



STATE TRADING CORPORATION



ANNUAL REPORT

For the Financial Year
ended **30 June 2018**

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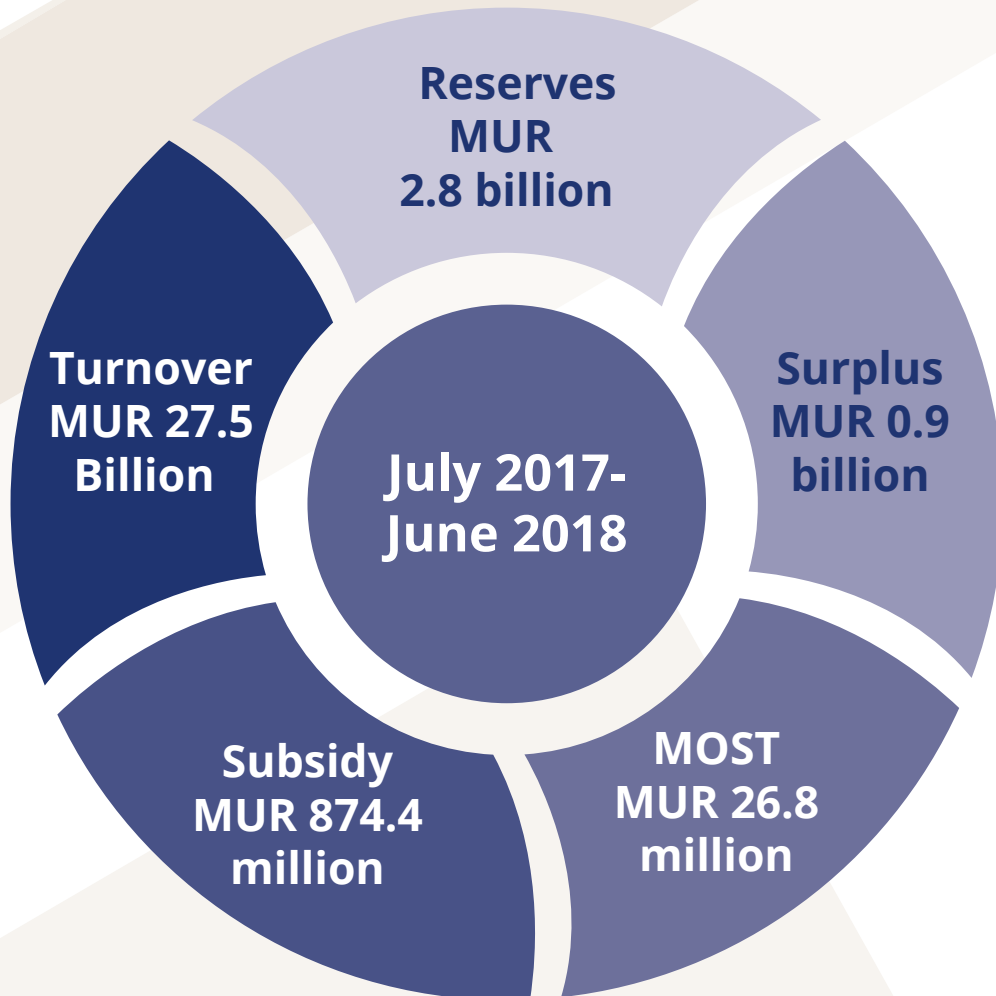
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Overview





STC at a Glance

The State Trading Corporation (STC) is a parastatal body wholly owned by the Government of Mauritius and reports to the Ministry of Industry, Commerce and Consumer Protection. Established and regulated by the STC Act of 1982, its principal place of business is 55, Business Zone, Cybercity, Ebene, Mauritius. STC is engaged in the importation of essential commodities such as petroleum products, liquefied petroleum gas, rice and flour and any such commodity as the Government may decide.

Our Achievements

- **Financial performance**

The surplus for the Financial Year ended 30 June 2018 amounts to MUR 0.9 billion.

- **Reduction in Retail price of LPG**

A reduction of MUR 30.00 in the retail price of LPG in 12 kg cylinder was made on 15 June 2018, bringing the price from MUR 270.00 to MUR 240.00 per cylinder representing a decrease of 11.1 %.

- **Investment in Storage Tanks**

STC has invested a total amount of MUR 26.8 million in Mer Rouge Oil Storage Terminal Co Ltd (MOST) for the storage of 25,000 MT of Mogas and Gas Oil. The project cost is MUR 550 million. The Corporation holds 23.5% of the shares in MOST. The other shareholders are the four Oil Companies namely Vivo Energy Mauritius Ltd, Total (Mauritius) Ltd, Engen Petroleum (Mauritius) Ltd and Indian Oil (Mauritius) Ltd.

The objective of the project is to enhance security of supply of both Mogas and Gas Oil in the country. Major works in connection with the MOST project have been completed in April 2018. An additional transfer pipeline to enable the discharge of more than one product at a time has been constructed and completed in August 2018. With these additional storage tanks, the stock level for Mogas will be increased from around 3 to 30 days and that of Gas Oil from 10 to 27 days at arrival of the next consignment. As at 30 June 2018, 2,248 MT of Mogas and 4,053 MT of Gas Oil were in the tanks of MOST valued at MUR 152,356,972.

- **Procurement Strategies**

STC has adopted several competitive strategies to ensure that the Corporation leverages market forces to benefit from competitive prices for the procurement of its products.

- **Rice and Flour**

STC has embarked on a project to make Rice and Flour available throughout the whole island and to enable consumers to enjoy fully the subsidised retail prices of these products.

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

- **Petroleum Products**

In June 2016 the Corporation has entered into a three-year agreement with Mangalore Refinery and Petrochemicals Limited (MRPL) for the supply of petroleum products on better terms and conditions.

Corporate Vision

To be a socially responsible, value-adding organisation doing business based on best practices.

Mission Statement

To consistently deliver quality strategic products at affordable prices to our customers in a socially responsible manner while maintaining high ethical standards in the conduct of our business.

Objectives of STC

- Importing and supplying strategic products
- Enhancing the logistics to secure continuity of supply of strategic products
- Ensuring end-to-end Consumer Excellence whilst safeguarding the environment
- Driving the development of Petroleum Hub
- Optimizing the use of technology to improve processes and quality of service.



OUR ACTIVITIES

Our Operating Activities

The Corporation has been entrusted with the responsibility of importing strategic commodities such as Long Grain White Rice, Wheat Flour, Petroleum Products and Liquefied Petroleum Gas (LPG). In line with the STC Act, which allows the Corporation to enter into any such activity as advised by the Minister, the Corporation also commercialises a small quantity of Basmati rice.

In line with Government policy to provide basic necessities at affordable prices to the whole population, STC provides subsidy on Long Grain White Rice, Flour and LPG. Surplus realised on certain other products are utilized to absorb the subsidy cost. Any remaining surplus is paid as dividend to the Government, our sole shareholder.

Subsidy for the 12-month period July 2017 to June 2018 in respect of Long Grain White Rice, Flour and LPG amounted to MUR 874.4 million.

The volume of commodities sold by the Corporation during the period July 2017 to June 2018 were as follows:

Product	MT
Petroleum Products	1,047,598
Long Grain White Rice	20,218
Basmati Rice	205
Flour	102,134
LPG	73,795
Sugar (Rodrigues only)	149

Shed A

The Shed A warehouse has an area of 7,500 m² situated in the port area, at Cargo Peninsula, Quay D, Mer Rouge, with a storage capacity of around 3,000 MT of Long Grain White Rice and around 6,400 MT of Flour. On a daily basis, around 80 MT of Rice and 400 MT of Flour are delivered to traders.

Roche Bois

Roche Bois warehouse has an area of 1,800 m² situated at Rue Desbouchers, Roche Bois with a storage capacity of 3,200 MT. This warehouse is used for the storage of basmati rice and packing operations.

Our Division in Rodrigues

The Corporation is responsible for the shipment of Rice, Flour and Sugar to Rodrigues. Thereafter, it ensures the storage and sales of these commodities to wholesalers and retailers. The Corporation is ensuring the smooth, adequate and continuous supply of these commodities with no disruption of stock, which is about 400 MT of all products namely Rice, Flour and Sugar kept at any point in time. During the Financial Year ended 30 June 2018, 38 consignments were shipped to Rodrigues by MV Mauritius Trochetia and MV Anna as follows.

Product	MT
Long Grain White Rice	4,271
Basmati Rice	48
Flour	2,045
Sugar	140

To carry out its mission, the Corporation has a department in Rodrigues which is manned by 11 staff both from Mauritius as well as personnel recruited from Rodrigues. In addition, a team of 61 casual unloaders is contracted for unstuffing and stacking of goods.

As is the case for Mauritius, the retail prices of Rice and Flour are subsidised and the shortfall is funded by STC. Furthermore, in order to keep the retail prices of these two essential commodities at par with those in Mauritius, the Prime Minister's Office refunds STC all expenses incurred for the shipment of Rice and Flour to Rodrigues through the Rodrigues Subsidy Fund.

The warehouse located in the port area is leased from the Mauritius Port Authority. STC has its own building at Camp du Roi which is used as office as well as residence for Mauritian officers posted at Rodrigues.



Procurement of Goods and Services

STC is exempted from the provisions of the Public Procurement Act, by Government Notice No 68 of 29 June 2009, in respect of procurement of goods destined for resale. The exemption applies equally to services incidental to the purchase or the distribution of such goods.

Nevertheless, there is full commitment to exercise sound procurement policies and practices based on open and fair procedures. The principles of fair competition are fully adhered to while inciting market forces to play in the favour of the ultimate customers' expectations of value for money.

Procurement of all other goods and services are subject to Public Procurement Act. The bidding documents can be downloaded on-line. However, the bidding terms and conditions are subject to the prevailing market conditions, such as availability of supplies, degree of price stability, quantity required, and degree of urgency. STC has recently started launching tenders through e-procurement.

Methods of procurement

For the procurement of goods and services, the Corporation has recourse to the following methods of procurement:

- Open Advertised Bidding
- Request for Sealed Quotations
- Direct Procurement
- Restricted Bidding
- Request for proposals

Our Products

Rice

- **Long Grain White Rice**

The annual sales of Long Grain White Rice are about 20,218 MT (including about 4,368 MT for Rodrigues). As the selling price of Long Grain White Rice is controlled by Government and fixed at a level lower than its cost, the resulting shortfalls are met from contribution for subsidy in the price structures of Mogas and Gas Oil.

- **Basmati Rice**

The domestic market being fully dependent on rice importation, the persisting volatility in international prices of Basmati Rice tend to impact on our local rice market. Reported facts on the local Basmati market in the last few years revealed that prices of Basmati Rice have been steadily rising and no consistency was noted in the quality of the rice under specific brands.

In 2013, STC was mandated by Government to intervene on the market in view to stabilise the price of Basmati Rice and provide reliable quality and price references. Two types of Basmati Rice among the most in demand, have been introduced as from January 2014 namely a standard. Basmati and Extra-Long Basmati under the STC brand. The presence of STC in Basmati market has to a certain extent avoided an increase in the retail price of that commodity. The sales of Basmati Rice for the Financial Year ended 30 June 2018 are 205 MT (including 46 MT for Rodrigues).

- **Flour**

The annual sales of flour are around 102,134 MT (including about 2,100 MT for Rodrigues) for the financial year ended 30 June 2018. The sole supplier of flour for the period is Les Moulins De La Concorde (LMLC). As the selling price of Flour is controlled by Government and fixed at a level lower than its cost, the resulting shortfalls are met from contribution for subsidy in the price structures of Mogas and Gas Oil.

- **Liquefied Petroleum Gas (LPG)**

The annual sales of LPG are about 75,000 MT. Since February 2006, a dual pricing policy is being implemented for LPG. About 80% of the annual imports is sold in cylinders of up to 12 kg. The retail prices of cylinders of 5, 6 and 12 kg are fixed by Government. The latest revision in the retail prices were made in June 2018 when the price of one cylinder of 12 kg was decreased from MUR 270 to MUR 240. Any shortfall on sales of LPG is expected to be met from contribution for subsidy in the price structures of Mogas and Gas Oil and partly from surpluses made on Petroleum Products.

The prices of LPG sold for Autogas and in cylinders above 12 kg for commercial purpose are currently reviewed on a monthly basis by STC on a cost plus basis.

- **Petroleum Products**

The annual importation of petroleum products is about 1.2 million MT, including Fuel Oils for CEB. STC imports the country's total requirements and sells to Oil companies, namely Vivo Energy Mauritius Ltd, Total (Mauritius) Ltd, Engen Petroleum (Mauritius) Ltd and Indian Oil (Mauritius) Ltd for storage and distribution.

Mauritius as a Petroleum Hub

In line with the Government vision to develop Mauritius as a Petroleum Hub, Port Louis is well positioned as a competitive and attractive port of call for the bunker trade in the region. It is estimated that the size of the bunker market in the region is of one million MT. Mauritius has a share of 30% only but has the potential to expand especially since the market is projected to increase to 3 million MT in five years' time. In this context, the Corporation has waived its margin on bunker fuel since January 2014.

Furthermore, in order to cater for such a volume of products, upgrading of storage facilities would be required, such as setting up of an Oil Terminal. In this regard, a Joint Working Group has been set up with Indian counterparts to look into the feasibility of constructing an Oil Terminal in Mauritius, that would service both local and regional demand for Petroleum Products. The Corporation will participate in examining the options for financing and implementation of the project.

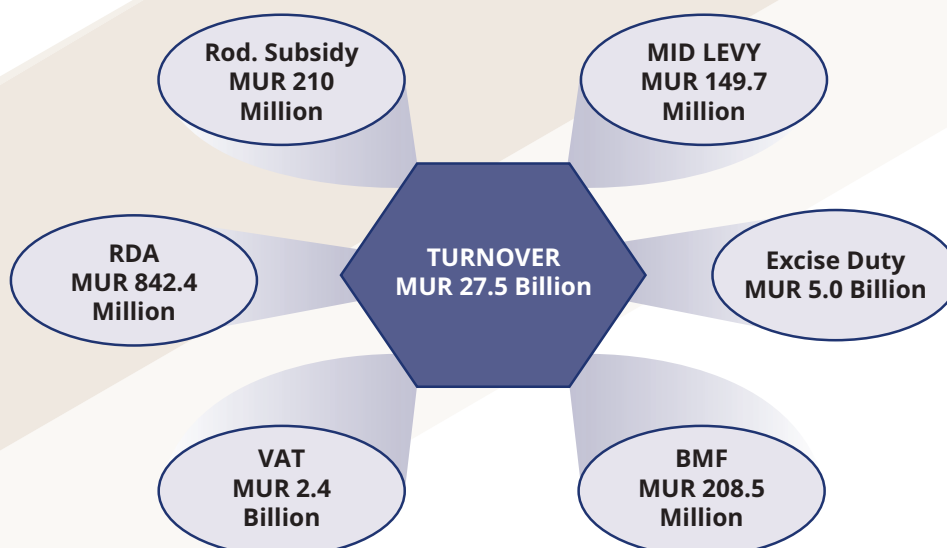
Petroleum Pricing Committee (PPC)

Since January 2011, the retail prices of Mogas and Gas Oil are determined by the Petroleum Pricing Committee (PPC). Under this pricing mechanism, prices are changed only when rendered absolutely necessary as a result of significant changes in price trends on the world market. One of the key objectives of this mechanism is to mitigate the effects of world price fluctuations on retail prices. STC operates a Price Stabilisation Account (PSA) for each product in order to shield the market from price fluctuations.

The last revision in the prices of Mogas and Gas Oil was on 15 June 2018. The retail price of Mogas was decreased from MUR 52.00 to MUR 49.65, i.e by MUR 2.35 per litre (4.52%) and that of Gas Oil from MUR 41.90 to MUR 40.00 by MUR 1.90 per litre (4.53%).

Contributions collected on behalf of third parties

During the Financial Year ended 30 June 2018, an amount of MUR 8.8 billion has been collected and remitted to Government institutions as follows:



The Build Mauritius Fund (BMF) was removed in the Price Structure of Mogas and Gas Oil in August 2017, following amendment in The Finance (Miscellaneous Provisions) Act 2017.

Rodrigues Subsidy

The item "Contribution to Rodrigues transportation and storage" of 41 cents per litre of Mogas and Gas Oil is meant to subsidise the cost of freight and other related costs to maintain the price of Petroleum Products, LPG, Cement, Long Grain White Rice and Flour at par with those prevailing in Mauritius.

Road Development Authority

"Contribution to Road Development Authority" is a charge in the price structure of Mogas and Gas Oil to be remitted to Road Development Authority whose objective is to provide a cost efficient mobility in comfort and safety for the Mauritian population and its economic operators to all parts of the island.

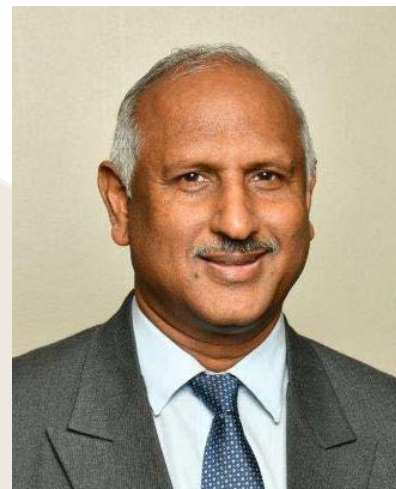
MID Levy

Following the Finance (Miscellaneous Provisions) Act 2018, the levy of 30 cents per litre has been removed for both Mogas and Gas Oil. However, the levy of 30 cents is maintained on each litre of Dual Purpose Kerosene (DPK) and each kilo of Liquefied Petroleum Gas (LPG). The purpose of this levy is to support the efforts to protect the environment through recycling, to encourage more efficient use of energy and to increase reliance on renewable energy.

Message from the Chairman

During the past few years, the Board Members and Staff of the STC have started a process of change to make the Annual Report more informative. With this change, we invite you to appreciate the broad influence of the STC in the everyday life of all Mauritians.

The Annual Report should better describe our work and importance for Mauritius and also to be able better to explain our social and economic role for the country's economy and how the STC helps you in varied fields. We would like to encourage motivated persons to seek employment and take the challenge of working in the demanding commercial environment in which STC operates.



In the endeavour to consistently deliver quality strategic products as per our Mission Statement, the Board has evolved to give policy decisions and guidance in the ethical management of the business. Board duties and activities are separate from operational activities. You will note that we describe our Financial capital, Human capital, Social capital, Intellectual capital and Natural capital in this document. The STC Board has also constituted Sub Committees of the Board to better comply with Governance recommendations. We have an Audit and Risk Management Committee, a Corporate Governance Committee, a Staff and Remuneration Committee and Finance and Investment Committee. Board thus defines and guides the various processes that comprise the STC.

The price structure mechanisms in place provide for the social activities of the STC. With these activities we touch every single person living in the country. Subsidies to the amount of MUR 874.4 were applied to staple items of everyday use, namely rice, flour and cooking gas. The prices of these goods on the world market has gone up over the last few years, but the STC has been able to provide increased subsidies. Not only have the retail prices remained stable, but have even come down, like that of the cooking gas. Stable subsidised prices mean the STC is also combating inflation and preserving the buying power of the population.

The quality of the long grain white rice has also been improved. It is sold in specific 5 kg bags and in 25 kg bags, with the price and origin printed on all of the bags, in the interest of consumers. STC subsidises white wheat flour and subsidises the price of brown flour even more so as to encourage more use of the healthy high fibre brown flour in everyday cooking. Healthy eating makes for healthy living.

Most of the bread, noodles, macaroni or pastry sold locally is made from subsidised wheat flour presently supplied by the STC. It is of note that there has not been any stock out situation recently. The STC imports certified 1121 basmati rice and sells it to the public in printed sachets. With this activity, STC brings stability and competition to the basmati rice market for the benefit of the whole population.

The various subsidies cost the STC MUR 874M yearly.

With a view to further stabilise costs and to ensure strategic stocks, STC is moving towards owning its own storage facilities, whether for rice, flour or fuels. We aim to supply quality goods from suppliers of repute so as to ensure end-to-end consumer excellence consistently.

In line with the Government vision, STC is committed to creating strategic stocks and to buffer Mauritian Industries, the local market and thus the population from external shocks and changes. To this end, STC is intent on acquiring its own flour and rice warehousing facilities and fuel storage. The Mer Rouge Oil Storage Terminal is an example of this initiative.

At the local level, the STC is committed to sustain local businesses.

Since 2017, STC has participated in new tankage for fuels and will build up to become a petroleum hub for the region by offering competitive and quality services to local and overseas clients. In addition to the creation of new revenue streams and new jobs, we would like to point out that most vehicles, airplanes, boats and ships in and around Mauritius run on or use fuels provided by the STC. The CEB is a regular user of STC fuels to produce electricity for the country.

The quality of products is regularly upgraded to minimise the environmental impact. STC networks with organisations and neighbouring countries to further reduce our carbon footprint. We are committed to waste reduction and Green initiatives at all levels, including the offices. All new installations comply with modern standards and are energy efficient. Our infrastructure is regularly upgraded in quality, security and hygiene. We are also now looking at greener energies such as Liquid Natural Gas (LNG).

Several other projects in preparation will further strengthen the social and economic framework of the country whilst creating new fields of expertise and skilled job opportunities. Various processes, guided by Board have improved the way Management and staff manage processes, operational issues and assets management. Billions of rupees have thus been saved by negotiating lower premiums with our suppliers and shipping agencies. Such efficiency improvement improves revenue and sustainability. I would like here to emphasise that the STC does not depend on Government funding for its operations.

The STC has also social goals. We participate in National activities and festivities, cultural events. STC lays emphasis on health promotion, healthy eating and healthy activities such as sports. STC ensures that the subsidised items in STC packs are available in all regions, hence giving substantial savings to the customers.

All the above could not be achieved without the dedication and enthusiasm of our staff at the STC, both in Mauritius and Rodrigues, and with our partners in trade. The new STC office premises in Ebene further promote well-being at work and productivity. A gymnasium, cafeteria and several amenities are provided for staff use. More is to come.

I therefore invite you to look at and to see beyond the numbers in this Annual Report. Feel the dynamic changes and the efforts made to respond to the needs of the people and of the country.

May I Wish You Good Reading.



Dr Ramchandra BHEENICK
Chairperson
State Trading Corporation

Message from the General Manager

I am pleased to submit the Annual Report for the Financial Year ended 30 June 2018.



A handwritten signature in black ink, appearing to be 'JR' or similar, written over a horizontal line.

Jonathan Ramasamy
General Manager

Corporate Governance

The purpose of setting up the State Trading Corporation (STC), as a para-statal body, was to create a body corporate with the commercial freedom required while trading, in an aggressive global business environment fraught with numerous challenges and pitfalls and the energy market which had become more volatile and complex.

STC operates under the aegis of the Ministry of Industry, Commerce and Consumer Protection. The purpose of Corporate Governance for the STC is to nurture the spirit of enterprise in its Board and Management while maintaining a high level of accountability, transparency and integrity. These core values are now embedded in the business policies, procedures and practices. There is a clear demarcation between the Board duties and activities from that of the Management of the Corporation. All sitting Board Members have a primary duty to the STC.

Transparency and accountability are the two basic principles of Corporate Governance, which creates and enhances long-term sustainable value for the stakeholders through ethically driven business processes. The philosophy of the Corporation, on Corporate Governance, is to aim for the attainment of the highest levels of transparency, accountability and ethics, in all facets of its operations, with the primary objective of enhancing shareholder value.

The approach to Governance adopted balances economic and social goals as well as individual and communal goals. The governance framework is to promote efficient use of resources but equally to provide greater accountability for the stewardship of those resources.

We believe in the emerging consensus of high standards of Governance that is required to achieve our objectives but not to the detriment of the interest of other stakeholders of the Corporation, inter-alia customers, creditors, suppliers, employees and the Government.

Reporting Structure

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

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

The Role of the Board

The code of Corporate Governance requires the Corporation to be “headed by an effective Board, which is collectively responsible for the success of the organisation”. Board members are expected to take decisions in the interest of the Corporation, as well as contribute constructively to Board decision with their enlightened views.

The roles of the Board are to: -

- Provide entrepreneurial leadership
- Set strategic decisions
- Ensure necessary resources are in place to achieve the objectives
- Review Management performance

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

During the year ended 30 June 2018, the Board has met 22 times. Board was chaired by Dr. Ramachandra Bheenick, the Chairperson.

Major decisions were taken on: -

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

The Board of the STC for the Financial Year ended 30 June 2018, was comprised as follows:

Chairperson	
Dr. Ramchandra BHEENICK	
Directors	Post
Mr. Fareed CHUTTAN	Permanent Secretary Ministry of Industry, Commerce & Consumer Protection
Mr. Ishwarlall BONOMAULLY	Director Economic and Finance Ministry of Finance & Economic Development
Mr. Bojrazsingh BOYRAMBOLI (Joined on 15 May 2018)	Permanent Secretary Ministry of Agro-Industry & Food Security
(Mrs S.D. Gujadhur-Nowbuth From 12 April to 10 May 2018)	
Mr. Vishnou GONDEEA (left on 30 October 2017)	
Mr. Ravi Shankar SONEA	Deputy Permanent Secretary Ministry of Energy & Public Utilities
Mr. Narad DAWOODARRY	Director, Administrative & Legal Services Mauritius Ports Authority
Mr. Feizal JEETOO	Independent Member
Mr. Chetnarain POONEETH	Independent Member
Mr. John LAM CHOO (Joined on 18 December 2017)	Independent Member



The memberships in these Sub-committees have been made on the basis of experience, skills and competencies of members.

The roles and responsibilities of the Sub-committees of the Board have been set out in their respective Charters as approved by Board.

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities for the Financial Reporting process, the systems of Internal control and Risk Management, the audit process and STC's process for monitoring compliance with Laws and Regulations.

The Audit and Risk Management Committee as at end June 2018, comprised of the following members:

Audit and Risk Management Committee		
Mr I.Bonomaully Chairperson	Mr. R. S. Sonea	Mr. J. Lam Choo

The Committee met 3 (three) times during the Financial Year ended 30 June 2018 to review the internal and external audit reports as well as reviewing the Financial Statements. Recommendations made, have as far as practicable been implemented forthwith by Management.

Corporate Governance Committee

The role of the Corporate Governance Committee is that it shall operate as a Standing Committee of STC Board of Directors and shall oversee all matters concerning Corporate Governance activities of STC aimed at the promotion and achievement of the objectives and such related matters as may be referred to the Committee by the Board of Directors within the limits of their powers and duties.

The Corporate Governance Committee did not meet for period 1 July 2017 to 30 June 2018.

The Corporate Governance Committee as at end June 2018, comprised of the following members:

Corporate Governance Committee			
Mr. R.S. Sonea Chairperson	Mr. N. Dawoodarry	Mr. C. Pooneeth	Mr. F. Jeetoo

Staff and Remuneration Committee

The role of the Staff and Remuneration Committee is to support and maintain a culture within the organisation where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the system and is built upon partnership and collaboration. Its role is also to ensure that robust arrangements are in place for the implementation of the Staff and Remuneration Governance Standard.

The Staff and Remuneration Committee as at end June 2018, comprised of the following members:

Staff and Remuneration Committee		
Mr. F. Chuttan Chairperson	Mr. C. Pooneeth	Mr. F. Jeetoo

During the year 1 July 2017 to 30 June 2018 the Staff and Remuneration Committee met five (5) times.

Finance and Investment Committee

The role of the Finance and Investment Committee is to undertake and be responsible for the oversight of budgeting and financial performance, financial strategy, planning and policy and financial reporting.

During the Financial Year ended 30 June 2018, the Finance and Investment Committee met once.

The Finance and Investment Committee as at 30 June 2018, was comprised of the following members:

Finance and Investment Committee			
Dr. R. Bheenick Chairperson	Mr. F. Chuttan	Mr. N. Dawoodarry	Mr. C. Pooneeth

Board Meeting and Sub-Committees

The members of the Board and Sub-Committees during the Financial Year ended 30 June 2018 were as follows: -

Name	Board	Audit and Risk Management Committee	Corporate Governance Committee	Staff and Remuneration Committee	Finance and Investment Committee
Dr. R. Bheenick	√				√
Mr. F. Chuttan	√			√	√
Mr. I. Bonomaully	√	√			
Mr. B. Boyramboli (From 15 May 2018)	√				
Mr. V. Gondeea (left 30 October 2017)	√				
Mr. R.S. Sonea	√	√	√		
Mr. N. Dawoodarry	√		√		√
Mr. C. Pooneeth	√		√	√	√
Mr. F. Jeetoo	√		√	√	
Mr. J. Lam Choo (From 18 Dec 2017)	√	√			

Attendance on Board and Sub-Committees and Remuneration of Members

Attendance of Board members and Sub-Committees for the Financial Year ended 30 June 2018 was as follows: -

Name	Board	Corporate Governance Committee	Audit and Risk Management Committee	Staff and Remuneration Committee	Finance and Investment Committee	Fees paid to Members MUR
Total Number of Meetings	22	Nil	3	5	1	
Dr. R. Bheenick	22	-	-	-	1	531,000
Mr. F. Chuttan (Mrs Dassaye Alternate)	16	-	-	5	1	126,415
	5	-	-	-	-	2,670
Mr. I. Bonomaully	12	-	3	-	-	123,360
Mr. V. Gondeea (left 30 October 2017)	5	-	1	1	-	41,630
Mr. B. Boyramboli (From 15 May 2018)	4	-	-	-	-	20,000
Mr. R.S. Sonea (Note 1)	20	-	3	3	-	125,705
Mr. N. Dawoodarry	10	-	-	-	1	120,815
Mr. F. Jeetoo	13	-	-	4	-	123,260
Mr. C. Pooneeth	16	-	-	2	1	123,260
Mr. J. Lam Choo (From 18 December 2017)	8	-	2	-	-	62,750
Mrs. S. D. Gujadhur-Nowbuth (Note 2)	-	-	-	-	-	10,000

Note:1. Mr. R. S. Sonea was nominated as a temporary member of the Staff Committee vice two vacant seats which had not yet been filled. 2. Mrs. S. D. Gujadhur-Nowbuth was appointed on the Board of STC on 30 March 2018 and has been replaced by Mr. B. Boyramboli on 15 May 2018.

Director's Profile

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

Dr. Ramchandra Bheenick was appointed on the Board of STC on 22 June 2015. He assumed his functions on 1st July 2015. He is also the Chairperson of the Corporate Governance Committee, a sub-committee of the Board.

Dr. R. Bheenick holds a Diploma in Occupational Safety & Health and a Certificate in Health Services Management. He was the first Mauritian Member of the British Association of Medical Managers.

Dr. R. Bheenick started his career since 1982. He is involved in activities within the medical sector, both public and private sector. Management support and consultancy role to Mauritian enterprises, Health Institutions and to Government Departments since 1987 till now.

He was also Past Member of Medical Council of Mauritius and Past President of the Private Medical Practitioners Association.

He is at present a MQA Registered Trainer and Part-time Lecturer for various instances.

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

2. **Mr. Fareed Chuttan, Brevet International d'Administration Publique Ecole Nationale d'Administration, France Permanent Secretary, Ministry of Industry, Commerce & Consumer Protection**

Mr. F. Chuttan was appointed on the Board of STC in February 2013 as representative of the Ministry of Industry, Commerce & Consumer Protection. He is also the Chairperson of the Staff and Remuneration Committee.

Mr. F. Chuttan holds a BA (Honours) (Administration) from the University of Mauritius.

Mr. F. Chuttan started his career in the year 1988 as Assistant Secretary in the Ministry of Works and continued as follows:

Since February 2013:	Permanent Secretary Ministry of Industry, Commerce and Consumer Protection (Commerce and Consumer Protection Division)
2012 – 2013	Permanent Secretary-Ministry of Arts and Culture
2001 – 2012	Principal Assistant Secretary -Ministry of Arts and Culture
2001 – 2001	Principal Assistant Secretary-Ministry of Labour and Industrial Relations
2000 – 2001	Principal Assistant Secretary-Prime Minister's Office
1999 – 2000	Principal Assistant Secretary-Ministry of Training and Skills Development
1990 – 1999	Assistant Secretary-Ministry of Housing and Lands
1988 – 1990	Assistant Secretary-Ministry of Works

He has also been a member on the following Boards:

- (i) Le Morne Heritage Trust Fund
- (ii) Islamic Cultural Centre
- (iii) Malcolm du Chazal Trust Fund
- (iv) Urdu Speaking Union
- (v) Mauritius Film Development Corporation
- (vi) Industrial and Vocational Training Board (IVTB)
- (vii) Scholarship Commission
- (viii) Hotel Training School
- (ix) Mauritius Housing Company Ltd
- (x) National Housing Development Co. Ltd
- (xi) National Transport Authority

3 **Mr. Ishwarlall Bonomaully FCCA, MSc Finance (UOM)** **Director, Ministry of Finance & Economic Development**

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

He started his career as Inspector of Taxes (then Income Tax Dept); Joined Management Audit Bureau as Accountant in 1992; conducted a number of management reviews and other consultancy exercises on Ministries/Government Departments and Parastatal Bodies.

Subsequently he joined MoFED as Lead Analyst in 2007, responsible for the portfolio of Increasing Competitiveness, which includes Industry and Business as well as schemes and programs under the National Resilience Fund;

He has also been a member on the following Boards:

- Development Bank of Mauritius Ltd (2012)
- NRF Equity Investment Ltd (2012)
- SME Partnership Fund (2012)
- National Productivity and Competitiveness Council (2013)

4 **Mr. Ravi Shankar Sonea** **Deputy Permanent Secretary, Ministry of Energy & Public Utilities.**

Mr. Ravi Shankar Sonea joined the STC Board in December 2015 as representative of the Ministry Energy and Public Utilities. He is also a member of the Audit and Risk Management Committee, a sub-committee of the Board.

Mr R. S. Sonea holds a Diploma in Public Administration and Management and a Masters in Public Administration.

He started his career as Clerical Officer in 1983 and was promoted to Executive Officer in 1989.

In 1992 he was appointed as Administrative Officer and promoted in 2005 to Deputy Permanent Secretary (Previously Principal Assistant Secretary).

Mr. Vishnou Gondeea, Diploma in Public Administration & Management.
(Left 30 October 2017)

Permanent Secretary, Ministry of Agro Industry & Food Security.

He was a member on the Board of the STC from November 1996 to March 2000 and as from March 2007 to May 2010. He has been reappointed as Member of the Board in March 2015.

Mr. V. Gondeea is also member of the Audit and Risk Management Committee and Staff and Remuneration Committee, sub-committees of the Board.

Mr. Gondeea is at present the Permanent Secretary at the Ministry of Agro-Industry & Fisheries. He joined the Public Service in the year 1973 and has subsequently worked in the following Ministries:

- Ministry of Trade & Shipping from 1973 -1996 in various administrative posts up to;
- Assistant Secretary
- Principal Assistant Secretary
- Ministry of Commerce & Industry - from 1996 to 2000
- Ministry of Information Technology & Communication from 2000 to 2005
- Ministry of Health from October 2005 to February 2006
- Ministry of Environment & NDU from March to July 2006

He has also been a member on the following Boards:

- Mauritius Sugar Industry Research Institute (MSIRI)
- Tea Board
- Mauritius Post Ltd
- State Informatics Ltd
- MPCB
- National Computer Board
- Mauritius Telecom
- Business Park Mauritius Ltd

• **Mr. Boyrazsingh Boyramboli, Diploma in Public Administration and Management**
Senior Chief Executive, Ministry of Agro Industry and Food Security

Mr. Boyrazsingh Boyramboli joined the STC Board in May 2018 as representative of the Ministry of Agro Industry and Food Security. He is also a member of the Audit and Risk Management Committee, a sub-committee of the Board.

Professional Journey

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

Skills

- Well versed in administration management
- Good leadership qualities

- **Mr. Narad Dawoodarry, ICSA, Master Degree in Public Sector Administrators, CILT Director, Legal & Administrative Services**

Mr. Dawoodarry was appointed as Board Member on 6 October 2015. He is also member of Audit and Corporate Governance Committee, sub-committees of the Board.

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

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

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

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

- **Mr. Chetnarain Pooneeth
Board Member**

Mr. C. Pooneeth was appointed on the Board of STC as an Independent Member since 22 June 2015. He is also a member of the Corporate Governance Committee, sub-committee of the Board.

- **Mr. Feizal Jeetoo
Board Member**

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

He is also a member of the Staff and Remuneration Committee, a sub-committee of the Board.

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

- **Mr. John Lam Choo**
Board Member

He was a member on the Board of the STC from 30 August 2006 to 30 March 2012. He was also appointed as member of the Staff Committee as from 22 November 2006 and Audit Committee in December 2010.

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

Mr. J. Lam Choo is also member of the Audit and Risk Committee, sub-committee of the Board.

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

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

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

Management Profile

Mr Jonathan Ramasamy **General Manager (As from December 2019)**

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

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

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

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

Mr Rajanah Dhaliah
General Manager (July 2015-October 2019)

Mr R.Dhaliah started his career as a Lubricant Sales Engineer with Shell in 1990. Since then, he has occupied several posts namely Retail Manager, Business Process Re-engineering and Competence and Learning Manager within the Shell Group and finally Business to Business Manager for Vivo Energy Ltd. During a career spanning over twenty-five years in the energy sector, he has spearheaded numerous projects in Mauritius and the African region.

Mr Dhaliah is a Registered Professional Mechanical Engineer with the Mauritius Council of Registered Professional Engineer and he also has an MBA from the University of Mauritius. Since joining the STC in July 2015, Mr Dhaliah has embarked himself on a transition journey for the Corporation where the work of all employees is highly valued. His aim is to put his years of experience in the private sector at the service of his country.

Mr H. Hoolash, FCCA, MBA
Risk and Treasury Manager

Mr H. Hoolash joined STC in October 1992 as Accountant and was promoted to Senior Accountant in August 2001. He was appointed as Risk and Projects Manager in January 2004. The post has been restyled as Risk and Treasury Manager in 2008. Before joining STC, he was in public practice in UK.

Mr R. R. Bapamah, FCCA, MBA
Financial Manager

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

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

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

Mr Pratap Dave Udhin, Diploma in Transport
Business Development Officer

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

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

Mr P. Soobarah, FCCA, MBA
Assistant Financial Manager

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

Mr K. Ramdenee, FCCA, MBA
Assistant Risk and Treasury Manager

Mr K. Ramdenee joined STC in January 1987 as Assistant Supplies Officer. He was appointed as Accounting Technician in March 2006 and as Assistant Financial Manager in April 2009 until being nominated as Assistant Risk & Treasury Manager in March 2018.

Mr A. P Vythelingum
Acting Secretary Board

Mr A. P Vythelingum holds a Diploma in Public Administration and Management from the University of Mauritius. He joined STC in March 1990 as Clerical /Higher Clerical Officer and has been subsequently appointed as Executive Officer, promoted as Higher Executive Officer and appointed as Administrative Assistant in a career spanning over 20 years. He is presently the Acting Secretary of the Board of STC.

Mr Eddy Rocves
Ag. Chief Supplies & Sales Officer

Mr E. Rocves first joined the Department of Supplies in September 1979 as Assistant Supplies Officer. He was appointed Supplies Officer in November 1990 and promoted Senior Supplies & Sales Officer in May 2014. He was assigned the duties of Chief Supplies & Sales Officer as from 2 May 2018.

Mr. Sundeshwar Geerdharry, Diploma (Sales and Marketing)
Officer-in -Charge of Commercial Division

Mr Geerdharry joined the Department of Supplies as Assistant Supplies Officer on 30 August 1976. He was promoted Supplies & Sales Officer on 7 September 1978. He was appointed as Trade and Marketing Officer on 24 December 1991. His post was re-styled as Commercial Analyst on 1 July 2003. He was promoted as Assistant Commercial Manager on 3 January 2017 and was assigned as Officer in Charge of Commercial Division from 2 October 2017 to 16 May 2018. Subsequently, he retired from the Corporation on 31 May 2018.

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

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

**Ms Hansa Soomaroo, BSc (Law) MSc (HR Management)
Human Resource Manager**

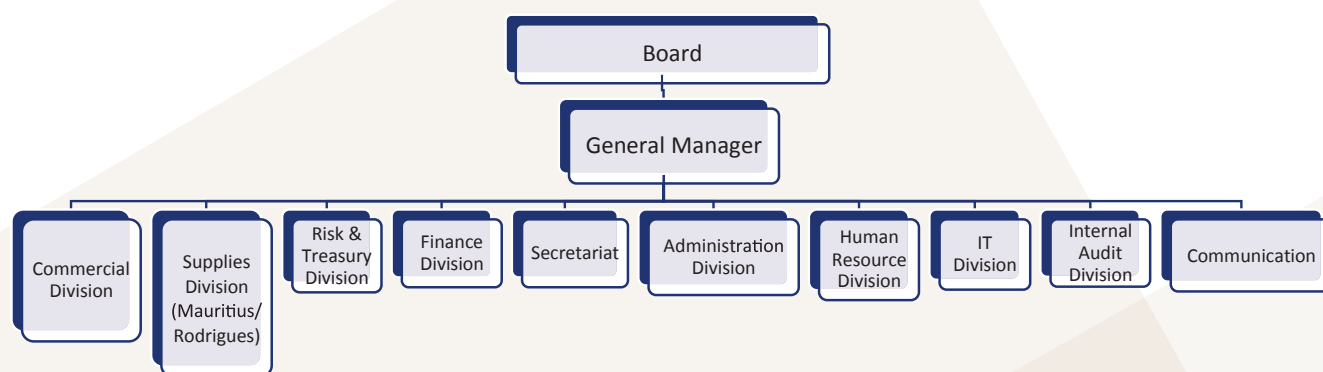
Miss H. Soomaroo joined the STC on 21 July 2017 as Human Resource Manager on one – year probation. She resigned in September 2018.

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

Mrs. E. Appalasami holds a B.SC(Hons) degree in Information Technology from the Guildhall University. She joined STC in March 1990 as Clerical /Higher Clerical Officer and was subsequently appointed as Accounts Clerk in December 1997. She was appointed as Systems Analyst in April 2005. She is acting as Information & Technology Manager since October 2015.

Organisational Chart

The Organigram of the Corporation is as follows:



Directors' Responsibilities

It is the Directors' responsibility to prepare financial statements that fairly present the state of affairs of the Corporation as at the end of each financial year and the Statement of Financial Performance and Statement of Cash Flow for that period.

Adequate accounting records and an effective system of internal controls and risk management have been maintained. Moreover, an adequate security system has been put in place to ensure protection of data and information of the Corporation.

The STC Act requires an estimate of the revenue and expenditure of the Corporation for the forthcoming financial year to be submitted to the Minister of Industry, Commerce and Consumer Protection at least three months before the beginning of the financial year for his approval.

The Corporation is required to prepare and submit to the Auditor, the National Audit Office, an annual statement of financial performance and a statement of financial position made up to the end of the financial year showing the assets and liabilities of the Corporation not later than four months after the end of every financial year according to the Statutory Bodies (Accounts and Audit) Act.

The external auditors are responsible for reporting on whether the financial statements are fairly presented

The Corporation has to submit a copy of its audited financial statements to the Financial Reporting Council, in accordance with the Financial Report Act 2004.

The Audited Financial statements have been authorised for issue on 31 July 2019.

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

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

The Board has set up an Internal Audit Division which is under the responsibility of an Audit Manager assisted by an Internal Auditor and other staff. The Audit Manager reports to the Audit and Risk Management Committee, a sub-committee of the Board which is chaired by a non-executive director. The Internal Audit Division carries out their duties in compliance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The Audit Manager has ready and unrestricted access to the Chairperson of the Board and Audit Committee. The Officers of the Internal Audit Division and the External Auditors are authorized full, free and unrestricted access to all records, physical properties and personnel, pertinent to carrying out their duties. Meetings of the Audit Committee and attendance of its members have been disclosed in the section of Corporate Governance.

The Board has the overall responsibility for the Systems of Internal Control and Risk Management as well as the governance practices. To discharge these duties, the Audit and Risk Management Committee assists the Board by focusing on the following areas:

- Review and approve the Internal Audit Plan prepared by the Internal Audit Division;
- Consider the risk areas and the risk mitigating measures proposed by Management;
- Examine issues raised by the Internal and External Auditors. STC's Audit Manager attended all the meetings of the Audit and Risk Management Committee. The Committee also met the External Auditors to discuss their findings and recommendations following the audit exercise;
- Review the Financial Statements prior to recommending same for Board approval.
- Follow up and implementation of recommendations of External Auditor in order to improve the process and ensure proper accountability is regularly adhered to.

The Audit and Risk Management Committee reports important matters to the Board. Over the years STC has developed sound systems of the Internal Control and Risk Management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business.

The Financial Statements have been prepared on a going concern basis and there is no reason to believe that the STC will not continue as a going concern in the year ahead.

During the financial year ended 30 June 2018, there was no case of conflict of interest in respect of matters discussed at Board level.

The Directors confirm that STC has adhered to the requirements of the Code of Corporate Governance and other applicable Regulatory requirements. It is also confirmed that the Financial Statements comply with the Statutory Bodies (Accounts and Audit) Act as amended in 2017.

"APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF"



Dr R Bheenick
Chairman



I Bonomaully
Board Member

Statement of Compliance

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

Name of PIE: State Trading Corporation

Reporting Period: 1 July 2017 to 30 June 2018

We, the Directors of the State Trading Corporation (STC), confirm that to the best of our knowledge, the STC has complied with all of its obligations and requirements under the Code of Corporate Governance.

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

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

- Governance Structure (*refer to page 19*)
- The Structure of the Board and its Committees (*refer to pages 19 & 23*)
- Director Appointment Procedures (*refer to page 19*)
- Director Duties, Remuneration and Performance (*refer to pages 19 & 25*)
- Risk Governance and Internal Control (*refer to page 21*)
- Reporting with integrity (*refer to page 19*)
- Audit (*refer to pages 21 & 36*)
- Relations with Shareholders (*refer to page 19*)

Signed by:



Dr R Bheenick
Chairman



I Bonomaully
Board Member



Report of the Director of Audit



**REPORT OF THE
DIRECTOR OF AUDIT**

**On the Financial Statements
of the State Trading Corporation
as at 30 June 2018**

NATIONAL AUDIT OFFICE



NATIONAL AUDIT OFFICE

REPORT OF THE DIRECTOR OF AUDIT

TO THE BOARD OF

THE STATE TRADING CORPORATION

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the State Trading Corporation, which comprise the Statement of Financial Position as at 30 June 2018, and the Statement of Financial Performance, Statement of Change in Net Asset/Equity and the Statement of Cash Flow for the year then ended and Notes to the Financial Statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the State Trading Corporation as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the State Trading Corporation in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Mauritius, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 29 to the financial statements wherein it is reported that following the decision of the Corporation not to avail the services of a private company for transportation of petroleum products since February 2015, the company submitted a claim of US\$ 176,345,494 plus interest, legal fees and costs. The claim was submitted for arbitration.

On 5 June 2017, the Corporation was ordered to pay damages of about Rs 4.2 billion plus costs and interest to the private company. The Corporation has made an application to the Supreme Court of Mauritius to set aside the award. On 31 May 2019, the Supreme Court delivered judgement in favour of the Corporation to set aside the Arbitration Award.

Following an application, the Supreme Court has granted the private company conditional leave to appeal to the Judicial Committee of the Privy Council against the judgement of 31 May 2019.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there is nothing to report in this regard.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report of the Corporation, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with information appearing in the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards and in compliance with the Statutory Bodies (Accounts and Audit) Act and the Financial Reporting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible of overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. I describe these matters in my auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Management's Responsibility for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the laws and authorities which govern them.

Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, my responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the laws and authorities which govern them. This responsibility includes performing procedures to obtain audit evidence about whether the State Trading Corporation's expenditure and income have been applied to the purposes intended by those charged with governance. Such procedures include the assessment of the risks of material non-compliance.

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

Opinion on Compliance

Statutory Bodies (Accounts and Audit) Act

The financial statements for the financial year ended 30 June 2018 were received at my Office on 1 November 2018. Following examination of the financial statements, a few amendments had to be made. The amended financial statements were submitted on 8 July 2019.

In my opinion, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the Act.

Public Procurement Act

The Corporation is responsible for the planning and conduct of its procurement. It is also responsible for defining and choosing the appropriate method of procurement and contract type in accordance with the provisions of the Act and relevant Regulations. My responsibility is to report on whether the provisions of Part V of the Act regarding the Bidding Process have been complied with.

In my opinion, the provisions of Part V of the Act have been complied with as far as it appears from my examination of the relevant records.

Financial Reporting Act

The Directors are responsible for preparing the Corporate Governance Report. My responsibility is to report on the extent of compliance of the Code of Corporate Governance as disclosed in the Annual Report and on whether the disclosure is consistent with the requirements of the Code.

In my opinion, the disclosure in the Annual Report is consistent with the requirements of the Code.



K.C. TSE YUET CHEONG (MRS)
Director of Audit

National Audit Office
Level 14,
Air Mauritius Centre
PORT LOUIS

17 July 2019



FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 30 JUNE 2018

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

		30 June 2018	Restated 1 July 2017
	Notes	MUR	MUR
ASSETS			
Current Assets			
Cash and Cash Equivalent	5	1,494,630,013	1,501,529,974
Subsidy Account for Rice, Flour and LPG	5	626,855,560	1,197,239,840
Infrastructure Development Account	5	345,508,919	260,567,037
Strategic Stock Reserve Account	5	497,643,028	-
Receivables	6	3,184,336,801	2,777,931,671
Inventories	7	1,225,991,535	692,635,679
Total Current Assets		7,374,965,856	6,429,904,201
Non Current Assets			
Investments	8	1,079,896	1,415,664
Investment in Associate	8	26,841,078	19,125,000
Infrastructure, Plant and Equipment	9	63,669,388	62,536,780
Leasehold Land	10	28,107,720	28,107,720
Building	10	225,628,691	227,737,923
Intangible Assets	11	7,020,514	6,727,331
Total Non Current Assets		352,347,287	345,650,418
Total Assets		7,727,313,143	6,775,554,619
LIABILITIES			
Current Liabilities			
Payables	12	2,543,888,756	1,932,001,074
Subsidy Reserve Fund	5	626,855,560	1,197,239,840
Infrastructure Development Fund	5	345,508,919	260,567,037
Strategic Stock Reserve Fund	5	497,643,028	-
Short Term Borrowings	13	805,610,542	1,566,467,998
Total Current Liabilities		4,819,506,805	4,956,275,949
Non Current Liabilities			
Pension Liability	14	60,394,011	70,866,329
Employee Benefits	15	63,630,809	63,787,420
Total Non Current Liabilities		124,024,820	134,653,749
Total Liabilities		4,943,531,625	5,090,929,698
Net Assets		2,783,781,518	1,684,624,921
NET ASSETS/EQUITY			
Share Capital	16	400,000	400,000
General Reserve	17	2,783,381,518	1,684,224,921
Total Net Assets/Equity		2,783,781,518	1,684,624,921

No of shares

40,000

40,000

Net Value of Asset per share (MUR)


69,595

42,116

Notes 1 to 31 form an integral part of these Financial Statements. The Audited Financial Statements were approved by the Board on 31 July 2019



Dr R Bheenick
 Chairman



I Bonomaully
 Board Member

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Notes	12-month ended 30 June 2018 MUR	Restated 18-month ended 30 June 2017 MUR
Revenue			
Revenue from Exchange Transactions	18	27,517,308,337	33,633,072,586
Revenue from Non Exchange Transactions	19	663,925,463	726,026,833
Contribution for Subsidy on LPG, Rice and Flour	21	1,303,976,300	1,914,073,834
Other Revenue	20	52,724,583	48,775,996
Total Revenue		29,537,934,683	36,321,949,249
Expenses			
Cost of Sales	21	(27,830,258,798)	(33,329,423,761)
Wages, salaries and employee benefits		(142,399,366)	(241,812,976)
Supplies and Consumables used		(16,158,529)	(36,346,665)
Utilities		(5,457,691)	(7,610,854)
Rent		(12,748,022)	(21,839,045)
Repairs and Maintenance		(8,461,034)	(9,591,543)
Other Expenses		(117,218,744)	(48,427,358)
Depreciation		(19,977,871)	(20,214,055)
Finance Costs	23	(25,298,574)	(16,282,795)
Total Expenses		(28,177,978,629)	(33,731,549,052)
Operating Surplus		1,359,956,054	2,590,400,197
Share of Loss of Associates	8A	(209,139)	(346,758)
Share of Loss in Investment		(30,020)	-
Transfer (to) /from Subsidy Fund	21	(429,615,719)	(1,197,239,840)
Surplus for the Period		930,101,176	1,392,813,599

Statement of Change in Net Asset/Equity for the Financial Year ended 30 June 2018

	General Reserve			Total Equity
	Share Capital	Accumulated Surplus	Reserve Fund	
	MUR	MUR	MUR	
Balance as at 1 Jan 2016	400,000	1,543,225,622	-	1,543,625,622
Surplus for the 18-month ended 30 June 2017 (Restated)	-	1,392,813,599	-	1,392,813,599
Dividend Paid (Note 25)	-	(1,250,000,000)	-	(1,250,000,000)
Pension Contribution	-	(20,939,300)	-	(20,939,300)
Transfer from Infrastructure Development Fund	-	-	19,125,000	19,125,000
Restated Balance as at 30 June 2017	400,000	1,665,099,921	19,125,000	1,684,624,921
Surplus for the 12-month ended 30 June 2018	-	930,101,176	-	930,101,176
Change in depreciation in previous years' figures	-	1,002,007	-	1,002,007
Pension Asset	-	7,771,225	-	7,771,225
Transfer from Infrastructure Development Fund for investment in MOST	-	-	7,925,217	7,925,217
Transfer from Subsidy Reserve Fund for financing of stock of Mogas and Gas Oil in MOST	-	-	152,356,972	152,356,972
Balance as at 30 June 2018	400,000	2,603,974,329	179,407,189	2,783,781,518

Statement of Cash Flow
For the Financial Year ended 30 June 2018

	Notes	12-month ended 30 June 2018 MUR	Restated 18-month ended 30 June 2017 MUR
Cash flows from Operating Activities			
Surplus for the Period		930,101,176	1,392,813,599
Share of Loss in Associate		209,139	346,758
Share of Loss In Investment		30,020	15,744
Investment income recognised in Statement of Financial Performance		(274,892)	(133,088)
Gain / (Loss) on sale or disposal of property, plant and equipment		(6,724)	822,220
Gain / (Loss) on Investment		(786,252)	-
Depreciation of non-current assets		19,977,871	20,214,055
Effects of Exchange Rate changes on the balance of Cash /Lines of Credit held in foreign currencies		(397,505,905)	(641,460,314)
Interest Receivable		(51,387,843)	(48,127,134)
Interest Payable		25,298,574	16,282,795
		525,655,164	740,774,635
Movements in Working Capital			
(Increase)/Decrease in trade and other receivables		(405,651,217)	457,855,772
(Increase)/Decrease in inventories		(533,355,856)	(610,310,660)
Increase/(Decrease) in trade and other payables		610,504,457	(3,504,322,931)
Increase/(Decrease) for Subsidy, Infrastructure Development and Strategic Stock Reserve Fund		12,200,629	1,457,806,877
Increase/(Decrease) in Pension Liability		(10,472,318)	14,543,467
Pension Asset/ (Contribution) recognised in Statement of Change in Equity		7,771,225	(20,939,300)
Increase/(Decrease) in Employee Benefits		(156,610)	1,665,081
Net Cash generated from operating activities		206,495,474	(1,462,927,059)
Cash flow from investing activities			
Interest received		50,633,929	76,859,557
Dividend Paid to Government		-	(1,250,000,000)
Acquisition of Non Current Assets		(18,294,455)	(305,697,229)
Financing of Investment in MOST		(7,925,217)	(19,125,000)
Investment revenue recognised in Statement of Financial Performance		274,892	133,088
Proceeds from sale of Investment		1,092,000	-
Proceeds from disposal of Non Current Assets		8,759	696,485
Net cash (used in)/generated by investing activities		25,789,908	(1,497,133,099)
Cash flow from financing activities			
Financing of investment in MOST from Subsidy Reserve Fund		7,925,217	19,125,000
Financing of stock recognised in Equity from Subsidy Reserve Fund		152,356,972	-
Proceeds from borrowings		12,043,317,818	22,128,319,385
Repayment of borrowings		(12,413,398,295)	(19,905,369,738)
Interest paid		(23,915,351)	(16,282,795)
Net cash generated from financing activities		(233,713,639)	2,225,791,852
Net (decrease)/increase in cash and cash equivalents		(1,428,257)	(734,268,306)
Cash and cash equivalents at the beginning of the period		2,959,336,852	3,708,626,496
Effects of Exchange Rate changes on the balance of cash held in foreign currencies		6,728,925	(15,021,339)
Total Cash and cash equivalents at the end of the period		2,964,637,520	2,959,336,851
Note: Total Cash and cash equivalents is made up of			
(i) Cash and Cash Equivalent		1,494,630,013	1,501,529,974
(ii) Subsidy Account for Rice,Flour and LPG		626,855,560	1,197,239,840
iii) Projects Development Account		345,508,919	260,567,037
(iv) Petroleum Storage Account		497,643,028	-
Total Cash and cash equivalents		2,964,637,520	2,959,336,851

Notes to Cash Flow

(a) Cash and Cash Equivalent

Cash and Cash Equivalent consist of cash in hand, balances with banks and investments in money market instruments. Cash and cash equivalent at 30 June 2018 included in the cash flow statement comprise the following:

	30 June 2018	30 June 2017
	MUR	MUR
Cash in Hand	20,960	69,203
Bank Balances	960,769,163	840,053,244
Short Term Deposits	2,003,847,397	2,119,214,404
Gross Total	2,964,637,520	2,959,336,851

(b) Infrastructure and Intangibles Assets

During the Financial Year ended 30 June 2018, STC acquired property, plant and equipment amounting to MUR 18,294,455 which was financed by cash. No borrowing facilities have been used for infrastructural projects.

Statement of Comparison of Budget and Actual Amounts for the Financial Year ended 30 June 2018

PARTICULARS	Original Budget 1 July 2017- 30 June 2018 MUR 000	Revised Budget 1 July 2017 - 30 June 18 (Note i) MUR 000	Actual 1 July 2017 - 30 June 2018 MUR 000	Difference (Note ii) MUR 000	Remark
Revenue from Exchange Transaction	32,547,538	30,813,232	27,517,308	(3,295,924)	*see below
Cost of Sales	(32,825,085)	(30,872,720)	(27,830,259)	3,042,461	*see below
Gross profit / (loss)	(277,547)	(59,488)	(312,951)	(253,463)	
Contribution to Subsidy on LPG ,Rice and Flour	1,300,339	1,350,000	1,303,976	(46,024)	Based on quantity sold.
Other Revenue	39,894	59,677	52,725	(6,952)	underprovided
Revenue from Non Exchange Transaction	-	293,455	663,925	370,470	
Wages, Salaries and Employee Benefits	(187,584)	(170,914)	(142,399)	28,515	Many posts mainly at managerial level were vacant.
Supplies and Consumables	(25,251)	(20,729)	(16,158)	4,571	
Utilities	(5,263)	(5,038)	(5,457)	(419)	
Rent	(13,833)	(13,198)	(12,748)	450	
Repairs and Maintenance	(10,067)	(10,395)	(8,461)	1,934	
Other Adm. Expenses	(93,900)	(112,200)	(117,219)	(5,019)	
Depreciation	(37,937)	(18,936)	(19,978)	(1,042)	
Interest Payable	(9,777)	(4,819)	(25,299)	(20,480)	under provided
Share of Loss in Associates	-	(347)	(209)	138	
Share of Loss in Investment			(30)	(30)	
Transfer (to)/from Subsidy Fund	81,546	(446,975)	(429,616)	17,359	
Surplus for the Year	760,620	840,093	930,101	90,008	

PARTICULARS	Original Budget 1 July 2017- 30 June 2018	Revised Budget 1 July 2017- 30 June 2018 (Note i)	Actual 1 July 2017- 30 June 2018	Difference (Note ii)	
	MUR 000	MUR 000	MUR 000	MUR 000	
Office Equipment & Furniture	2,650	2,650	3,904	(1,254)	Furniture, gym equipment, CCTV Camera, access control, etc... were included in budget of building.
Plant and Machinery	5,000	5,000	1,409	3,591	
Computer System & Equipment	7,700	7,700	8,793	(1,093)	Data Cabling and multi-media installation were included in budget of building
Motor Vehicles	1,429	1,429	1,429	-	
Building	94,800	94,800	2,759	92,041	
TOTAL	111,579	111,579	18,294	93,285	

Note:

- (i) represents the approved revised budget of the Corporation for the Financial Year ended 30 June 2018.
- (ii) represents the difference between revised budget for the Financial Year ended 30 June 2018 and actual revenue and expenses on a comparable basis.
- (iii) The Financial Statements as well as the Budget are prepared on an accrual basis.

* The actual turnover and cost of sales figures differ from the budgeted figures mainly due to the movement of world prices of Petroleum Products and LPG which are the main components of STC's business as well as exchange rate fluctuations as all the products purchased by the Corporation are paid in US Dollar. In accordance with STC Act 1982, the Corporation submits to the Minister, an estimate of its revenue and expenditure for a Financial Year, three months before the beginning of that Financial Year

Notes to Financial Statements for the Financial Year ended 30 June 2018

Budgetary and Classification Basis

The estimates are based on certain assumptions such as available contract prices, estimated volume, exchange rates and world prices of Petroleum Products. The budgets are prepared on an accrual basis. In the approved budget, items are classified on the same basis as is adopted in the Financial Statements by economic nature.

Changes from Original to Final Budget

The original Budget for the Financial Year ended June 2018 approved by the Board of STC in March 2017 as per statutory requirement, was based on information available at that time. Thereafter, in March 2018, the document was revised based on actual data available and updated figures and events such as exchange rate fluctuation, quantity, new contract purchase prices, for Rice, Flour, LPG, Petroleum Products and also revision in selling prices.

Notes to Financial Statements for the Financial Year ended 30 June 2018

1 GENERAL INFORMATION

The State Trading Corporation (STC) is a parastatal body wholly owned by the Government of Mauritius and reporting to the Ministry of Industry, Commerce and Consumer Protection. Established and regulated by the STC Act of 1982, its principal place of business is 55, Business Zone, Ebene Cybercity 72201, Ebene, Reduit, Mauritius. STC is engaged in the importation of essential commodities such as Petroleum Products, Liquefied Petroleum Gas, Rice and Flour and any such commodity as the Government may decide.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Statement of Compliance

These financial statements have been prepared on an accrual and going-concern basis as Government has always implicitly supported STC. The accounting policies have been applied consistently throughout the period. The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The measurement base applied is historical cost adjusted for revaluations of assets.

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

ii) Basis of preparation

The Financial Statements have been prepared in accordance with and comply with IPSAS. STC first adopted the IFRS to prepare its financial statements for year ended June 2007. Thereafter, following amendment in the Statutory Bodies (Accounts and Audit) Act in 2010, IPSAS was adopted for years 2011, 2012 and 2013.

The Statutory Bodies (Accounts and Audit) Act was further amended in 2013 and required STC to report under IFRS.

Amendments have been brought to the Statutory Bodies (Accounts and Audit) Act and Financial Reporting Act in the Finance (Miscellaneous provision) Act in 2017 and requires STC to prepare its financial statements under IPSAS.

Notes to Financial Statements for the Financial Year ended 30 June 2018

(i) Overall Principle

The Corporation has prepared the opening statement of the Financial Statements as per IPSAS as at July 1 2017 (transitional date) by adopting accrual basis .

Preparation of the opening statement of Financial position as per IPSAS as at 1 July 2017 is due by recognizing all assets and liabilities whose recognition is required by IPSAS, not recognizing items of assets or liabilities which are not permitted by IPSAS, by reclassifying items as required under IPSAS and applying IPSAS in measurement of recognized assets and liabilities.

(ii) Presentation of comparative information

The Corporation has elected to avail the exemption of the requirement of IPSAS 1 Presentation of Financial Statement to present without comparative information in its transitional IPSAS financial statement following the adoption of accrual basis IPSASs. The Corporation has presented the accrual basis IPSAS financial statement for the reporting period 30 June 2018 along with the opening statement of financial position as at transitional date 1 July 2017 without any comparative information for the 18-month period ended 30 June 2017.

(iii) Early adoption of standards

The Corporation has early adopted IPSAS 39, Employee Benefits according with effect from 1 July 2017 while preparation of IPSAS financial statements as at 30 June 2018. There is no material impact on the financial statements and disclosures due to the early adoption of IPSAS 39.

The Corporation's transitional IPSAS financial statements adopting the accrual basis IPSAS as per the exemption of first time adoption include:

- (a) One Statement of Financial position as at 30 June 2018 and opening statement of financial position the date of adoption of accrual basis IPSAS as at 1 July 2017.
- (b) One Statement of Financial Performance for the year ended 30 June 2018
- (c) One Statement of changes in net assets/equity for the year ended 30 June 2018
- (d) One Cash Flow Statement for the year ended 30 June 2018
- (e) A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements and
- (f) Related notes and the disclosure of narrative information about material adjustments.

Notes to Financial Statements for the Financial Year ended 30 June 2018

ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the Corporation has adopted all of the new and revised International Public Sector Accounting Standards (IPSAS) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2017 namely:

New IPSAS – Early Adoption

IPSAS 39- Employee Benefits

Current and Revised IPSAS

IPSAS 1- Presentation of Financial Statements

IPSAS 2- Cash Flow Statements

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

IPSAS 4- The Effects of Changes in Foreign Exchange Rates

IPSAS 5- Borrowing Costs

IPSAS 7- Investments in Associates

IPSAS 9- Revenue from Exchange Transactions

IPSAS 11- Construction Contracts

IPSAS 12- Inventories

IPSAS 13- Leases

IPSAS 14 - Events After the Reporting Date

IPSAS 16-Investment Property

IPSAS 17- Property, Plant, and Equipment

IPSAS 18- Segment Reporting

IPSAS 19- Provisions, Contingent Liabilities and Contingent Assets

IPSAS 20- Related Party Disclosures

IPSAS 21- Impairment of Non-Cash-Generating Assets

IPSAS 23- Revenue from Non Exchange Transactions

IPSAS 24- Presentation of Budget Information in Financial Statements

IPSAS 25- Employee Benefits

IPSAS 26- Impairment of Cash Generating Assets

IPSAS 28- Financial Instruments: Presentation

IPSAS 29- Financial Instruments: Recognition and Measurement

IPSAS 30- Financial Instruments: Disclosures

IPSAS 31- Intangible Asset

IPSAS 36- Investments in Associates and Joint Ventures

Notes to Financial Statements for the Financial Year ended 30 June 2018

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

IPSAS 6- Consolidated and Separate Financial Statements.
IPSAS 8- Interest in Joint Ventures
IPSAS 10- Financial Reporting in Hyperinflationary Economies
IPSAS 22-Disclosure of Financial Information about the General Government Sector
IPSAS 27- Agriculture
IPSAS 32- Service Concession Arrangements: Grantor
IPSAS 33- First-time Adoption of Accrual Basis IPSASs
IPSAS 34- Separate Financial Statements
IPSAS 35- Consolidated Financial Statements
IPSAS 37- Joint Arrangements
IPSAS 38- Disclosure of Interests of Other Entities
IPSAS 40- Public Sector Combinations

IPSAS 28-30, Financial Instruments (Update) effective date of January 1, 2022
Social Benefits and Non-Exchange Expenses: Scope and Definitions
Social Benefits: Insurance Approach, Recognition Measurement and Financial Sustainability Reporting
Revenue: Approach to IFRS 15
Revenue and Non-Exchange Expenses: Public Sector Performance Obligation Approach
Revenue: Update of IPSAS 23
Non-Exchange Expenses
Public Sector Measurement

(iii) Basis of Accounting

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

These Financial Statements are presented in Mauritian Rupees because that is the currency of the primary economic environment in which the Corporation operates.

(iv) Accounting Period

The Financial Statements for the current financial year have been prepared for the twelve months ended 30 June 2018.

Notes to Financial Statements for the Financial Year ended 30 June 2018

(v) Cash and Cash Equivalent

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

(vi) Retirement and other Benefits

The Corporation as well as its employees contribute to two separate pension schemes managed by SICOM Ltd for:

- (i) Defined Benefit Pension Plan for permanent employees up to 31 December 2012.
- (ii) Defined Contribution Pension Plan for new entrants as from 01 January 2013.

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

Defined Benefit Pension Plan

Contributions in respect of employees who were on Permanent and Pensionable Establishment at 31 December 2012, were paid in a Defined Benefit Pension Plan managed by SICOM Ltd.

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

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

Defined Contribution Pension Scheme

The 2013 PRB report has recommended the implementation of a contributory Defined Contribution (DC) Pension Scheme for new entrants as from 1 January 2013. The pension plan

Notes to Financial Statements for the Financial Year ended 30 June 2018

is managed by SICOM Ltd. Under a DC Scheme, usually the pension benefit at retirement is not known in advance as it will depend on the level of contributions made which in turn depend on the salaries of each employee during his employment, the level of investment returns earned on these contributions and the cost of converting the sum built up into a pension at time of retirement.

Once a full time and permanent employee joins the DC Scheme set up for the Public Sector, an account in his respect will be opened. The account will be credited each month with cash contributions both from the employer and the employee. These cash contributions net of expenses will be invested in order to build up a sum which will buy the employee a pension on retirement.

The contribution in the Defined Contribution (DC) Pension Scheme managed by SICOM Ltd for the period July 2017 to June 2018 was MUR 1.0 million.

Employee leave entitlement

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

(vii) Investment

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

Investment in Associate

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

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

Notes to Financial Statements for the Financial Year ended 30 June 2018

(viii) Revenue Recognition

Revenue from Exchange Transactions

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

In accordance with VAT Act, all products sold by the Corporation for the 12 months ended 30 June 2018 are Taxable supplies. As such revenue is accounted net of Value Added Tax (VAT). Revenue from sales of goods is recognised when all the following conditions are satisfied:

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

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

Revenue from Non Exchange Transaction

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

(ix) Leases

Rentals payable under operating leases are charged to income on an accrual basis. The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:

- One year: - MUR 12,464,210
- Later than one year and not later than five years: - MUR 3,406,319
- Later than five years: - MUR 9,940,542
- Total rents recognized in the Statement of Financial Performance during the Financial Year ended 30 June 2018- MUR 12,748,022
- A general description of the lessee's leasing arrangements: -

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

Notes to Financial Statements for the Financial Year ended 30 June 2018

- One lease agreement for warehouse at Shed A
- One lease agreement for warehouse at Roche Bois
- One lease of land for its Administrative block at Ebene.
- One lease agreement for a plot of land at Riche Terre.
- One lease agreement for Granary at Port Mathurin, Rodrigues.

(x) Foreign Currencies

The Organisation is exposed to certain foreign currency exchange, credit, interest rate and liquidity risks. Transactions in currencies other than Mauritian Rupees are recorded at the rates of exchange prevailing on the dates of the transactions.

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are recognised in Statement of Financial Performance in the period in which they arise.

(xi) Infrastructure, Plant and Equipment

Building (held for administrative purpose) and Plant and Equipment are stated in the Statement of Financial Position at cost less accumulated depreciation. The minimum value of an individual item to be treated as a Non-Current Asset has been set at MUR 40,000 with effect from Financial Year 2014.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, on a pro rata basis in the year of acquisition and disposal using the straight-line method, on the following bases:

	Rate (%)
Motor Vehicles	10-20
Computer System	20
Office Equipment and Furniture	10
Plant and Machinery	10
Building	2

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

Notes to Financial Statements for the Financial Year ended 30 June 2018

(xii) Intangible assets

Computer software and ERP

Computer software are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of 5 years. Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

(xiii) Inventories

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

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

Following the construction of storage tanks at the Mer Rouge Oil Storage Terminal Co Ltd (MOST) STC keeps stock of petroleum products in those tanks and same is accounted as from the financial year 2017-18.

Moreover, as petroleum products are purchased on a FOB basis, products on tankers that arrived in July 2018 with bill of lading date June 2018 has been treated as inventory. The comparative figure has been restated.

STC is a shareholder of the Mer Rouge Oil Storage Terminal Co Ltd (MOST), a petroleum tank farm. During the years 2017 and 2018, STC has invested an amount of MUR 27.1 million in the company which has a storage capacity of 15,000 MT of Mogas and 10,000 MT of Gas Oil. The terminal, constructed at the cost of MUR550 million became operational in April 2018. In view that petroleum product is a strategic product, Government has approved that STC becomes the majority shareholder in the company with a shareholding of 76%.

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

(xiv) Trade Receivables

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

Notes to Financial Statements for the Financial Year ended 30 June 2018

(xv) Trade Payables

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

(xvi) Financial Instruments

Financial Assets and Liabilities are recognised in the Statement of Financial Position when the Corporation has become a party to the contractual provisions of the instrument.

(xvii) Impairment

At each reporting date, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of the fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized as an expense immediately. Following an impairment survey carried out, no impairment charge has been recognized during the current financial period.

(xviii) Provisions

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

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

(xix) Pricing

Prices of commodities sold by the Corporation are fixed by Government in accordance with the Consumer Protection Regulations and by STC. In order to adhere to Government policy of selling products of basic necessity namely Rice, Flour and LP Gas for domestic consumption at affordable prices, the Corporation meets any shortfall on these products.

(xx) Segment Reporting

A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of:-

Notes to Financial Statements for the Financial Year ended 30 June 2018

(a) evaluating the entity's past performance in achieving its objectives, and

(b) making decisions about the future allocation of resources. For this purpose, the Corporation reports as separate segments each distinguishable activity or group of activities for which financial information should be reported. Thus, the operating result of each product in which STC deals is reported at Note 21.

(xxi) Tax

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

(xxii) The Statement of Cash Flow is prepared using the direct method.

3 RISK MANAGEMENT POLICIES

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

(i) Credit risk

Credit risk relates to the possibility of default by customers in settling their obligations to the Corporation. The Corporation transacts only with customers having a good track record and as there are well-established payment schedules, the possibility of material loss arising is considered to be mitigated. Our customers have never default payment to us and therefore the risk is very minimal.

(ii) Liquidity risk

This refers to the possibility of default by the Corporation to meet its obligations because of unavailability of funds to meet operational requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken appropriately. Moreover, the Corporation has access to various types of funding facilities such as bank overdraft and Lines of Credit. The Corporation does not use derivative financial instruments to hedge risk exposure.

(iii) Interest rate risk

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

Notes to Financial Statements for the Financial Year ended 30 June 2018

(iv) Currency Risk

The Corporation operates internationally and is exposed to Foreign Exchange Risk. Foreign Exchange Risk arises from commercial transactions whereby commodities are purchased and sold at different dates whereas all purchases are in US Dollars. Only part of the sales is in foreign currency. Currency risk is therefore, related to that portion of sales which are in Mauritian Rupees.

Currency exposure arising from commercial transactions is primarily managed through:

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Corporation's accounting policies, which are described in Note 2 above, Management has made the following judgments that have most significant effect on the amounts recognized in the financial statements, apart from those involving estimations, which are described below:

(i) Determination of functional currency of the Corporation

The determination of the functional currency of each entity is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. Management has considered all relevant factors and has determined that the functional currency of the Corporation is Mauritius Rupee.

(ii) Determination of Price Stabilisation Account

The Consumer Protection (Prices and Supplies Control) Act has been amended in January 2011 to provide for a Petroleum Pricing Committee (PPC). With this pricing mechanism, prices are changed only when rendered absolutely necessary as a result of significant changes in price trends on the world market.

One of the key objectives of the new mechanism is to mitigate the effects of world price fluctuations on retail prices at retail outlets. STC operates a Price Stabilization Account for the above products in order to shield the market from price fluctuations.

The gains or losses have been recognized on the basis that the realisation of income or loss is virtually certain and are either credited or debited in the Price.

Notes to Financial Statements for the Financial Year ended 30 June 2018

(iii) Post-Employment Benefits

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

5. CASH AND CASH EQUIVALENT

	30 June 2018 MUR	30 June 2017 MUR
Cash in Hand	20,960	69,203
Bank Balances	960,769,163	840,053,244
Short Term Deposits	2,003,847,397	2,119,214,404
Gross Total	2,964,637,520	2,959,336,851
Total Cash and cash equivalents is made up of		
	30 June 2018 MUR	30 June 2017 MUR
(i) Cash and Cash Equivalent	1,494,630,013	1,501,529,974
(ii) Subsidy Reserve Account for Rice, Flour and LPG	626,855,560	1,197,239,840
(iii) Infrastructure Development Reserve Account	345,508,919	260,567,037
(iv) Strategic Stock Reserve Fund	497,643,028	-
Total Cash and cash equivalents	2,964,637,520	2,959,336,851

Subsidy Reserve Fund for Rice, Flour and LPG

An amount of MUR 2.70 per litre was collected from sales of Mogas and Gas Oil up to 14 June 2018 in respect of subsidy on Rice, Flour and LPG. Following the Finance (Miscellaneous Provisions) Act 2018, the amount of MUR 2.70 /litre has been revised to MUR 1.75/litre for Mogas and MUR 1.20 /litre for Gas Oil. During the period July 2017 to June 2018 an amount of MUR 1.304 billion has been collected under this item. Total subsidy on Rice, Flour and LPG for the period amounted to MUR 874.4 million and a balance of MUR 429.6 million has been credited to the Subsidy Reserve Fund to meet future requirements.

During the Financial Year 2017-18, an amount of MUR 650 million has been transferred from the Subsidy Reserve Account to the Strategic Stock Reserve Fund to finance additional stock of Mogas and Gas Oil to be kept at Mer Rouge Oil Storage terminal Co Ltd (MOST) and MUR 350 million has been transferred to the Price Stabilisation Account (*see note 12*).

Notes to Financial Statements for the Financial Year ended 30 June 2018

Strategic Stock Reserve Fund

An amount of MUR650 million has been transferred from the Subsidy Reserve Fund to the Petroleum Storage Fund to finance the purchase of Mogas and Gas Oil to be kept at Mer Rouge Oil Storage terminal Co Ltd (MOST). It is to be noted that the total value of 15,000 MT of Mogas and 10,000 MT of Gas Oil which would be stocked at the terminal, represents a capital tied up during the whole year of about MUR 650 million. As at 30 June 2018, an amount of MUR 152,356,972 was utilized for the purchase of 2,248 MT of Mogas and 4,053 MT of Gas Oil as shown in the Statement of Financial Performance. The balance of MUR 497,643,028 is shown under item Strategic Stock Reserve Fund in the Statement of Financial Position.

Infrastructure Development Reserve Fund

This fund includes an amount of MUR 181.8 million for Storage Tank Development and MUR 163.7 million in respect of Bunker Fuel Development as detailed below:

(i) Storage Tank Development Fund

An amount of MUR 0.10 per litre on sales of Mogas and Gas Oil and MUR 0.10 per kg on LPG is collected for the construction of storage facilities. During the Financial Year, an amount of MUR 92.9 million has been credited to this account. Out of this fund, an amount of MUR 19.1 million had been invested in Mer Rouge Oil Storage terminal Co Ltd (MOST) during the period ended 30 June 2017 and MUR 7.9 million during the Financial Year 2017-2018. The balance in this fund stands at MUR 181.8 million at 30 June 2018.

(ii) Bunker Fuel Development Fund

A Bunker Fuel Fund has been created to promote marine bunker fuel oil business in Mauritius and the balance is MUR 163.7 million as at 30 June 2018.

6. TRADE AND OTHER RECEIVABLES

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

	30 June 2018	30 June 2017
	MUR	MUR
Trade Receivables	3,156,899,552	2,603,365,367
Price Stabilisation Account	(refer note 12)	153,530,727
Other receivables	27,437,250	21,035,579
	3,184,336,802	2,777,931,673

Notes to Financial Statements for the Financial Year ended 30 June 2018

7. INVENTORIES

COMMODITIES	30 June 2018	Restated 30 June 2017
	MUR	MUR
Mogas	405,445,409	174,255,807
Gas Oil	371,873,101	183,443,499
DPK	376,180,106	252,261,774
Rice	29,626,876	42,548,503
Flour	42,168,280	39,190,015
Sugar	697,763	936,081
TOTAL	1,225,991,535	692,635,679

COMMODITIES	30 June 2018		30 June 2017	
	COST MUR	Net Realisable Value (MUR)	COST MUR	Net Realisable Value (MUR)
Long Grain Rice	44,138,558	25,982,211	57,177,744	37,279,678
Basmati Rice	3,644,665	4,514,990	5,268,825	6,610,120
Flour	65,513,539	42,168,280	49,635,438	39,190,015
Sugar (White)	398,706	419,895	713,692	749,700
Sugar (Raw)	299,057	314,175	222,389	234,525
TOTAL	113,994,525	73,399,551	113,018,088	84,064,038

The cost of inventories recognised as an expense includes MUR 41,501,606 in respect of adjustments of inventory of Rice and Flour to Net Realisable Value (NRV) during the reporting period. In line with Government policy, the retail price of Rice and Flour are fixed below cost.

Notes to Financial Statements for the Financial Year ended 30 June 2018

Stock of Mogas and Gas Oil in MOST

The construction of Mer Rouge Oil Storage Terminal Co Ltd (MOST) has been completed during the Financial Year ended 30 June 2018 and at reporting date STC held a stock of 2,248 MT of Mogas and 4,053 MT of Gas Oil in the terminal valued at MUR 152,356,972. A certain quantity of products in the pipelines connecting the terminal to the premises of oil companies which cannot be measured accurately have not been accounted in the above figures.

Stock in Transit

In addition, the Corporation had a stock in transit of 39,764 MT of White Oils (Mogas, Gas Oil and DPK) in the Tanker Pacific Diamond which arrived at Port-Louis on 2 July 2018 valued at MUR 1,001,141,644.

At 30 June 2018, STC did not hold any inventories for LPG as the risk in these products passes from the Seller (STC) to the buyers at the time the products pass the vessel's discharge manifold.

8. INVESTMENTS

Name of Company	Country of incorporation	% Ownership	Consideration	30 June 2018 MUR	Restated 30 June 2017 MUR
Rodrigues Trade and Marketing Co Ltd (Note)	Mauritius	21.05	Cash	-	305,747
Landscape (Mauritius) Ltd	Mauritius	less than 1	Cash	354,236	384,256
Africa Export -Import Bank (Afreximbank)	Egypt	less than 1	Cash	725,660	725,660
Mer Rouge Oil Storage Terminal Co Ltd (MOST)	Mauritius	23.5	Cash	26,841,078	19,125,000
At Reporting date				27,920,974	20,540,663

Note: The shares held by the Corporation in Rodrigues Trade and Marketing Co Ltd have been sold to the other shareholder of the company.

Notes to Financial Statements for the Financial Year ended 30 June 2018

8A. INVESTMENT IN ASSOCIATED COMPANY

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	30 June 2018 MUR	30 June 2017 MUR
Mer Rouge Oil Storage Terminal Co Ltd (MOST)	Mauritius	23.5%	Cash	26,841,078	19,125,000
At Reporting date				26,841,078	19,125,000

For the purpose of applying the equity method of accounting, the financial statements of MOST for the year ended 31 December 2017 which was received in June 2018, has been used.

Summarised financial information of the MOST for the year 2017 is set out below:

	31 December 2017 MUR
Total Assets	551,729,959
Total Liabilities	<u>(471,563,584)</u>
Net Assets/Equity	<u>80,166,375</u>
Total revenue	714
Total expenses	<u>(890,668)</u>
Net loss	<u>(889,954)</u>
STC's share of net loss in associated company	<u>(209,139)</u>
	30 June 2018 MUR
Investment MOST at 1 July 2017	19,125,000
Investment during the reporting period	<u>7,925,217</u>
Total investment as at 30 June 2018	27,050,217
STC's share of net loss period	<u>(209,139)</u>
Investment in Associate at reporting date	<u>26,841,078</u>

Notes to Financial Statements for the Financial Year ended 30 June 2018

8B. OTHER INVESTMENT

Name of Company	Country of incorporation	% Ownership	Consideration	30 June 2018 MUR	Restated 30 June 2017 MUR
Landscape (Mauritius) Ltd	Mauritius	less than 1	Cash	354,236	384,256
Africa Export – Import Bank (Afreximbank)	Egypt	less than 1	Cash	725,660	725,660
At reporting date				1,079,896	1,109,916

Investment	% of Shares	30 June 2018 MUR	Restated 30 June 2017 MUR
Unquoted			
a) Rodrigues Trade & Marketing Co. Ltd	21.05	-	305,747
b) Landscape (Mauritius) Ltd	less than 1	354,236	384,256
c) Africa Export-Import Bank (Afreximbank)	less than 1	725,660	725,660
d) MOST Co Ltd	23.5	26,841,078	19,125,000
Total		27,920,974	20,540,663

Mer Rouge Oil Storage Terminal Co Ltd (MOST)

STC is a shareholder of the Mer Rouge Oil Storage Terminal Co Ltd (MOST), a petroleum tank farm. During the years 2017 and 2018, STC has invested an amount of MUR27 million in the company which has a storage capacity of 15,000 MT of Mogas and 10,000 MT of Gas Oil. The terminal, constructed at the cost of MUR550 million became operational in April 2018. In view that petroleum product is a strategic product, Government has approved that STC becomes the majority shareholder in the company with a shareholding of 76%. With the implementation of this storage project, the country's buffer stock level (time interval between the arrival of two tankers) has improved from 3 to 33 days for Mogas and from 10 to 27 days for Gas Oil.

Notes to Financial Statements for the Financial Year ended 30 June 2018

9. INFRASTRUCTURE, PLANT AND EQUIPMENT

	Motor Vehicles MUR	Office Equipment & Furniture MUR	Plant & Machinery MUR	Computer Equipments MUR	Total Infrastructure, Plants and Equipments MUR
COST					
At 1 July 2017	10,485,266	40,287,978	31,971,497	23,911,953	106,656,694
Additions	1,429,261	3,903,589	1,409,100	6,337,988	13,079,938
Disposal	-	-	-	(61,804)	(61,804)
Derecognised	-	(2,835,834)	(625,643)	(5,954,275)	(9,415,751)
At 30 June 2018	11,914,527	41,355,734	32,754,954	24,233,862	110,259,076
DEPRECIATION					
At 1 July 2017	8,390,423	7,975,626	17,209,478	10,544,387	44,119,914
Adjustment for previous years' depreciation	(1,002,007)	-	-	-	(1,002,007)
Charge for the year	1,786,102	4,017,383	2,904,625	4,239,195	12,947,305
Disposal	-	-	-	(59,770)	(59,770)
Derecognised	-	(2,835,834)	(625,643)	(5,954,275)	(9,415,751)
At 30 June 2018	9,174,518	9,157,174	19,488,460	8,769,536	46,589,690
CARRYING AMOUNT					
At 1 July 2017	2,094,843	32,312,352	14,762,019	13,367,566	62,536,780
At 30 June 2018	2,740,009	32,198,559	13,266,494	15,464,326	63,669,386

Other Revenue in the Statement of Financial Performance includes an amount of MUR 6,724 as a gain on Disposal of Computer Equipment during the Financial Year ended 30 June 2018.

Notes to Financial Statements for the Financial Year ended 30 June 2018

10. LAND AND BUILDING

	Building MUR	Leasehold Land MUR	Total MUR
COST			
At 1 July 2017	237,905,082	28,107,720	266,012,802
Additions	2,759,239	-	2,759,239
At 30 June 2018	240,664,321	28,107,720	268,772,041
DEPRECIATION			
At 1 July 2017	10,167,159	-	10,167,159
Charge for the year	4,868,471	-	4,868,471
At 30 June 2018	15,035,630	-	15,035,630
CARRYING AMOUNT			
At 1 July 2017	227,737,923	28,107,720	255,845,643
At 30 June 2018	225,628,691	28,107,720	253,736,411

11. Intangible Assets

	30 June 2018 MUR	30 June 2017 MUR
COST		
At 1 July 2017	24,930,105	19,564,516
Additions	2,455,278	5,365,589
Disposals	-	-
Derecognised	(3,100,140)	-
At 30 June 2018	24,285,243	24,930,105
AMORTISATION		
At 1 July 2017	18,202,774	15,819,365
Charge for the year	2,162,095	2,383,409
Derecognised	(3,100,140)	-
At 30 June 2018	17,264,729	18,202,774
NET BOOK VALUE		
At 30 June 2018	7,020,514	6,727,331

Notes to Financial Statements for the Financial Year ended 30 June 2018

12. PAYABLES

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

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

	30-Jun-18 MUR	Restated 30-Jun-17 MUR
CURRENT LIABILITIES		
Government of Mauritius	237,831,329	697,787,489
Mauritius Revenue Authority	593,953,821	326,510,146
Trade Payables	1,371,649,086	869,757,996
Other Payables	140,444,999	37,945,443
Price Stabilisation Account (see note below)	200,009,521	(refer note 6)
TOTAL	2,543,888,756	1,932,001,074

Price Stabilisation Account

During the Financial Year ended 30 June 2018, an amount of MUR 350 million has been transferred to the Price Stabilisation Account (PSA) in order to absorb the deficit in the account. As such, following the transfer of MUR 350 million in the PSA, the balance in the fund stands at MUR 200 million as 30 June 2018.

Notes to Financial Statements for the Financial Year ended 30 June 2018

13. SHORT TERM BORROWINGS

BORROWINGS	30 June 2018 MUR	30 June 2017 MUR
Short term Lines of Credit	805,610,542	1,566,467,998
TOTAL BORROWINGS	805,610,542	1,566,467,998

The Corporation has borrowing facilities of USD 95 million, out of which USD 22.9 million have been used as at 30 June 2018.

14. EMPLOYEE BENEFIT OBLIGATIONS

(i) Employee Benefit Obligations

Employee entitlements to bank sick leave, vacation leaves and Passage Benefits as defined in the PRB Report (the regulatory body for determining remuneration of STC employees) are recognised when they accrue to employees.

Employees are allowed to accumulate sick leaves not taken at the end of each calendar year up to a maximum of 110 days, in a sick leave bank. The balance of bank sick leaves is valued at the end of the financial year and is recognized as long term payables. Beyond this ceiling of 110 days, officers are refunded part of the annual entitlement of sick leaves not taken at the end of every calendar year and is expensed to the Statement of Financial Performance.

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

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

An accrual amount of MUR 63,145,561 is made for the estimated liability for bank sick leave, passage benefits and vacation leaves.

Notes to Financial Statements for the Financial Year ended 30 June 2018

Post-Employment Benefits

As explained at note 2 (vi) the Corporation as well as its employees contribute to two separate pension schemes managed by SICOM Ltd namely:

- (a) Defined Benefit Pension Plan (DB) for permanent employees up to 31 December 2012; and
- (b) Defined Contribution Pension Plan (DC) for new entrants as from 1 January 2013.

The amount of MUR 143.2 million in respect of wages, salaries and employee benefits includes MUR 13.3 million contributed by STC in the Defined Benefit Pension Plan and MUR 1.0 million for the 12 months ended 30 June 2018 (MUR1,230,322 for the 18 months ended 30 June 2017) in the Defined Contribution Pension Scheme managed by SICOM Ltd. As such the cumulative balance contributed to the Defined Contribution Pension Scheme by STC stands at MUR3.3 million at 30 June 2018.

Actuarial Report on the defined benefit pension plan for STC employees

FIGURES FOR IPSAS 39 ADOPTION FOR: State Trading Corporation for period ended 30 June 2018

	12 month ended 30 June 2018	18 month ended 30 June 2017
Amounts recognised in balance sheet at end of year/period	MUR	MUR
Defined benefit obligation	510,957,030	487,791,144
Fair value of plan assets	(450,563,019)	(416,924,815)
Liability recognised in balance sheet at end of period	<u>60,394,011</u>	<u>70,866,329</u>
Amounts recognised in Income Statement:		
Service cost:		
Current service cost	9,876,607	14,487,637
Past service cost	-	-
(Employee contributions)	(4,193,214)	(6,622,715)
Fund Expenses	303,323	417,738
Net Interest expense/ (revenue)	<u>4,590,508</u>	<u>6,293,438</u>
P&L Charge	10,577,224	14,576,098
Remeasurement:		
Liability (gain)/loss	6,562,664	13,509,753
Assets (gain)/loss	<u>(14,333,889)</u>	<u>7,429,547</u>
Net Assets/Equity (NAE)	<u>(7,771,225)</u>	<u>20,939,300</u>
Total	<u>2,805,999</u>	<u>35,515,398</u>

Notes to Financial Statements for the Financial Year ended 30 June 2018

Movements in liability recognised in balance sheet:	MUR	MUR
At start of year	70,866,329	56,322,862
Amount recognised in P&L	10,577,224	14,576,098
(Contributions paid by employer)	(13,278,317)	(20,971,931)
Amount recognised in NAE	(7,771,225)	20,939,300
At end of period	60,394,011	70,866,329

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

FIGURES FOR IPSAS 39 ADOPTION FOR:

State Trading Corporation for period ended 30 June 2018

	12-month ended 30 June 2018 MUR	18-month ended 30 June 2017 MUR
<i>Reconciliation of the present value of defined benefit obligation</i>		
Present value of obligation at start of period	487,791,144	458,698,052
Current service cost	9,876,607	14,487,637
Interest cost	30,243,051	44,723,060
(Benefits paid)	(23,516,436)	(43,627,358)
Liability (gain)/loss	6,562,664	13,509,753
Present value of obligation at end of period	510,957,030	487,791,144

Reconciliation of fair value of plan assets

Fair value of plan assets at start of period	416,924,815	402,375,190
Expected return on plan assets	25,652,543	38,429,622
Employer contributions	13,278,317	20,971,931
Employee Contributions	4,193,214	6,622,715
(Benefits paid + other outgo)	(23,819,759)	(44,045,096)
Asset gain/ (loss)	14,333,889	(7,429,547)
Fair value of plan assets at end of period	450,563,019	416,924,815

Distribution of plan assets at end of period

	30 June 2018	30 June 2017
Percentage of assets at end of year		
Fixed Interest securities and cash	59.5%	56.6%
Loans	3.7%	4.4%
Local equities	14.6%	15.8%
Overseas bonds and equities	21.6%	22.6%
Property	0.6%	0.6%
Total	100%	100%

Notes to Financial Statements for the Financial Year ended 30 June 2018

Additional disclosure on assets issued or used by the reporting entity

	30 June 2018	30 June 2017
	%	%
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

Components of the amount recognised in NAE

	Year 30 June 2018	30 June 2017
	MUR	MUR
Currency		
Asset experience gain/ (loss) during the period	14,333,889	(7,429,547)
Liability experience gain/ (loss) during the period	(6,562,664)	(13,509,753)
	7,771,225	(20,939,300)

	Year 2018/2019
Expected employer contributions (Estimate to be reviewed by State Trading Corporation)	13,809,450
Weighted average duration of the defined benefit obligation (Calculated as a % change in PV of liabilities for a 1% change in discount rate)	11 years

The plan is exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	12-month ended	18-month ended
	30 June 2018	30 June 2017
Discount rate	6.20%	6.50%
Future salary increases	4.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables -rated down by 2 years	
Retirement age	As per Second Schedule in the Statutory Bodies Pension Funds Act	

The discount rate is determined by reference to market yields on bonds.

Notes to Financial Statements for the Financial Year ended 30 June 2018

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by MUR 52.1 M (increase by MUR 62.6 M) if all other assumptions were held unchanged.

- If the expected salary growth would increase (decrease) by 100 basis points, the defined benefit obligation would increase by MUR 18.5 M (decrease by MUR 16.7 M) if all assumptions were held unchanged.

- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by MUR 14.5 M (decrease by MUR 14.5 M) if all assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependences between the assumptions.

15. NON-CURRENT LIABILITIES

Non-current liabilities consist of Bank Sick Leave, Passage Benefits and Vacation Leave due to employees of the Corporation as shown below:

	30 June 2018 MUR	30 June 2017 MUR
Employee Benefit Obligations	63,630,809	63,787,420

16. SHARE CAPITAL

	30 June 2018 MUR	30 June 2017 MUR
Authorised		
1 million ordinary shares of Rs10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid		
40,000 shares of Rs10 each	<u>400,000</u>	<u>400,000</u>

Notes to Financial Statements for the Financial Year ended 30 June 2018

17. GENERAL RESERVE

	Accumulated Surplus	Reserve Fund	General Reserve
	MUR	MUR	MUR
Balance as at 1 Jan 2016	1,543,225,622	-	1,543,225,622
Surplus for the 18-month ended 30 June 2017 (Restated)	1,392,813,599	-	1,392,813,599
Dividend Paid (Note 25)	(1,250,000,000)	-	(1,250,000,000)
Pension Contribution	(20,939,300)	-	(20,939,300)
Transfer from Infrastructure Development Fund	-	19,125,000	19,125,000
Restated Balance as at 30 June 2017	1,665,099,921	19,125,000	1,684,224,921
Surplus for the 12-month ended 30 June 2018	930,101,176	-	930,101,176
Change in depreciation in previous years' figures	1,002,007	-	1,002,007
Pension Asset	7,771,225	-	7,771,225
Transfer from Infrastructure Development Fund for investment in MOST	-	7,925,217	7,925,217
Transfer from Subsidy Reserve Fund for financing of stock of Mogas and Gas Oil in MOST	-	152,356,972	152,356,972
Balance as at 30 June 2018	2,603,974,329	179,407,189	2,783,381,518

Notes to Financial Statements for the Financial Year ended 30 June 2018

18. REVENUE FROM EXCHANGE TRANSACTIONS

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

	Metric Tons	12 -month ended 30 June 2018	Metric Tons	18- month ended 30 June 2017
		MUR		MUR
Petroleum Products	1,047,598	25,310,629,499	1,585,951	29,870,068,130
Rice	20,423	220,796,750	31,201	358,292,548
Flour	102,134	907,681,074	152,189	1,673,317,716
LPG	73,795	1,073,766,379	109,647	1,722,727,067
Sugar	149	4,434,635	298	8,667,125
TOTAL	1,244,099	27,517,308,337	1,879,286	33,633,072,586

- Note:**
- (i) Revenue is net of VAT and net of amount collected on behalf of third parties as follows:-
 - (a) Road Development Authority- MUR 842,449,786
 - (b) Build Mauritius Fund (BMF)- MUR 208,528,935
 - (c) Subsidy for transportation and storage of Petroleum Products and LPG to Rodrigues -MUR 209,998,297
 - (ii) The selling prices of Rice, Flour and LPG are fixed by Government. Shortfalls on these products are met from:
 - (a) amount collected under the item 'Contribution to Subsidy on LPG, Rice and Flour' in the price structure of Mogas and Gas Oil; and
 - (b) surpluses on sales of other products.

Notes to Financial Statements for the Financial Year ended 30 June 2018

19. Revenue from Non- Exchange Transactions

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

Description	Gain MUR	Loss MUR	Net impact MUR
Accounts payable	253,726,849	(236,623)	253,490,226
Accounts receivable	30,640,256	(15,463,533)	15,176,723
Repayment of foreign currency borrowings	390,776,979	-	390,776,979
Subtotal realised gain/(loss)	675,144,084	(15,700,156)	659,443,928
Bank accounts -unrealised gain/(Loss)	6,734,040	(5,115)	6,728,925
Loss on Forward Contracts (see note below)		(2,247,390)	(2,247,390)
TOTAL EXCHANGE GAIN / (LOSS)	681,878,124	(17,952,661)	663,925,463

Note: Forward contracts for purchase of foreign currency of transaction value of USD 12 million traded before the end of the financial year with value after balance sheet date are measured at fair value at the reporting date and any surplus or deficit are accounted in the current financial year in accordance with IPSAS 29. Thereafter, after the settlement, the surplus or deficit that arise thereon are accounted in the subsequent financial year.

20. Other Revenue

	12-month ended 30 June 2018 MUR	Restated 18-month ended 30 June 2017 MUR
Investment Income (Dividend Received)	274,892	133,088
Interest on bank balances and bank deposits, etc.	51,387,843	48,127,134
Other Income	1,061,848	515,774
TOTAL	52,724,583	48,775,996

Notes to Financial Statements for the Financial Year ended 30 June 2018

21. OPERATING SEGMENTS

The Corporation has identified as separate segments each distinguishable activity or group of activities by product for which financial information is reported, for purposes of (a) evaluating the past performance of the entity in achieving its objectives, and (b) making decisions about the allocation of resources by the entity.

The selling prices of Rice, Flour and LPG are fixed by Government. Deficits on these products are met from contribution for subsidy in the price structures of Mogas and Gas Oil and from surpluses on sales of other products.

The surplus of MUR 930.1 million for the Financial Year ended 30 June 2018 is made up as shown below:

	RICE	FLOUR	PETROLEUM PRODUCTS	SUGAR	LPG	BASMATI RICE	OTHERS	TOTAL
	MUR Million							
REVENUE	211.4	907.7	25,310.6	4.4	1,073.8	9.4	-	27,517.3
Revenue from Exchange Transactions	-	31.6	599.9	-	32.4	-	-	663.9
Contribution for SUBSIDY	-	-	-	-	-	-	1,304.0	1,304.0
OTHER Revenue	-	-	52.7	-	-	-	-	52.7
COST OF SALES	(308.7)	(1,253.8)	(24,802.2)	(4.2)	(1,453.8)	(7.5)	-	(27,830.2)
OTHER Expenses	(19.5)	(94.5)	(160.7)	(0.2)	(1.0)	(0.4)	(71.5)	(347.8)
Share of loss in Associate	-	-	-	-	-	-	(0.2)	(0.2)
Surplus/ (deficit) before subsidy	(116.8)	(409.0)	1,000.3	-	(348.6)	1.5	1,232.3	1,359.7
Subsidy	116.8	409.0	-	-	348.6	-	-	874.4
Transfer from Subsidy Reserve Fund	-	-	-	-	-	-	(874.4)	(874.4)
Transfer to Subsidy Reserve Fund	-	-	-	-	-	-	(429.6)	(429.6)
NET Surplus	-	-	1,000.3	-	-	1.5	(71.7)	930.1

Notes to Financial Statements for the Financial Year ended 30 June 2018

22. SUBSIDY ON LPG, RICE AND FLOUR

The selling prices of Long Grain White Rice, Flour and LPG in cylinders of up to 12 kg are controlled by Government and fixed at a level below cost. In order to finance these shortfalls, Government has included the item 'Contribution for subsidy on LPG, Rice and Flour' in the price structure of Mogas and Gas Oil.

23. FINANCE COSTS

	12- month ended 30 June 2018 MUR	18- month ended 30 June 2017 MUR
Interest on Lines of Credit	25,298,574	16,257,525
Interest on Overdraft	-	25,270
Total	<u>25,298,574</u>	<u>16,282,795</u>

24. RELATED PARTY TRANSACTIONS

The State Trading Corporation is wholly owned by the Government of Mauritius. During the Financial Year ended 30 June 2018, 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:

12 -month ended 30 June 2018 MUR	18 -month period ended 30 June 2017 MUR
3,764,286,866	3,657,327,123

- Sales of goods to CEB were made at market related prices.
- Outstanding balance as at 30 June 2018 was MUR 766,540 (Jun 2017: NIL)

Notes to Financial Statements for the Financial Year ended 30 June 2018

24.1 Compensation of key management personnel

The remuneration of Chairman, Board Members and other members of key management during the Financial Year ended 30 June 2018 were as follows:

	12 months ended 30 June 2018 MUR	18 months ended 30 June 2017 MUR
Short-term benefits	12,249,798	14,595,072
Post-employment benefits	12,711,995	12,221,216
Fees to Board Members	1,410,865	2,240,350

The remunerations of Board Members are determined by the parent Ministry and those of key management are determined by the Pay Research Bureau and Government.

At 30 June 2018, out of 5 key management personnel, one was on contract, three on substantive capacity and one on probation.

25. DIVIDEND PAID TO GOVERNMENT

During the Financial Year ended 30 June 2018, no dividend was paid to Government of Mauritius.

26. SUBSIDY RESERVE ACCOUNT

During the financial year ended 30 June 2018 MUR 350 million has been transferred to the "Price Stabilisation Account" and MUR 650 million to the "Strategic Stock Account" to cater for purchase of Mogas and Gas Oil to be kept as a buffer stock at MOST from the "Subsidy Reserve Account", which was created in March 2017.

27. CONTINGENCIES

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

Notes to Financial Statements for the Financial Year ended 30 June 2018

28. COURT CASE- Emirate Trading Agency (ETA)

A claim was lodged by Emirate Trading Agency (ETA) in the Supreme Court concerning contract for supply of Cement to STC during 2008. Judgment was pronounced ordering STC to pay USD 1,208,496.94 but ETA has appealed against the judgment arguing that they should be paid USD 2,278,652.37. The judgement was delivered by the Supreme Court on 31 January 2019 ordering STC to refund an amount of USD 2,247,629.51 retained in excess plus interest accrued from 13 December 2012 to the date of payment to Emirates Trading Agency L.L.C. A total amount of USD 3,231,721.76 was paid on 15 February 2019.

29. BETAMAX CONTRACT

(i) Supreme Court of Mauritius

On 27 November 2009, STC entered into a fifteen-year agreement with Betamax Ltd for the transportation of Petroleum Products from Mangalore to Mauritius. However, since February 2015, STC no longer avails itself of the services of the company.

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

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

STC has made an application to the Supreme Court of Mauritius to set aside the award. The matter was heard in March 2018. On 31 May 2019, the Supreme Court of Mauritius delivered judgement in favour of STC to set aside the Arbitration Award of SIAC delivered on 5 June 2017.

Following an application made by Betamax Ltd to the Supreme Court of Mauritius for leave to appeal to the Judicial Committee of the Privy Council against the judgement of 31 May 2019, the Supreme Court of Mauritius has granted conditional leave to appeal.

(ii) Supreme Court of India

In November 2017, Betamax initiated legal action in the High Court of Karnataka, at Bengaluru, India directing the New Mangalore Port Trust to refrain from providing any clearance to the STC's vessel - Pacific Diamond with a cargo of 40,000 Metric Tons of petroleum products destined to Mauritius.

Notes to Financial Statements for the Financial Year ended 30 June 2018

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

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

STC has made an application to the Supreme Court of India for vacation of interim order dated 29 May 2019.

The interim order of 29 May 2019 has been vacated by the Supreme Court of India on 3 July 2019

30. COMMITMENTS

On 15 June 2016, the Corporation has entered in a three years' agreement with Mangalore Refinery and Petrochemicals Limited (MRPL) for the period August 2016 to July 2019 for the supply of Petroleum Products.

31. PROJECTS

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

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

31.2 Acquisition of Shares in Mer Rouge Oil Storage Terminal Co Ltd (MOST)

In view that petroleum product is a strategic product, Government has approved that STC becomes the majority shareholder in MOST with a shareholding of 76%. Procedures have started for STC to acquire 52.5% of shares in the company from other shareholders. Thus STC will become the majority shareholder with 76% of shares.

Trade Statistics

The STC was set up by an Act of Parliament of October 1982 (amended in 1988), to be the trading arm of the Government of Mauritius. It operates under the aegis of the Ministry of Industry, Commerce and Consumer Protection.

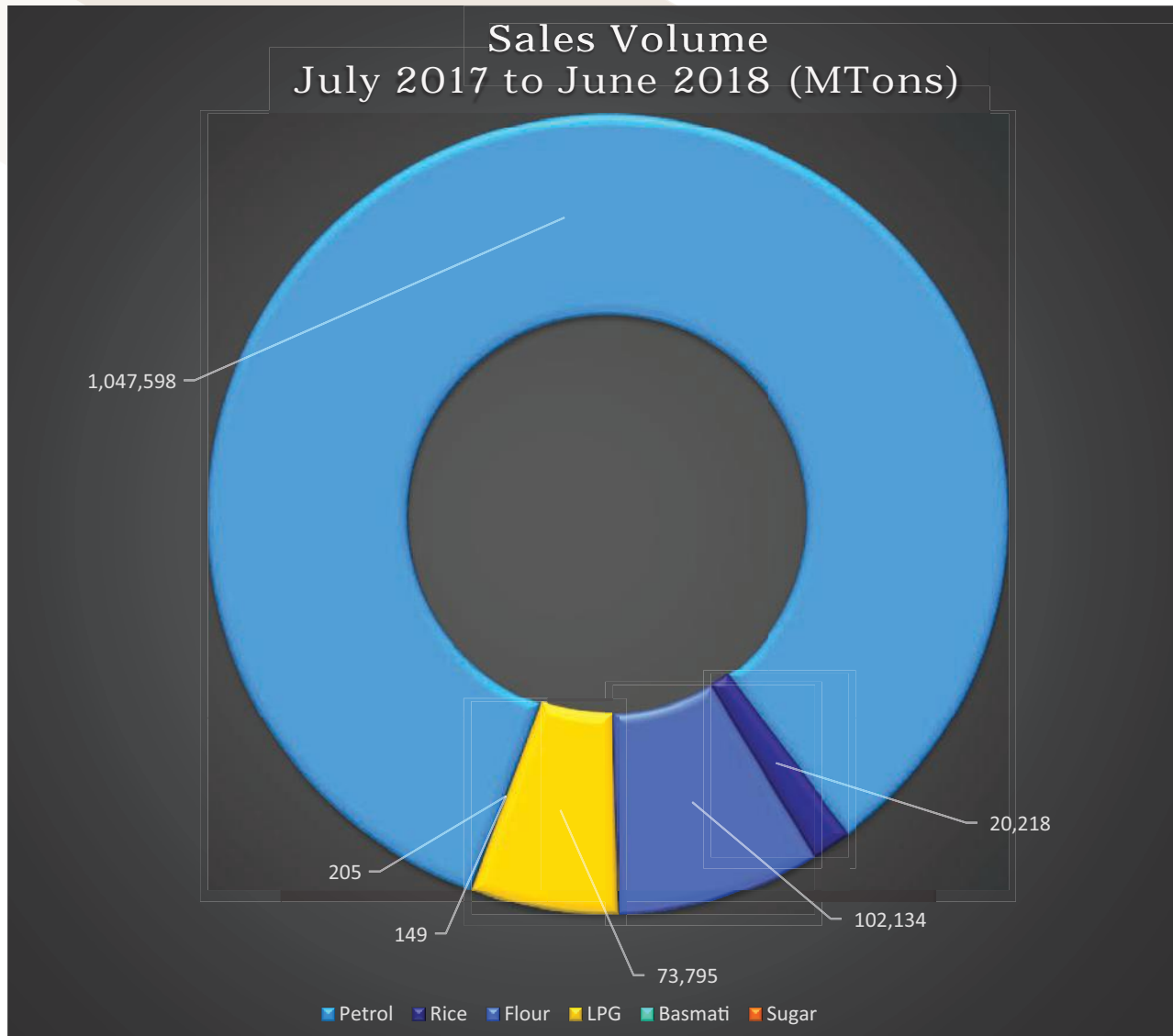
STC has been entrusted with the responsibility of importing certain essential commodities including almost all Petroleum Products and Liquefied Petroleum Gas (LPG) traded in Mauritius. STC also supplies the domestic market with all its requirements in Wheat Flour and Long Grain White Rice (LGWR).

Sales volume and Turnover

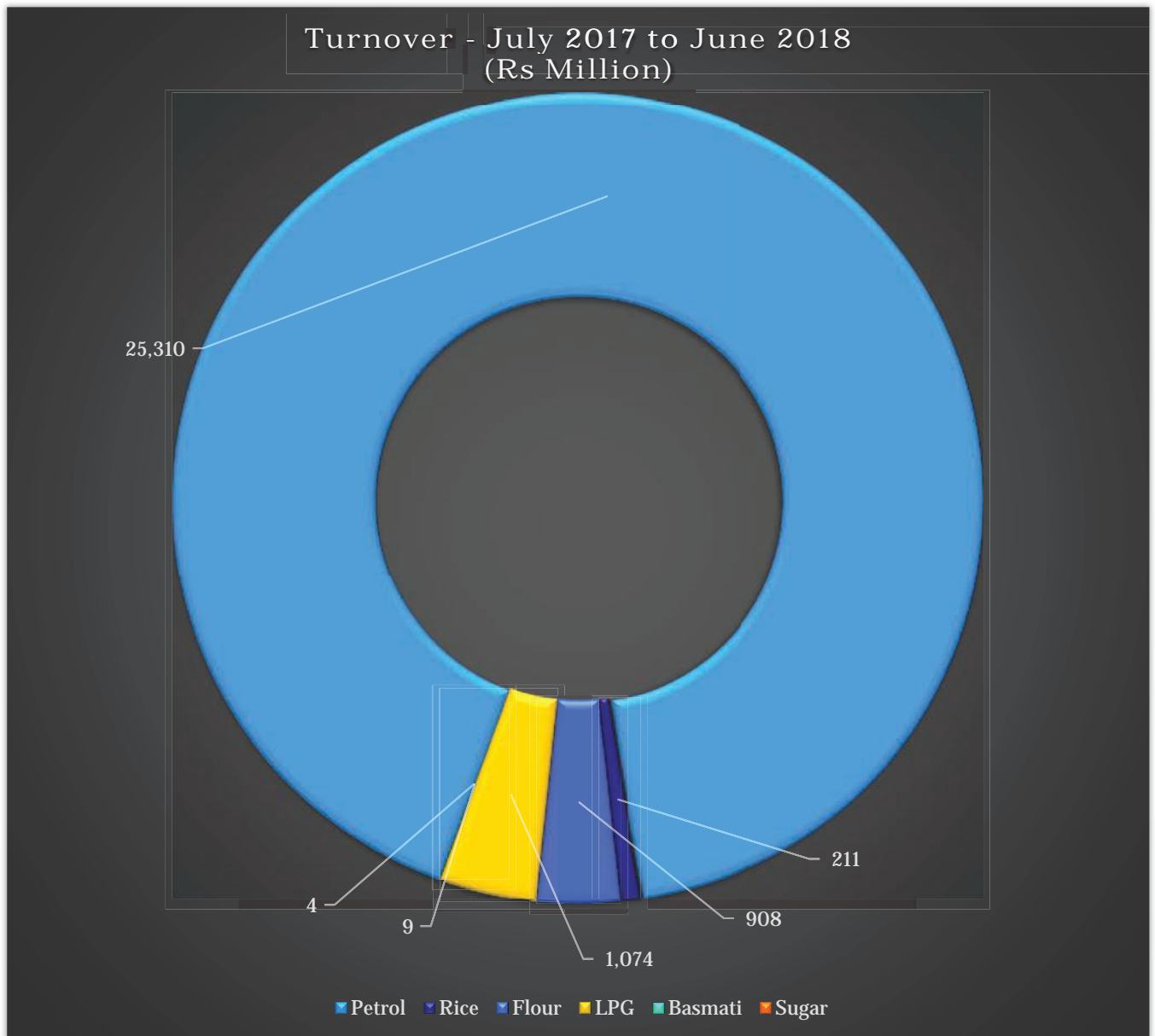
The Turnover of STC which was about MUR 600 million in 1983-1984 when it was created has reached MUR 27.5 billion in 2018. During its first years of operation STC took over the activities of the Department of Supplies and dealt only in importation of rice and flour. In 1985, STC started importing Petroleum Products and subsequently cement and in 1983 took over the country's importation of LPG.

In July 2011 following the liberalization of the imports of Cement, STC stopped its importation. However, as the trading arm of Government, the Corporation may be called to intervene to stabilise the market if the need arises.

The sales volume of 1.2 million MT for the Financial year ended 30 June 2018 consists mainly of Petroleum Products as shown below:



The Corporation's Turnover for the period reached MUR 27.5 billion.



Petroleum Products

STC is responsible for the importation of almost all the country's requirements of Petroleum Products. These include the demands for the running of public transport, industrial and commercial activities, motor vehicles for personal and commercial use, the needs of the Central Electricity Board in fuel oils for its power plants, the needs for aircraft refueling at the SSR International Airport and the needs of bunker fuels for international shipping.

Upon arrival of the tanker at the New Oil Jetty of Port Louis Harbour, those products are pumped out and delivered through pipelines into fuel tanks owned and operated individually or jointly in the Port Area by local oil companies. They also operate a Jet Fuel tank near SSR Airport.

The local oil companies are represented by:

1. Vivo Energy (Mauritius) Ltd
2. Total Mauritius Ltd
3. Engen Petroleum (Mauritius) Ltd
4. Indian Oil (Mauritius) Ltd

The Oil Companies market, distribute and retail the products through their respective networks of retail outlets across the country. Some also operate barges to carry out their bunker supply operations at sea. During the year 2014, the bunkering trade was partly liberalised allowing the Oil Companies to import part of their bunkering requirement on their own. This decision was taken in view of making Mauritius a petroleum hub in the region.

All Petroleum Products are currently sourced directly from Mangalore Refineries and Petrochemicals Ltd (MRPL), a refinery located in India some six to seven sailing days from Port Louis. Our agreement with MRPL is a standard supply agreement covering quality, quantity, delivery schedule and quality control parameters. For the past ten years, we have worked together and we are satisfied with this arrangement thanks to which we obtain all seven grades of Petroleum Products from the same refiner.

Although our total annual demand for 1.1 million MT may look large, the imports are being made in regular small shipments over the annual contract period. Seven grades of product are being imported in small quantities, which is unviable for the larger Middle-East oil suppliers. MRPL has been very flexible, taking into consideration our storage constraints and keeping its supply in line with our low-volume and high frequency demand.

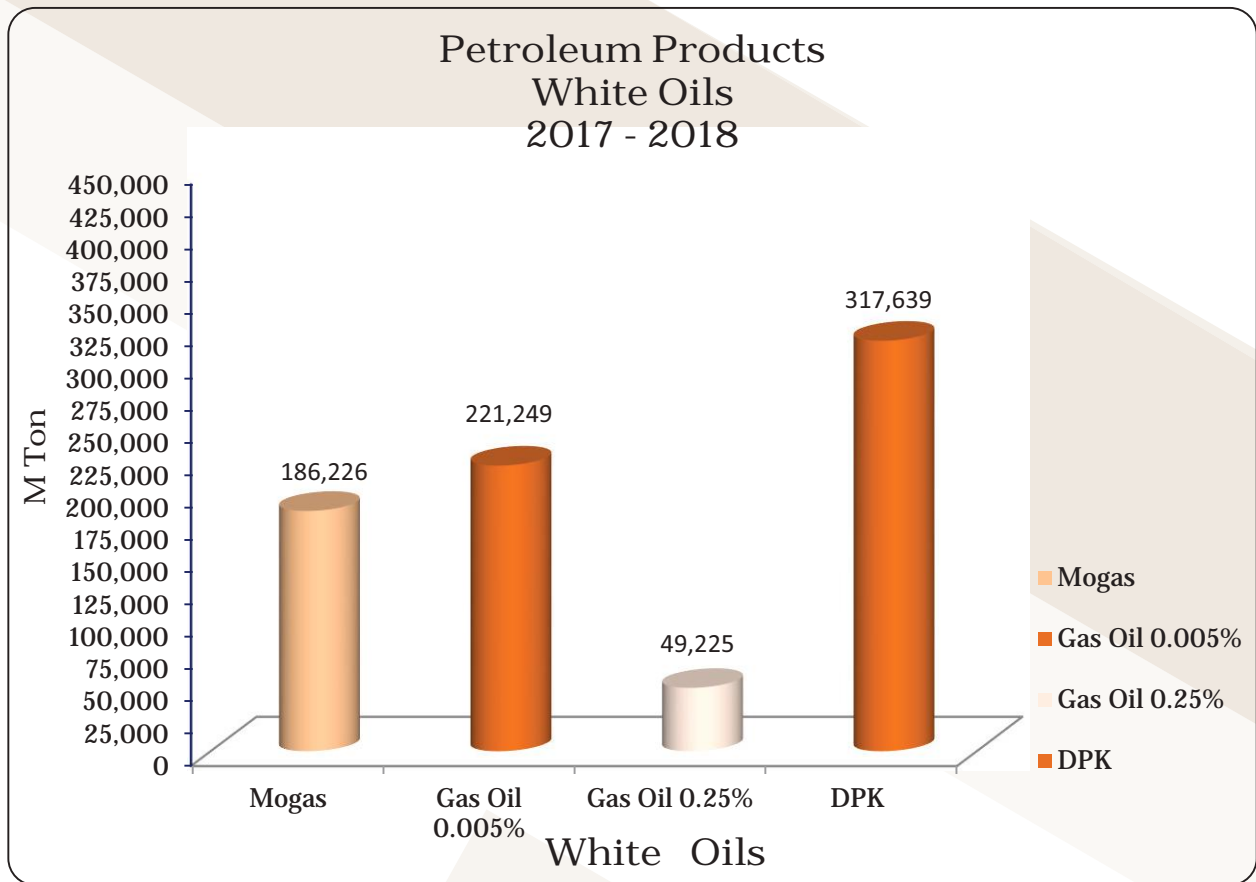
Moreover, the fact that MRPL is a subsidiary of ONGC (Oil and Natural Gas Corporation) which is one of India's largest oil refiners, is a big source of comfort to STC. Even in a remote situation when MRPL would not be able to meet its commitments, ONGC guarantees that our contract will be honoured.

For the Financial Year ended 30 June 2018, STC imported some 1.1 million MT of 7 grades of petroleum Products, namely:

White Oils: Super Unleaded Gasoline (Mogas), Automotive Diesel (50 ppm sulphur), Marine Diesel (2500 ppm sulphur) and Jet A-1 (DPK); and

Fuel Oils: HSFO 180 CST CC, HSFO 180 CST SR and HSFO 380 CST SR.

White Oils



Mogas

The import of 186,226 MT of Mogas for the Financial Year ended 30 June 2018 is sold entirely on the local market and the retail price is determined by the Petroleum Pricing Committee (PPC).

Gas Oil

The total importation of Gas Oil for the Financial Year ended 30 June 2018 is 270,474 MT. STC imports two grades of Gas Oil, namely 2500 ppm, which is sold as Marine Diesel for bunkering of vessels and Gas Oil 50 ppm with 0.005% sulphur content, which is sold for road transport. The price of Gas Oil sold for road transport is determined by the Petroleum Pricing Committee (PPC).

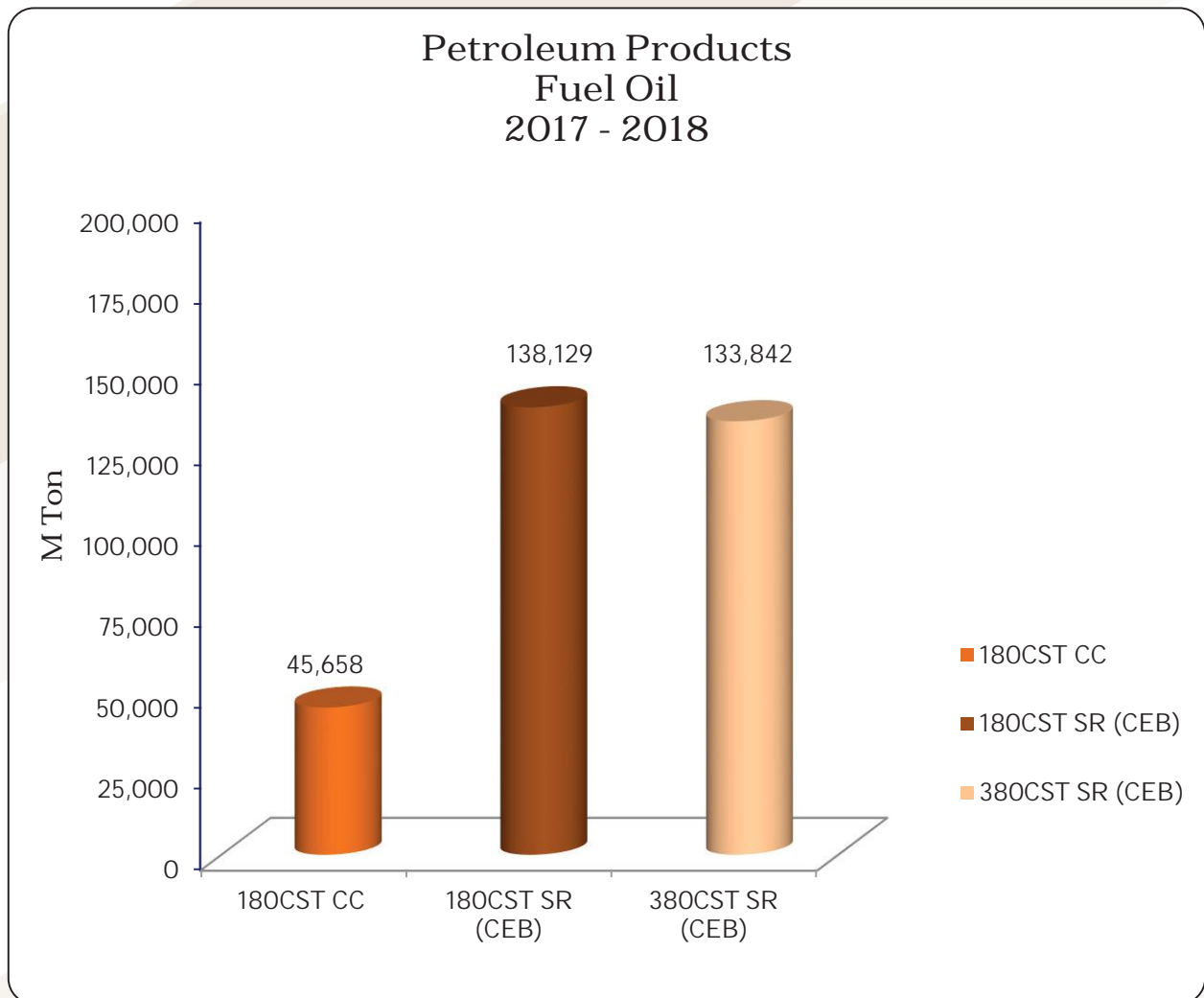
Any deficit or surplus on Mogas and Gas Oil on the local market is accounted in the Price Stabilisation Account (PSA).

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

Jet A-1

The import of 317,639 MT of Jet A-1 for the Financial Year ended 30 June 2018, is mostly sold as aviation fuel and the price is fixed by STC for each consignment on a cost plus basis. A small volume is also sold on the local market as Kerosene.

Fuel Oil



STC imported 45,658 MT of Fuel Oil 180 CST Catalytic Cracked (CC) for sale to oil companies and 271,971 MT of Fuel Oil 180 CST SR and 380 CST SR for direct sales to CEB.

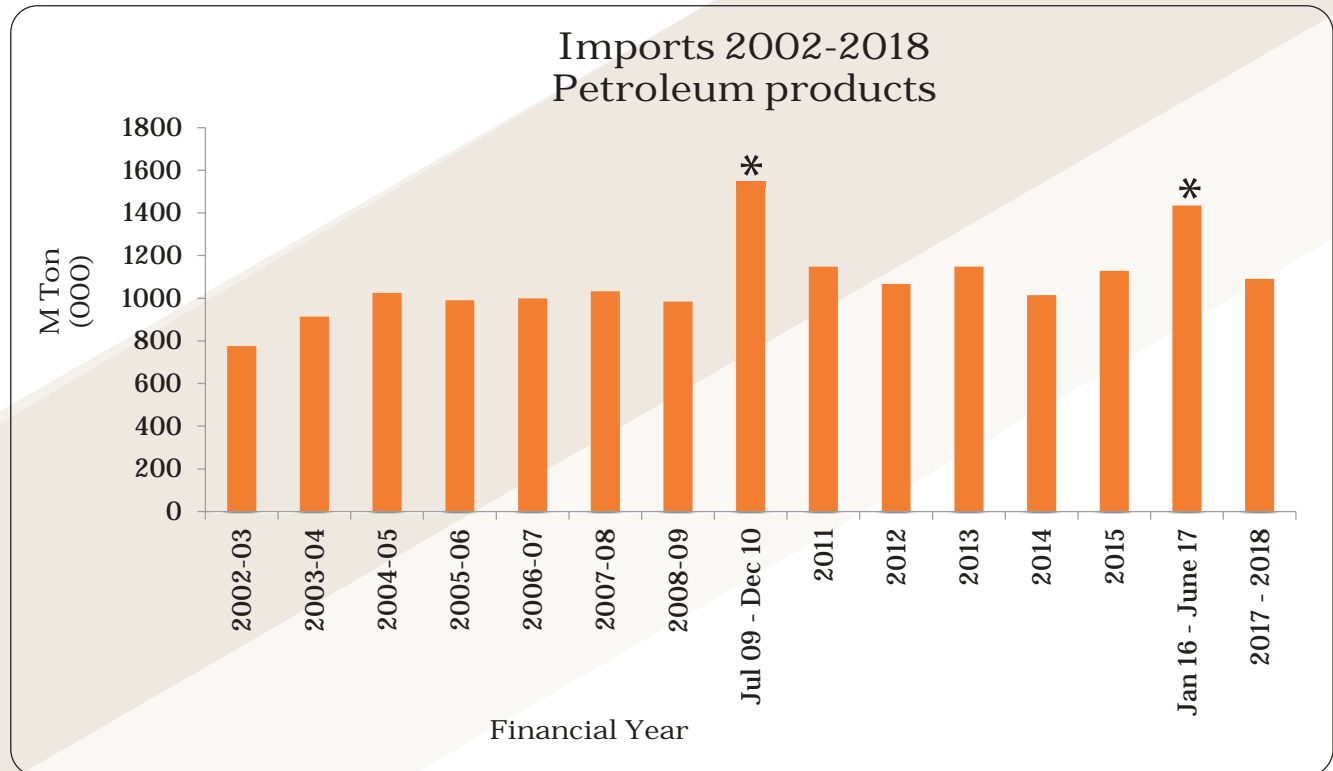
About 55% of Catalytic Cracked Fuel Oil 180 CST CC is sold on the local market for industrial purposes and the remaining 45% is sold for bunkering of vessels. The selling price of Fuel Oil for both inland and international trade is fixed by STC for each consignment on a cost plus basis.

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

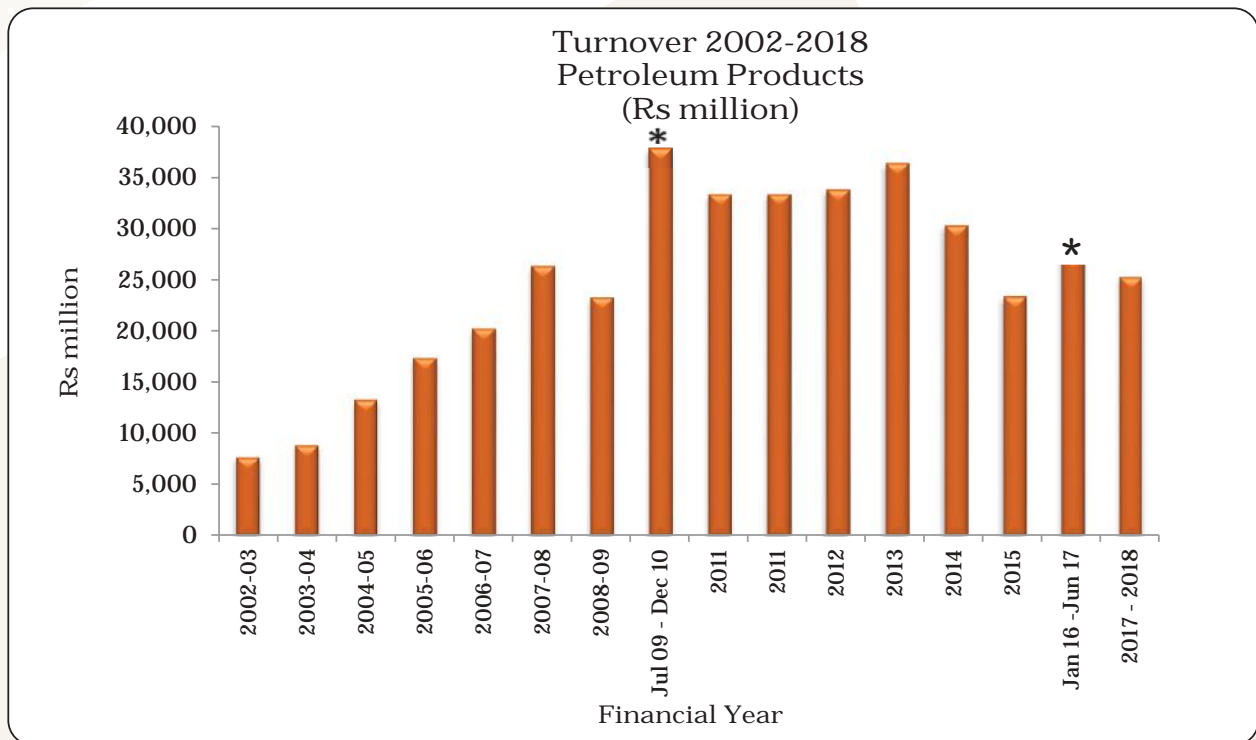
Today's new vessels with high speeds and perishable cargo cannot afford, and indeed do not need to wait and stand in queue to refuel at the Suez Canal bottleneck. Moreover, they cannot afford to bypass a refueling hub altogether as this would imply stocking higher quantities of fuel at the expense of more valuable cargo in their hold. Mauritius is a viable port of call for refueling vessels, resting their crew, allowing them to go onshore and to stock up on fresh water and fresh food. This, in turn, would also have a multiplier effect on consumption in the island economy.

STC plays a critical role in this development, as we are the importer and supplier of Petroleum Products in Mauritius. At the same time, we strongly support the Government's initiative to liberalise the Bunkering market – expert players that are engaged in the supply of oil to ships are best placed to tap into the opportunities arising from the development of Port Louis as a major refueling hub for maritime traffic.

The graphs below show quantity imported and Turnover per product for period 2002 to 2018:



*18 months



*18 months

Long Grain White Rice (LGWR)

STC imports basic long-grain white rice of about 20,000 MT per annum to meet popular demand representing about 20% of the market which is otherwise liberalized and occupied mainly by various luxury or premium varieties.

Rice is procured on the world market after periodic Requests for Quotations (RFQ) attracting a large number of offers. Since prices of Rice on the world market are volatile, it was to the disadvantage of STC to lock on prices for long term contract. In order to benefit from the fluctuation of prices on the world market, STC started purchasing rice, as from January 2010, in small lots through Request for Quotation (RFQ).

This process allows STC to benefit from full market play and obtain better quality at lower prices than it previously obtained by annual tenders.

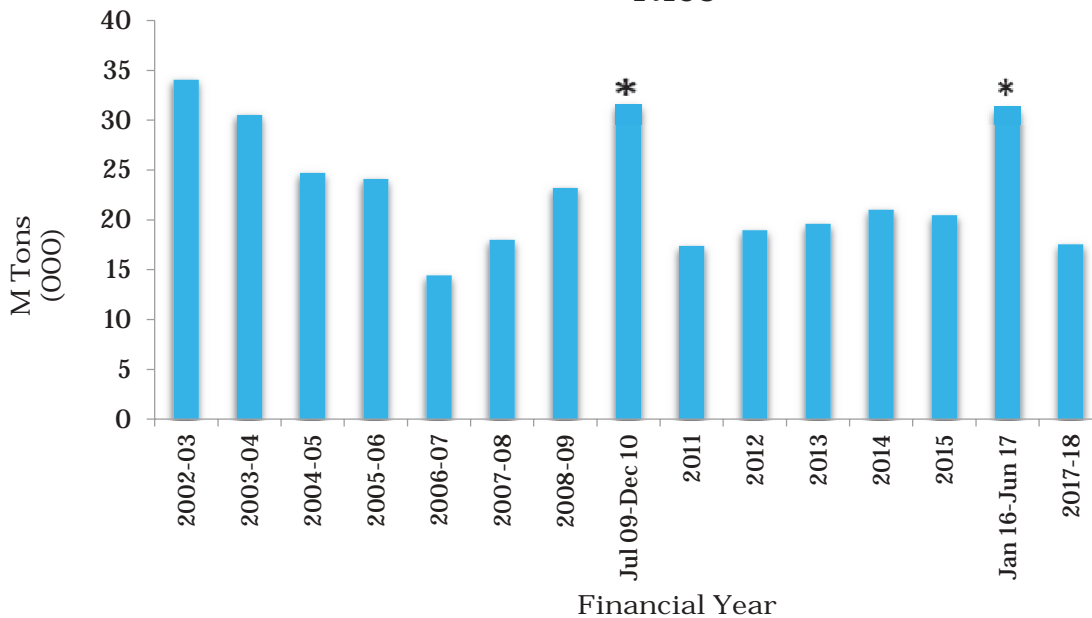
Furthermore, being a socially responsible organisation, STC aims at ensuring that STC's Long Grain White Rice (LGWR) is widely available throughout the Republic of Mauritius at regulated prices. Constant improvements have been made in the quality of LGWR imported by STC during the last two decades, whereby the percentage broken which was 25% in the year 2000, has been brought down to less than 5%.

Rice is sold to wholesalers for retail at a heavily subsidized price that has remained unchanged since July 2006 as provided in the Consumer Protection (Price and Supplies Control) Act. However, as consumers were not benefitting from the improved quality at subsidised prices, STC embarked on a project ensuring that LGWR is widely available throughout the Republic of Mauritius at regulated prices. To this end, Private packers / distributors with proven experience in the field with strong distribution network, have been hired for this project. The implementation of this project has resulted in:

- Increased visibility of the STC's LGWR on the market at regulated retail prices;
- More proximity to consumers;
- Better quality control; and
- More trust of consumers on STC's products and services.

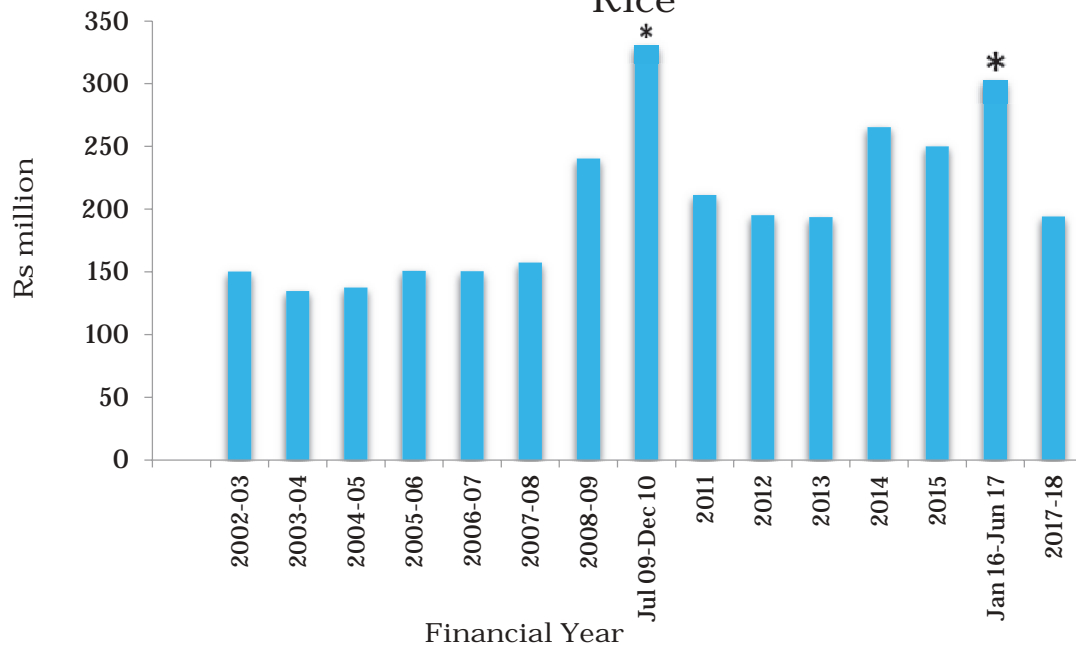
The sale of Ration rice was 20,218 MT (including 4,368 MT for Rodrigues) for the Financial Year ended 30 June 2018. As the selling price of Ration Rice imported by STC is fixed by Government at a lower price than the cost price, STC has incurred a shortfall of MUR 116.8 million for this period. The retail price of ration rice was fixed in July 2006 at MUR 5.40 per half kg.

Imports/Purchases 2002-2018 Rice



*18 months

Turnover 2002-2018 Rice



*18 months

Importation of Basmati Rice

In January 2014, the Corporation started importing Basmati Rice. The objective of the Corporation is not to make profit, or to take over the market from traders, but to protect the consumers by avoiding an increase in retail price and at the same time, assuring quality Basmati Rice to meet acceptable standard. For the Financial Year ended 30 June 2018, STC has sold around 205 MT of Basmati Rice.

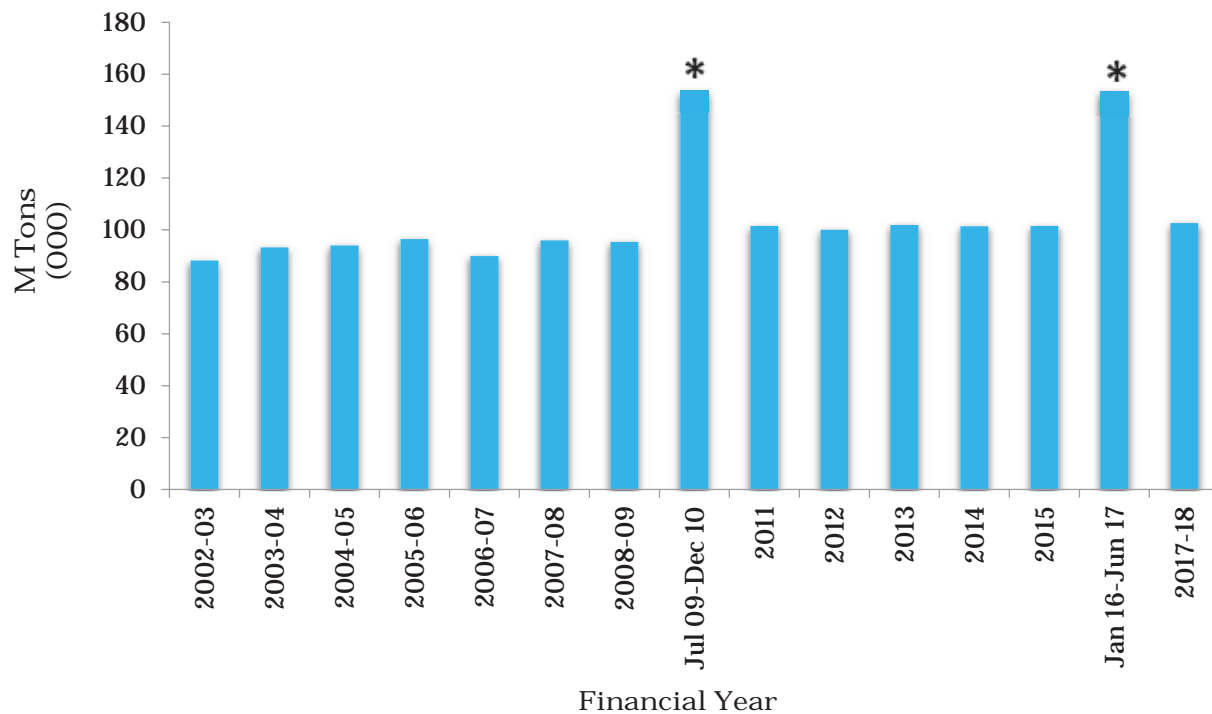
Flour

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

STC supplies the market with around 100,000 MT of Wheat Flour yearly. Wheat Flour remains the main staple food other than rice. Efforts are currently underway to sensitize the market to the benefits of shifting eating habits from refined white Flour to the more nutritious Brown Bread Flour which is now also offered at similarly subsidized prices despite the initially low demand volumes.

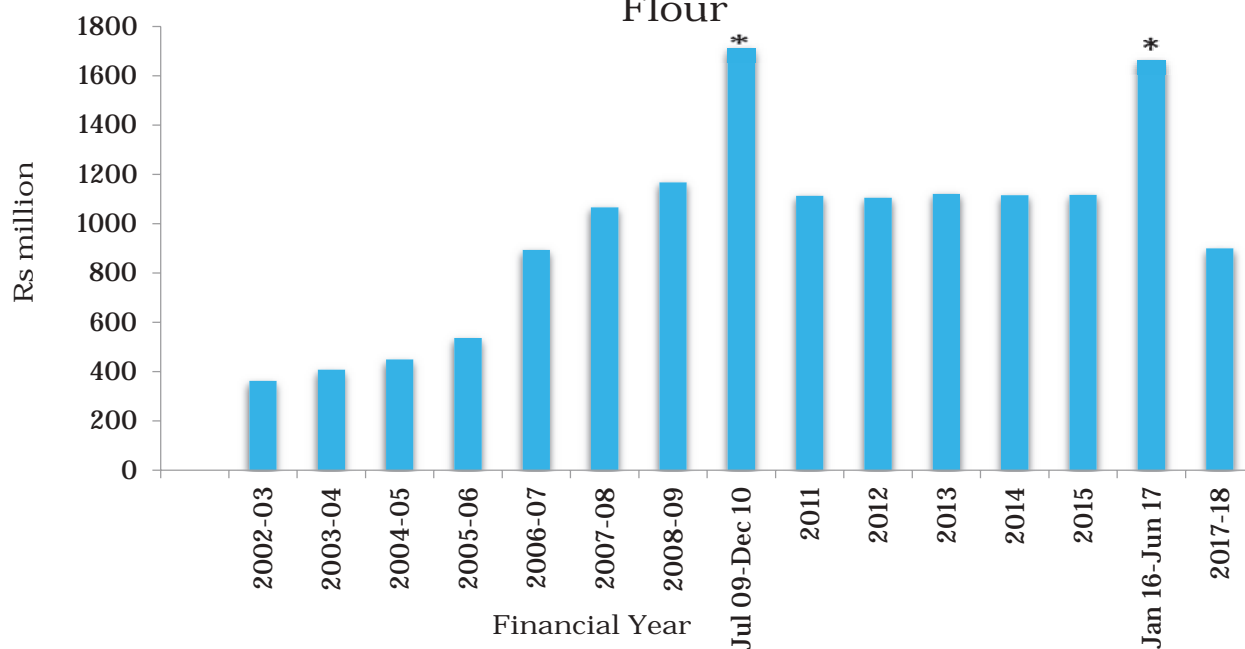
In order to ensure good quality of Flour is delivered to consumers, STC regularly tests the Flour at Mauritius Standard Bureau (MSB). Baking tests are also carried out in bakeries wherever required. The sale of Flour amounted to 102,134 MT (including 2,100 MT for Rodrigues) for the Financial Year ended 30 June 2018. The contract for the procurement of Flour for the year was allocated to LMLC. The retail price of Flour is also controlled by Government and has been fixed at MUR 5.85 per half kg since 22 December 2008 and was revised to MUR 4.85 per half kg on 9 June 2017, following Government budgetary measure. During this period, STC has incurred a shortfall of MUR 409.0 million on Flour.

Imports/Purchases 2002-2018 Flour



*18 months

Turnover 2002-2018 Flour



*18 months

Though Wheat Flour and Rice comprise only 3.3% of our annual turnover, these commodities are critical from an economic perspective as we provide for nearly 100% of the Wheat Flour and as much as 20% of the Rice being traded in Mauritius.

STC thus executes Government policy aimed at keeping the market fully supplied in those two basic staple foods namely Rice & Flour within reach of the whole population at low prices.

Liquefied Petroleum Gas (LPG)

In 2002, the Government decided that there should be public intervention in the LPG market. The Corporation was instructed by the Government to take over the country's total requirements of 47,000 MT from the existing importers as from 2003.

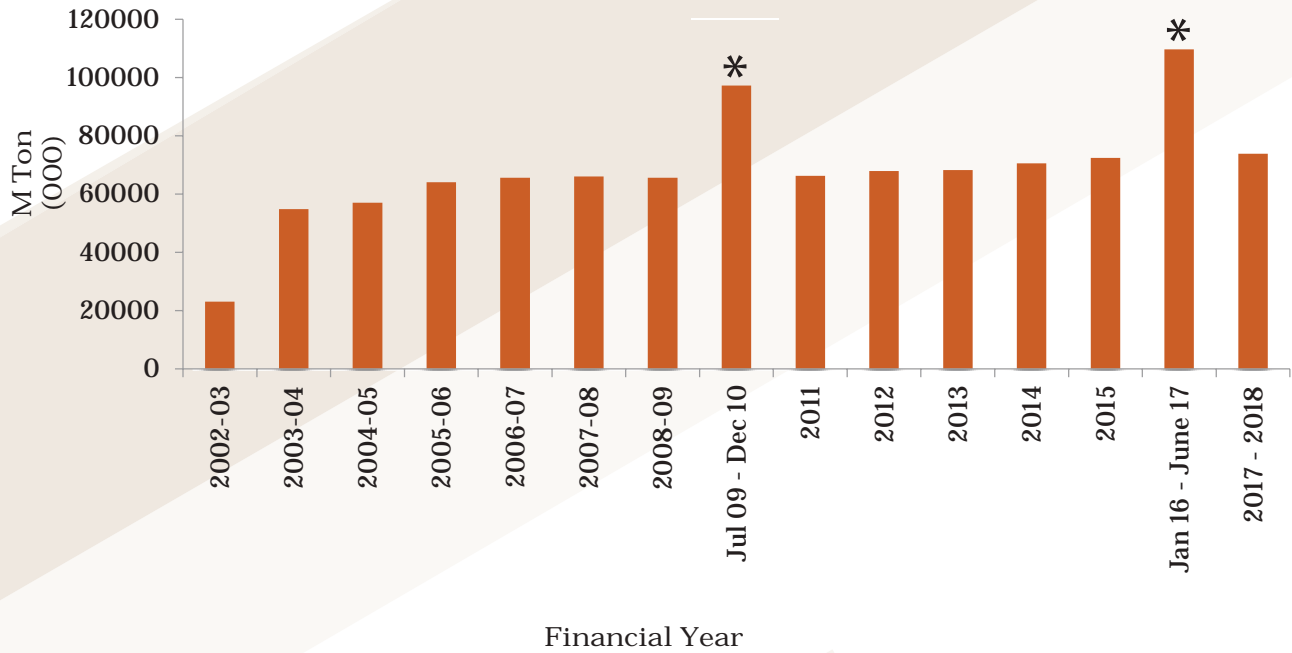
Currently, STC procures and supplies about 75,000 MT of LPG to meet the domestic and industrial demand of Mauritius. LPG represents the main source of cooking and water-heating for 98% households and the retail price is heavily subsidised for 5, 6 and 12-kg bottles destined for domestic use.

As from February 2006, a dual pricing policy is being implemented for LPG. About 75% of the annual import is sold in cylinders. The retail price of cylinders of 5 kg, 6 kg and 12 kg destined for domestic market is fixed by Government. The sale of LPG for the Financial year ended 30 June 2018 amounts to 73,795 MT on which a shortfall of MUR 348.6 million has been incurred.

The price of LPG sold for auto gas and in cylinders above 12 kg for non-domestic purpose is reviewed on a monthly basis by STC on a cost plus margin basis.

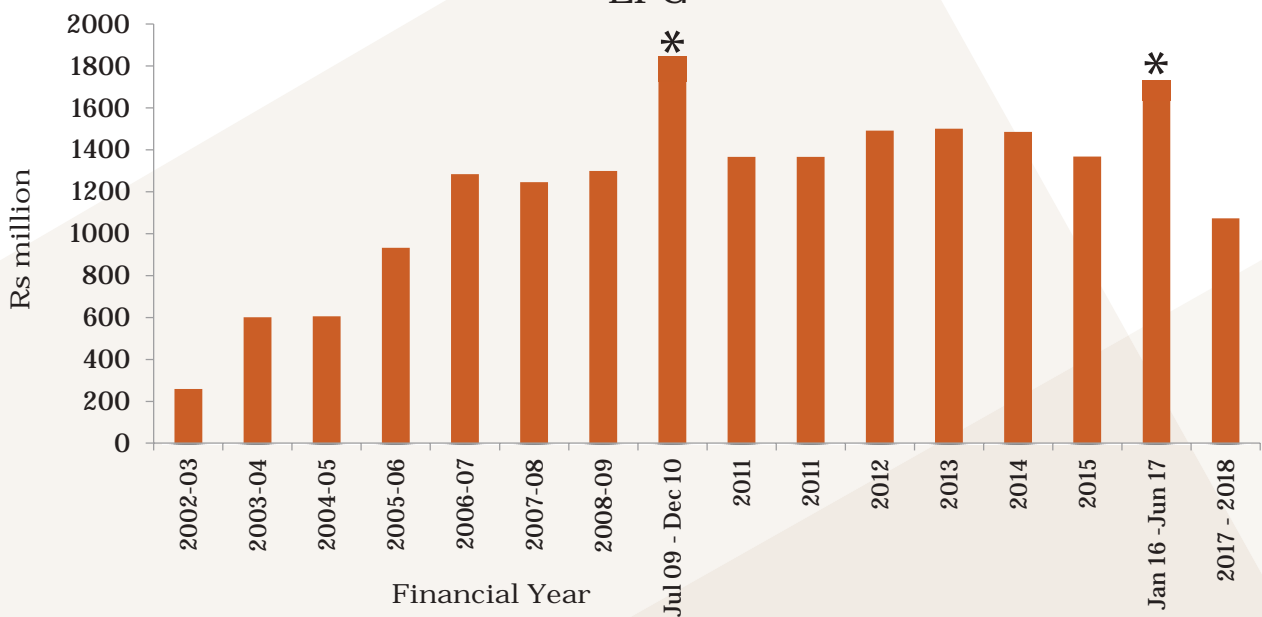
All storage tanks for LPG are owned and managed by private companies. Storage capacities are also limited with regard to demand of the country. However, STC closely monitors stocks to avoid any stock out situation.

Imports 2002-2018 LPG



*18 months

Turnover 2002-2018 LPG



*18 months

Our Stakeholders

1. MRPL – Petroleum Products

MRPL is a subsidiary of Oil and Natural Gas Corporation Limited (ONGC), a premier Public Sector Enterprise of the Government of India.

2. LMLC – Wheat Flour

Launched in 1989, Les Moulins de la Concorde Ltée is the only local miller and has 16 silos representing a total wheat-stocking capacity of 40,000 MT, overlooking the harbour. It has been supplying flour to STC since its creation.

3. Petredec Limited- LPG

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

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

- Vivo Energy Mauritius Ltd
- Total (Mauritius) Ltd
- Engen Petroleum (Mauritius) Ltd
- Indian Oil (Mauritius) Ltd

5. Wholesalers Association

6. Bakers Association

Banking Services

Barclays Bank Mauritius Ltd

Barclays House
68-68A, Cybercity
Ebene

SBM Bank (Mauritius) Ltd

State Bank Tower
1 Queen Elizabeth Avenue
Port Louis

AfrAsia Bank Ltd

5th Floor NeXTeracom Tower III
Ebene

MauBank Ltd

Bramer House
Ebene Cybercity
Ebene

Standard Bank (Mauritius) Ltd

Level 9, Tower A,
1 Cybercity
Ebene

SBI (Mauritius) Ltd

7th Floor
SBI Tower
MindSpace
45, Ebene Cybercity
Ebene

Bank of Mauritius

Sir William Newton Street
Port Louis

Mauritius Commercial Bank Ltd

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

Banque des Mascareignes

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

Bank of Baroda

Bank of Baroda Building
Sir William Newton Street
Port Louis



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