended June 2008

20. BORROWINGS – LOANS AND LINES OF CREDIT

The borrowings are repayable within one year

BORROWINGS	CONSOLIDATED		STC		STC	
	Year ended 30 June 2008		Year ended 30 June 2008		Year ended 30 June 2007	
	USD	mur	USD	MUR	USD	MUR
Line of Credit	19,500,000	540,150,000	19,500,000	540,150,000	19,500,000	624,312,000
TOTAL BORROWINGS	19,500,000	540,150,000	19,500,000	540,150,000	19,500,000	624,312,000

The average interest rates paid were as follows:

Year ended 2008 **4.60 %** - (Year ended 2007 ... 5.58%)

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 which are short-term (monthly) credit facility and carry an average interest rate at 0.22 above LIBOR.

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.

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.

Notes to Financial Statement for the year ended June 2008

c) *Interest rate risk*

The Corporation has short-term loans at average floating interest rates of 2.68% 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 2007-2008 two hedge transactions have been made to cover commodity price risk exposures. As at 30 June 2008, there was no outstanding hedging 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.

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	2008		2007	
	USD (Million)	MUR (Million)	USD (Million)	MUR (Million)
Forward Foreign Exchange Contracts	29.020	802.537	42.95	1,366

Notes to Financial Statement for the year ended June 2008

At 30 June 2008, the fair value of the Corporation's currency derivatives is MUR 801.066 million. These amounts are based on market value at Balance Sheet date. An amount of MUR 1,470,600 has been transferred to Income Statement.

23. TAX

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