2014 Annual Report





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STC at a Glance

CORPORATE VISION

To be the undisputed leader and the benchmark Trading Organisation within the Indian Ocean region, specializing in the Import and Distribution of basic and essential commodities including, but not limited to, Foodstuff, Construction Materials and Petroleum Products.

CORPORATE MISSION

Products/Services Aspect

To ensure the continuous supply and provision of, but not limited to foodstuff, construction materials and petroleum products, competitively and backed with added value services based on STC Act 1982 with amendments.

Customer/Consumers Aspect

As a socially responsible organisation, we shall efficiently and effectively distribute the basic and essential commodities that meet national needs and international trading challenges while continuously enhancing our trade relationship with customers and consumers.

Geography

Our supply of basic and essential commodities shall mainly cover Mauritius and its Outer Islands but will seek export opportunities to neighbouring countries of the Indian Ocean region.

Technology

To make full use of IT/ICT equipment means, methods and techniques to transform STC into an IT based operating organisation with a well established International network and be a global trading platform.

Human Capital

To continue foster a team-oriented work environment that enhances employees' morale, expands opportunities for career growth and empower personnel through adequate capacity building and manage talents to unleash potentials.

QUALITY POLICY

In line with the STC Act 1982, our Organisation shall fully commit itself in the continuous supply of Foodstuffs, Construction Materials, Petroleum Products and any such commodities that shall meet the needs and expectations of the nation and the region.

Message from the Chairman

I have the pleasure to submit the Annual Report of the State Trading Corporation (STC) for the year 2014.

Strong governance and transparent reporting are critical to the long-term creation of value. STC Staff commitment to corporate governance best practices plays a key role in managing our risks and opportunities and in maintaining the trust of our stakeholders.

The change process is in motion and is also part of the adaptation of STC to new world and national challenges.



Dr R Bheenick
Chairman

Report from General Manager

I am pleased to submit the Annual Report of the State Trading Corporation (STC) for the year 2014.



R Dhaliah
General Manager

Corporate Governance

The purpose of setting up the State Trading Corporation (STC) as a para-statal body was to provide the Corporation with the commercial freedom that it requires while trading in a global business environment and which has become more complex and aggressive. 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 have been embedded in the business policies, procedures and practices.

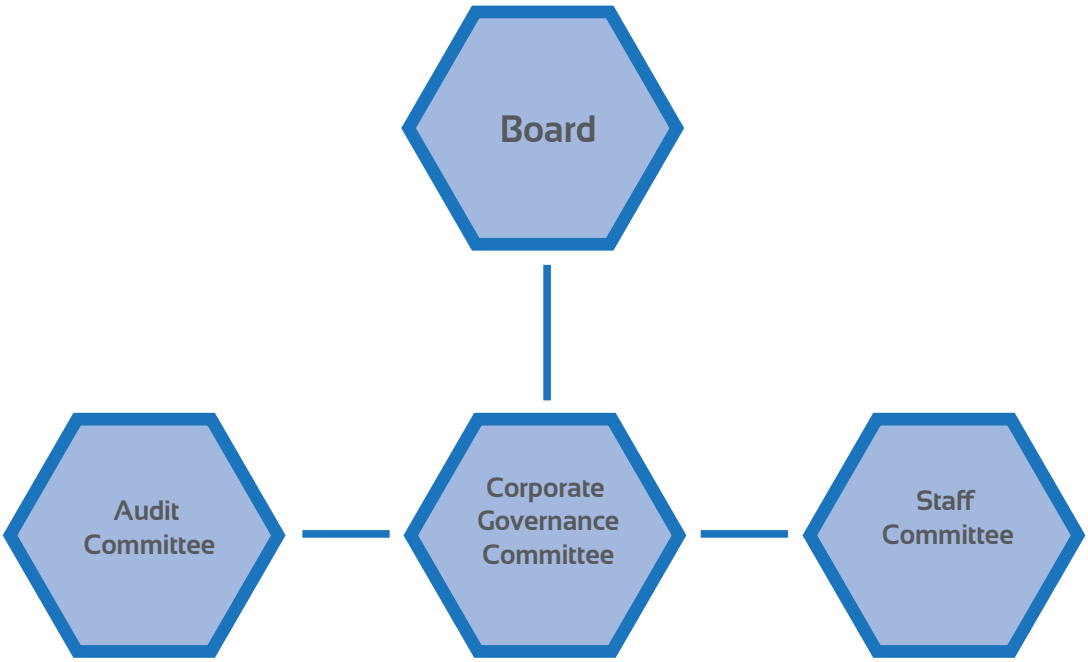
An integrated approach to Governance has been adopted that balances economic and social goals and between individual and communal goals. The governance framework is to promote efficient use of resources but equally providing greater accountability for the stewardship of those resources.

We believe in the emerging consensus of high standard of Governance that is required to achieve the objectives but without being detrimental to the interest of other stakeholders of the Corporation, inter-alia customers, creditors, suppliers, employees and the Government.

Reporting Structure

The Corporation has a Unitary Board, headed by a Chairman with eight members constituting of representatives of different Government Ministries/Departments as well as members nominated by the Minister.

To enable the Board to give closer attention to important issues facing the Corporation, three sub-committees have been created.



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

Audit Committee

TThe role of the Audit Committee is to oversee the internal and external financial reporting issues, including internal control over reporting and relationship with auditors.

During January to December 2014 the members of the Audit Committee were:

1. Mr. C. Rogbeer (Chairman)
2. Mr. I. Bonomaully
3. Mrs. T.A. Mudhoo
4. Mr. A.F. Poinoosawmy *(up to June 2014)*

The Committee met 3 times during the year 2014 to review the internal and external audit reports. Recommendations made, have as far as practicable been implemented forthwith by Management.

Corporate Governance Committee

The Committee was set up on 20 June 2012. There was no meeting of this Committee during the year 2014.

For the year 2014, the members of the Corporate Governance Committee were:

1. Mr. Eric Ng Ping Cheun (Chairman)
2. Mr. F. Chuttan
3. Mr. D. Gopaul
4. Dr. S.M.H. Naujeer

Staff Committee

The role of the Staff Committee is to provide an efficient mechanism for the selection and appointment process of officers of the Corporation.

The following were the members of the Staff Committee for year 2014:

1. Mr. F. Chuttan
2. Mr. A.K.F. Lan Hing Choy
3. Mr. A.F. Poinoosawmy (*up to June 2014*)
4. Dr. S.M.H. Naujeer

During the year 2014, the Staff Committee met once.

Board Roles

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, i.e. no conflict of interests and as well contribute constructively to Board decision with their well considered 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

During the year 2014 the Board has met 11 times. Board was chaired by Mr. Eric Ng Ping Cheun.

Major decisions were taken on:

1. Procurement of strategic products of national importance namely, Petroleum Products, Rice, Flour and LPG
2. Financing structures of Working Capital
3. Intervention into New products

Board Meeting and Sub-Committees

The members of the Board and Sub-Committees for the year ended 31 December 2014 were as follows:

Name	Board	Audit Committees	Corporate Governance Committee	Staff Committee
Mr. Eric Ng Ping Cheun	⬢		⬢	
Mr. F. Chuttan	⬢		⬢	⬢
Mr. I. Bonomaully	⬢	⬢		
Mrs. T. A. Mudhoo	⬢	⬢		
Mr. D. Gopaul (up to January 2014)	⬢		⬢	
Mr. R. Mungur (as from February 2014)	⬢	⬢		
Mr. C. Rogbeer	⬢	⬢		
Mr. A.K.F. Lan Hing Choy (up to December 2014)	⬢			⬢
Mr. A.F. Poinoosawmy (up to June 2014)	⬢	⬢		⬢
Dr. S.M.H. Naujeer	⬢		⬢	⬢

Remuneration of Members

The amount paid as Directors fees during 2014 were:
Chairman: Rs 531,000
Board Members: Rs 716,280

Risk Management

An Enterprise Risk Management Framework is in place to manage risks in the Corporation.

Attendance

Attendance of members of the Board and Sub-Committees for the year ending 31 December 2014 was as follows:

Name	Board	Audit Committees	Staff Committee
Total Number of Meetings	**11**	**3**	**1**
Chairperson			
Mr. Eric Ng Ping Cheun	11		
Mr. F. Chuttan Mrs. P. Rampadaruth (in replacement)	10 1		1
Mr. I. Bonomaully	10	3	
Mrs. T. A. Mudhoo	8	3	
Mr. R. Mungur (as from 20 February 2014) Mrs. P. Aujeet (in replacement)	10 1		
Mr. C. Rogbeer	9	3	
Mr. A.K.F. Lan Hing Choy (up to December 2014) Dr. S.M.H. Naujeer Mr. A.F. Poinoosawmy (up to June 2014)	4 2 3		1 Nil 1

Director's Profile



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 organizations.



Eric Ng Ping Cheun

Chairperson (up to December 2014)

Mr. Eric Ng Ping Cheun, Economist.
Mr. Eric Ng Ping Cheun was appointed on the Board of STC on 27 April 2012. He is the Managing Director of *Pluriconseil*, a consultancy firm offering a wide range of customized services.

He has served the following organisations:

(i) Chairman of the Board of Directors of *First City Bank* (renamed *Bank One*) from November 2005 to February 2008.
(ii) Chairman of the *Development Bank of Mauritius* from January 2009 to July 2010.
(iii) During that period, he also served as a non-executive director of *State Insurance Company of Mauritius* (SICOM) and of *Airports of Mauritius Ltd*.
(iv) He had been an Advisor at the *Ministry of Finance* in the year 2000.



Fareed Chuttan

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.



Ishwarlall Bonomaully, FCCA, MSc Finance (UOM)

Lead Analyst, 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.

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)

Radhamohun Mungur, B.Tech (Hons), MBA

Chief Planner, Ministry of Energy & Public Utilities

Mr. R. Mungur was appointed on the Board on two occasions:

- From 24 September 2003 to 30 September 2006
- From 20 February 2014 to 30 November 2015

Mr. Mungur started his career in the Energy Services Division in 1991 and joined the Ministry of Energy and Public Utilities in 1999. He is also assuming the duties of Director of the Energy Efficiency Management Office.

He has also been a member on the following Boards:
Wastewater Management Authority
Radiation Protection Council
Building Control Advisory Council



Chandradutt Rogbeer, ACA, ACMA, CILT

Corporate Auditor, Mauritius Ports Authority

Mr. C. Rogbeer was appointed on the Board of STC as representative of Mauritius Ports Authority since September 2008.

Mr. C. Rogbeer is a Chartered Accountant of the Institute of Chartered Accountants of England and Wales (ICAEW).

He is equally a member of the Chartered Institute of Management Accountants (CIMA), UK. Prior to joining the Mauritius Ports Authority (MPA) in 1993, he worked with the National Audit Office. He is presently the Corporate Auditor at the MPA.

He is also a Director on the Rodrigues Trading and Marketing Co as Representative of STC.



Tej Asha Mudhoo, Diploma in Management (Public Administration & Management); BSc (Hons) Management (Public Administration & Management); MBA (HRM)

Deputy Permanent Secretary, Ministry of Agro Industry & Food Security.

Mrs. T.A. Mudhoo was appointed on the Board of the STC as representative of the Ministry of Agro Industry & Food Security since May 2012.

She has served in several Ministries among others:

(i) Ministry of Social Security, National Solidarity & Reform Institutions
(ii) Ministry of Foreign Affairs, Regional Integration and International Trade
(iii) Ministry of Training, Skills Development and Productivity
(iv) Ministry of Labour, Industrial Relations & Employment
(v) Ministry of Education and Human Resources

Mrs. Mudhoo is a member of the Board of the Agricultural Marketing Board (AMB) and of the Food and Agricultural Research and Extension Institute (FAREI). She has also chaired the National Ramsar Committee and the Nature Reserves Board and has served as Member on, *inter alia*:

(i) The Construction Industry Development Board;
(ii) The Industrial and Vocational Training Council;
(iii) The National Productivity and Competitiveness Council;
(iv) The ex-DWC Board; and
(v) The School Management Committee of the IVTB School of Design.



Kang Foong LAN Hing Choy

Independent Member (up to December 2014)

Mr. Kang Foong LAN Hing Choy was appointed on the Board of STC as an Independent Member since 30 August 2006 and as a member of the Staff Committee.

Arnaud Francesco Poinoosawmy

Independent Member (up to June 2014)

Mr. A.F. Poinoosawmy was appointed on the Board of STC as Independent Member since May 2012.

Dr. Mohammad Swale Hoossen Naujeer

Independent Member (up to December 2014)

Dr. M.S.H. Naujeer was appointed on the Board of STC as Independent Member since May 2012.

He is a private medical practitioner and has his cabinet in Montagne Blanche. Dr. Naujeer had been the Chairman of the Sugar Industry Labour Welfare Fund Board from 2004 to 2005.

Management Profile



Rajanah Dhaliah

General Manager (as from 1st July 2015)

Mr. Dhaliah started his career as a Lubricant Sales Engineer with Shell Mauritius Ltd in 1990. Since then, he kept moving up the ladder in the same field to become Business to Business Manager for Vivo Energy Ltd. During a career spanning over nearly two decades in the energy sector, he has spearheaded numerous projects for Mauritius and the African region. He has also been a member of MEXA (Mauritius Export Association) Quality Academy and an examiner for the National Quality Award.

Mr. Dhaliah is a Registered Professional Engineer with the Mauritius Council of Registered Professional Engineer and he also has an MBA from the University of Mauritius. Since joining the STC last year, 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 team.

He is also currently leading his management team in drafting a 3-year Strategic Plan for the Corporation.



Megh Pillay, C.S.I.K. BSC (Hons) MSc

General Manager (up to March 2015)

Mr. M. Pillay joined the STC in August 2010. Alumni of the Louisiana State University at Baton Rouge, USA, Megh Pillay previously occupied senior leadership roles in various sectors, notably, as Managing Director of Air Mauritius Ltd, Chief Executive of Mauritius Telecom Ltd and General Manager of the Agricultural Marketing Board, with a track record of significant achievements in the respective sectors. He has also served as Director (Corporate Affairs) of the Financial Services Commission of Mauritius.



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.



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.

R. O. Phoolchund, BSc (Hons), MSc
Commercial Manager

Mr. R. Phoolchund joined STC as Commercial Manager in September 2009. He has held several key positions at the Mauritius Export Development & Investment Authority, Board of Investment, Business Parks of Mauritius Ltd and in International Consultancy Organisations. He left the Corporation in March 2014.



Iqbal Peermamode, MBA Charles Sturt University (Australia)
Business Development Manager

He joined STC in February 2011 to review the Corporate HR strategies and Industrial relations and to provide direct assistance to the General Manager. Prior to joining the STC, Mr. Peermamode was initially Head of Technical Team at Mauritius Telecom. Thereafter, he specialized in HR and strategic management. As Head of HR Division at MT he successfully implemented Salary Review Exercise 2000/2004 and HR Strategic plan for years 2004 – 2008. He was also a Consultant in HR strategic planning, Industrial Relations and Training & Development for the Infinity Group and Manjoo Group of Industries.

J M Tuyau, BSc (Hons) Computing and Information Systems
IT Manager

Mr. J M Tuyau joined the Department of Supplies in October 1981 as Assistant Supplies Officer. He was appointed as Accounts Clerk in STC in July 1986 and promoted Accounts Officer in December 1992. He was then appointed System Analyst in March 2004. As from June 2008 he holds the post of IT Manager. He retired in March 2014.



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 has been restyled as Audit Manager.



C. Domingue, BSc (Hons) Accounting
Assistant Risk & Treasury Manager

Mrs Domingue joined the Department of Supplies in May 1971 as Clerical Officer. She was appointed Senior Accounts Officer in February 1985 and Risk Management Officer in November 2004, in STC. She was promoted to Assistant Risk and Treasury Manager in May 2009. She retired in June 2014.



R. Gungoo

Human Resource Manager, BA (Hons), MBA

Mr. R. Gungoo holds a BA Honours and an MBA with specialization in Human Resource Management. In addition he holds a:

(i) Diploma in Social sciences;
(ii) Diploma in Human Resource Management;
(iii) Diploma in Journalism;
(iv) Diploma in Public Relations; and
(v) Post-graduate Diploma in Quality Management

He is presently a Director of the MEF CSR Fund, Treasurer of the Association of Human resource professionals and a Board Member of the National Pensions Fund. He is a certified MQA trainer in the field of Management and has participated in several seminars, workshops and conferences on a number of themes both locally and abroad.

Prior to joining the STC in January 2010 as Human Resource Manager, he reckoned over 10 years experience at managerial level in the field of HR and Industrial relations.



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.



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 has been restyled as Assistant Financial Manager.



K. Ramdenee, FCCA

Assistant Financial 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.



Balram Asyrigadoo,

Acting as Officer-In-Charge of Commercial Division

Mr. Balram Asyrigadoo joined the Civil Service as Postal Officer at the General Post Office in June 1972. He then shifted to Department of Supplies as Assistant Supplies Officer. He Joined STC in August 1985 as Trade and Marketing Officer. Acting as Officer-In-Charge of Commercial Division since June 2009.

He possesses Higher Stage of LCCI in Accounting, Marketing and Shipping and Certificates in International Oil and Futures Trading, Communication Skills, Public Procurement and Pratique du Commerce International par les organismes de Commerce d'Etat.



A.P. Vythelingum

Acting Secretary Board

Mr. A.P. Vythelingum joined the STC in March 1990 as Clerical/Higher Clerical Officer and was successfully promoted to the grades of Executive Officer, Higher Executive Officer and Administrative Assistant.

He holds a Diploma in Public Administration and Management from the University of Mauritius.

He is Acting Secretary of the Board of STC from end 2006.



Georges Clency Pompon

Chief Supplies & Sales Officer

Mr C. Pompon joined the Department of Supplies as Tally Clerk in May 1972 and worked as Store Clerk in September 1973. He was appointed as Supplies Officer in June 1976 and promoted as Higher Supplies and Sales Officer in September 1988. In October 1995 he was appointed Senior Supplies and Sales Officer and promoted as Principal Supplies and Sales Officer in March 2006.As from January 2013 he has been acted as Chief Supplies and Sales Officer. He was appointed Chief Supplies and Sales Officer in May 2014.

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 profit or loss and cash flows for that period;

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

Adequate accounting records and an effective system of internal controls and risk management have been maintained;

Appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;

Applicable accounting standards have been adhered to;

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 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 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 code of Corporate Governance has been adhered to.

"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 January to 31 December 2014

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 Codes of Corporate Governance.

Signed by:



Dr R Bheenick
Chairman



I Bonomaully
Board Member

Report of the Director of Audit

NATIONAL AUDIT OFFICE

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

Report on the Financial Statements

I have audited the accompanying financial statements of the State Trading Corporation, which comprise the statement of financial position as at 31 December 2014, the statement of profit and loss and other comprehensive income, statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and in compliance with the 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Arbitration

At Note 26 to the financial statements, it is reported that on 27 November 2009, the Corporation has entered into a 15 year agreement with a private company for the transportation of petroleum products. The private company has challenged the decision of the Corporation not to avail its services since February

2015 and submitted a claim of US$ 176,345,494 plus interest, legal fees and costs. The claim is in dispute and has been referred to arbitration. However, I have not received any independent confirmation from the Legal Advisers of the Corporation as regards the arbitration and any claims involved.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the State Trading Corporation as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Management's Responsibility

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 entity's expenditure and income have been applied for the purposes intended by the legislature. 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 qualified opinion.

Statutory Bodies (Accounts and Audit) Act

The financial statements for the year ended 31 December 2014 were received at my Office on 30 March 2015. Following examination of the financial statements, a few amendments had to be made. The amended financial statements were submitted on 3 November 2015.

In my opinion, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the Statutory Bodies (Accounts and Audit) Act.

Public Procurement Act

The State Trading 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.

As for the procurement for the transportation of petroleum products, with effect from 2 July 2009 following the amendment to the Public Procurement Regulations 2008, the Corporation is an exempt organisation. It is excluded from the application of the Act for contracts for "goods purchased for resale, including services incidental to the purchase or distribution of such goods". The Legal Advisers of the Corporation were of the view that the amendment to the Regulations does not exempt the Corporation from the application of the Act with regard to procurement for the transportation of petroleum products. This issue is related to the "Basis for Qualified Opinion" paragraph in the "Report on the Financial Statements" above.

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

The 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 Corporate Governance 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

06 November 2015



Financial Statements

Statement of Financial Position as at 31 December 2014

	Notes	2014 Rs	2013 (Restated) Rs
ASSETS			
Non Current Assets			
Property, Plant and Equipments	5	18,745,398	15,881,762
Freehold Land and Building	6	19,428,830	19,695,435
Intangible Assets	7	6,995,397	10,311,893
Investment in Associate	8	1,200,925	1,200,925
Other Investment	8	1,125,760	1,125,760
Total Non Current Assets		**47,496,310**	**48,215,775**
Current Assets			
Inventories	9	121,227,618	71,621,758
Trade and Other Receivables	10	3,554,201,839	7,299,098,599
Cash and Cash Equivalent	11	2,779,901,916	1,571,570,333
Total Current Assets		**6,455,331,373**	**8,942,290,690**
TOTAL ASSETS		**6,502,827,683**	**8,990,506,465**
EQUITY AND LIABILITIES			
Capital And Reserves			
Share Capital	12	400,000	400,000
Retained Earnings	13	1,580,511,286	1,180,011,286
Total Equity		**1,580,911,286**	**1,180,411,286**
NON-CURRENT LIABILITIES			
Employee Benefit Obligations	14	62,172,643	58,621,797
CURRENT LIABILITIES			
Trade and Other Payables	15	3,752,728,486	5,381,390,921
Short Term Borrowings	16	1,097,515,814	2,272,898,754
Pension Liability	14	9,499,454	97,183,707
Total Current Liabilities		**4,859,743,754**	**7,751,473,382**
Total Liabilities		**4,921,916,397**	**7,810,095,179**
TOTAL EQUITY AND LIABILITIES		**6,502,827,683**	**8,990,506,465**
No of Shares		40,000	40,000
Net Value of Asset per Share		**39,523**	**29,510**

Notes 1 to 26 form an integral part of these financial statements.

Dr. R Bheenick
Chairman

I Bonomaully
Board Member

Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2014

	Notes	2014 Rs	2013 (Restated) Rs
Revenue	17	**32,298,208,503**	**38,302,267,587**
Cost of Sales	22	(32,236,858,528)	(38,385,444,921)
Gross Profit/(Loss)		**61,349,975**	**(83,177,334)**
Investment Income	18	-	103,184
Interest Income	18	82,138,285	34,527,147
Net Foreign Exchange Gain	19	476,000,441	587,200,056
Administrative Expenses	20	(205,119,839)	(231,116,927)
Interest payable	21	(5,867,062)	(7,903,955)
Operating Profit		**408,501,800**	**299,632,171**
Share of loss in Associate Company	8	-	(375,449)
Profit for the year		**408,501,800**	**299,256,722**
OTHER COMPREHENSIVE INCOME			
Pension Contribution recognized in Income Statement	14	(8,001,800)	(72,290,121)
Total Comprehensive Income		**400,500,000**	**226,966,601**

Statement of Changes in Equity for the year ended 31 December 2014

	Share Capital Rs	Retained Earnings Rs	Equity Rs
Balance as at 31 December 2012	**400,000**	**953,044,685**	**953,444,685**
Surplus for the year 2013-Restated	-	226,966,601	226,966,601
Restated Balance as at 31 December 2013- IFRS	**400,000**	**1,180,011,286**	**1,180,411,286**
Surplus for the year 2014		400,500,000	400,500,000
Balance as at 31 December 2014	**400,000**	**1,580,511,586**	**1,580,911,286**

Statement of Cash Flow for the year ended 31 December 2014

	2014 Rs	2013 (Restated) Rs
CASH FLOWS FROM OPERATING ACTIVITIES		
Total Comprehensive Income	400,500,000	226,966,601
Share of Loss in Associate	-	375,449
Investment revenue recognised in Income Statement	-	(103,184)
Gain/(Loss) on sale or disposal of property, plant and equipment	383,725	(433,026)
Depreciation of non current assets - Note 5	7,904,384	7,616,448
Effects of Exchange Rate changes on the balance of Cash/Lines of Credit held in foreign currencies	(485,452,378)	(518,696,950)
Interest Receivable - Note 18	(82,138,285)	(34,527,147)
Interest Payable - Note 21	5,867,062	7,903,955
	(152,935,492)	**(310,897,854)**
MOVEMENTS IN WORKING CAPITAL		
(Increase)/Decrease in trade and other receivables	3,792,468,301	(2,911,474,111)
(Increase)/Decrease in inventories – Note 9	(49,605,860)	(32,611,366)
Increase/(Decrease) in trade and other payables	(1,624,951,448)	2,902,244,412
Cash generated from operating activities	**1,964,975,501**	**(352,738,919)**
Interest Paid- Note 21	(5,867,062)	(7,903,955)
Net Cash generated from operating activities	**1,959,108,439**	**(360,642,874)**
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	39,222,352	30,220,434
Dividends received	-	103,184
Acquisition of Non Current Assets- Note 5	(7,802,644)	(1,786,183)
Proceeds from disposal of Non Current Assets	234,000	974,783
Payment to Employee Pension Fund	(92,500,000)	-
Net cash (used in)/generated by investing activities	**(60,846,292)**	**29,512,218**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	22,475,866,699	24,029,290,408
Repayment of borrowings	(23,171,373,636)	(22,732,952,484)
Net cash generated from financing activities	**(695,506,937)**	**1,296,337,924**
Net (decrease)/increase in cash and cash equivalents	**1,202,755,208**	**965,207,268**
Cash and cash equivalents at the beginning of the year	1,571,570,333	603,007,586
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	5,576,375	3,355,479
Cash and Cash equivalents at the end of the Financial Year (see below)	**2,779,901,916**	**1,571,570,333**

Notes to Cash Flow

(a) Cash and Cash Equivalents

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

	2014 Rs	2013 Rs
Cash in Hand	221,302	6,182
Cash at Bank	1,329,680,614	1,021,564,151
Short Term Deposit	1,450,000,000	550,000,000
Total	**2,779,901,916**	**1,571,570,333**

The Corporation has borrowing facilities of USD 55 million, out of which there was a balance of USD 34.2 million as at 31 December 2014 and nil is to be used on infrastructure projects.

(b) Property Plant and Equipment/ Intangible Assets

During the year 2014, the Corporation acquired property, plant and equipment and Intangible Assets with an aggregate cost of Rs 7,802,644 of which NIL was acquired by means of capital grants by the Government.

Notes to Financial Statement for the year ended 31 December 2014

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.

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 year 2014 approved by the Board in September 2013 as per statutory requirement, was based on information available at that time. Thereafter, in September 2014, 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.

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 3rd floor, Fon Sing Building, 12, Edith Cavell Street Port Louis, Mauritius. STC is engaged in the importation of essential commodities such as petroleum products, liquefied petroleum gas, cement (until 2011), 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 Financial Reporting Standards (IFRSs). The measurement base applied is historical cost adjusted for revaluations of assets.

Comparative information for the Statements of Financial Position, Profit or Loss and Other Comprehensive Income and Cash Flow have been provided.

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 International Financial Reporting Standards (IFRS) 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.

Notes to Financial Statement for the year ended 31 December 2014

ii) Basis of preparation

The Financial Statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). 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, the International Public Sector Accounting Standards (IPSAS) was adopted for years 2011, 2012 and 2013.

The Statutory Bodies (Accounts and Audit) Act has been further amended in 2013 and requires STC to report under IFRS.
The Corporation has adopted relevant new and revised IFRS that are relevant to its operations for the year 2014.

Adoption of IFRS

STC has started preparing its Financial Statements in accordance with IFRS since 2006. Following changes in the Statutory Bodies (Accounts and Audit) Act in 2010, the Financial Statements were prepared in accordance with IPSAS as from year 2011. Section 18 (e) of the Economic and Financial Measures (miscellaneous provisions) Act 2013 has included State Trading Corporation as a 'Public Interest Entity (PIE)'. As such, STC has prepared its Financial Statements for year 2014 in accordance with IFRS.

Adoption of new and revised standards

In the current year, the Corporation has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 01 January 2014.

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

1. Annual Improvements to IFRS 2010-2012 Cycle;
2. Annual Improvement to IFRS 2011-2013 Cycle; and;
3. IFRS 5 Non Current Asset Held for Sale and Discontinued Operations (1 January 2016);
4. IFRS 7 Financial Instruments: Disclosures (1 January 2015);
5. IFRS 9 Financial Instruments; (1 January 2015);
6. IFRS 10 (Amendment) – Consolidated Financial Statements; (1 January 2016);
7. IFRS 11 (Amendment)Accounting for Acquisitions of Interest in Joint Operations; (1 January 2016);
8. IFRS 12 :Disclosure of Interest in other Entities (1 January 2016);
9. IFRS 13 Fair Value Measurement (Annual periods beginning on or after 1 July 2014);
10. IFRS 14 Regulatory Deferral Accounts; (1 January 2016);
11. IFRS 15 Revenue from Contracts with Customers; (1 January 2017);
12. IAS 1 – Presentation of Financial Statements (1 January 2016);
13. IAS 16 –PPE (Amendment) Clarification of Acceptable Methods of Depreciation and Amortization; (1 January 2016);
14. IAS 19 Defined Benefit Plans; Employee Contribution; (January 2016);
15. IAS 27 (Amendment)- Separate Financial Statement (1 January 2016);
16. IAS 28 (Amendment)- Investment in Associates and Joint Ventures;
17. IAS 34 (Amendment) – Interim Financial Reporting. (1 January 2016);
18. IAS 38- Intangible Assets (Amendment) Clarification of Acceptable Methods of Depreciation and Amortization; (1 January 2016);
19. IAS 41 (Amendment) Agriculture: Bearer Plants; (1 January 2016).

Notes to Financial Statement for the year ended 31 December 2014

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.

The wholly owned Subsidiary company of STC, the STCM Ltd which is still registered with the Registrar of Companies has ceased its operation in May 2010. Thus as there has been no activity during the reporting period, consolidated accounts have not been prepared.

iv) Accounting Period

The Financial Statements for the current period have been prepared for the twelve months ended 31 December 2014 with comparative information for the twelve months ended 31 December 2013.

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

Contribution 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 01 January 2013. The pension plan is managed by

Notes to Financial Statement for the year ended 31 December 2014

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. During 2014 an amount of RS 343,536 has been paid to SICOM for the DC scheme.

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.

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 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.

viii) Other Investments

An investment in subsidiary has been impaired. Where the carrying amount of the investment is greater than its recoverable amount, it is written down to its recoverable amount, and the difference is transferred to the Statement of Profit or Loss.

On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Profit or Loss.

ix) Revenue Recognition

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

In accordance with VAT Act, all products sold by the Corporation during the year 2014 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.

Notes to Financial Statement for the year ended 31 December 2014

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

x) 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:

(i) One year: Rs 17,382,968
(ii) Later than one year and not later than five years: Rs 10,662,826
(iii) Later than five years: Rs 675,000

(a) Total amount of rents recognized in the Statement of Profit or Loss and Other Comprehensive Income in the period –Rs 16,674,846
(b) 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:
- One lease agreement for its administrative block at Edith Cavel Street, Port Louis.
- Two lease agreements for storage of Rice and Flour in the Port Area.
- One lease agreement for a plot of land at Riche Terre.
- One lease agreement for Granary at Port Mathurin, Rodrigues.
- One lease agreement for retail outlet at Rose Hill.

xi) Foreign Currencies

The Organization 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 Income Statement in the period in which they arise.

xii) Property, 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 Rs 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	**20**
Office Equipment and Furniture	**10**
Plant and Machinery	**10**
Building	**2**
Computer System	**20**

Notes to Financial Statement for the year ended 31 December 2014

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 Profit or Loss.

xiii) Intangible assets

Computer software

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.

xiv) 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.

xv) 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.

xvi) Trade Payables

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

xvii) Derivative Financial Instruments

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

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 partly from contribution for subsidy in the price structures of Mogas and Gas Oil and partly from surpluses on sales of other commodities.

Notes to Financial Statement for the year ended 31 December 2014

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:

(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 22.

xxi) Tax

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

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.

a) Credit risk

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

b) Liquidity risk

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

c) Interest rate risk

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

d) 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 advance purchasing of foreign currency.

ii) Entering to some extent Forward Foreign Exchange Contracts.

Notes to Financial Statement for the year ended 31 December 2014

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 to provide for a Petroleum Pricing Committee (PPC). Since January 2011 the retail prices of Mogas and Gas oil are determined by the PPC which has replaced the Certification Committee of the Automatic Pricing Mechanism. With the new 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 realization of income or loss is virtually certain.

As at the reporting date, there are losses or gains, accumulated on sales of Mogas and Gas Oil for Inland Market in the Price Stabilisation Account which is used to absorb any future increase in the retail price.

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.

Notes to Financial Statement for the year ended 31 December 2014

5. Property, Plant and Equipment (PPE)

	Motor Vehicles Rs	Office Equipment & Furniture Rs	Plant & Machinery Rs	Computer Equipments Rs	Total Property, Plants and Equipments Rs
COST					
At 31 December 2013	**8,040,129**	**11,053,065**	**39,272,343**	**11,614,441**	**69,979,978**
Additions	3,988,994	133,650	3,534,000	146,000	7,802,644
Derecognised	-	(3,289,053)	(7,604,782)	(4,194,658)	(15,088,493)
Disposal	(614,701)	-	(695,677)	(55,756)	(1,366,134)
At 31 December 2014	**11,414,422**	**7,897,662**	**34,505,884**	**7,510,027**	**61,327,995**
DEPRECIATION					
At 31 December 2013	**6,607,789**	**8,565,777**	**28,379,327**	**10,545,323**	**54,098,216**
Charge for the year	1,248,409	464,840	2,135,335	472,700	4,321,284
Derecognised	-	(3,228,016)	(7,573,948)	(4,177,416)	(14,979,380)
Disposal	(614,701)	-	(226,095)	(16,727)	(857,523)
At 31 December 2014	**7,241,497**	**5,802,601**	**22,714,619**	**6,823,880**	**42,582,597**
CARRYING AMOUNT					
At 31 December 2013	**1,432,340**	**2,487,288**	**10,893,016**	**1,069,118**	**15,881,762**
At 31 December 2014	**4,172,925**	**2,095,061**	**11,791,265**	**686,147**	**18,745,398**

Note: Other Revenue in the Statement of Profit or Loss and other Comprehensive Income includes an amount of Rs 383,725 as loss on disposal of PPE during the year.

6. Freehold Land and Building

	Building Rs	Freehold Land Rs	Total Freehold Land and Building Rs
COST			
At 31 December 2013	**13,330,259**	**11,107,720**	**24,437,979**
Additions	-	-	-
Disposal	-	-	-
At 31 December 2014	**13,330,259**	**11,107,720**	**24,437,979**
DEPRECIATION			
At 31 December 2013	**4,742,544**	**-**	**4,742,544**
Charge for the year	266,605	-	266,605
Disposal	-	-	-
At 31 December 2014	**5,009,149**	**-**	**5,009,149**
CARRYING AMOUNT			
At 31 December 2013	**8,587,715**	**11,107,720**	**19,695,435**
At 31 December 2014	**8,321,110**	**11,107,720**	**19,428,830**

Notes to Financial Statement for the year ended 31 December 2014

7. Intangible Assets

	2014 Rs	2013 Rs
Software		
COST		
At January 1,	19,489,516	18,262,742
Additions	-	1,226,774
Disposals	-	-
At December 31,	**19,489,516**	**19,489,516**
AMORTISATION		
At January 1,	9,177,623	6,001,246
Charge for the year	3,316,496	3,176,377
At December 31,	**12,494,119**	**9,177,623**
NET BOOK VALUES		
At December 31,	**6,995,397**	**10,311,893**

8. Investments

Name of Company	Country of incorporation	% Ownership	Consideration	2014 Rs	2013 Rs
STCM Ltd	Mauritius	100	Cash	100	100
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	1,200,925	1,200,925
State Property Development Co Ltd (SPDC)	Mauritius	0.06015	Cash	400,000	400,000
Africa Export - Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
At Reporting date				**2,326,685**	**2,326,685**

Note (i) As at 31 December 2014 STC holds 4,000 out of 6,650,000 shares in SPDC.

(ii) As at 31 December 2014 STC holds 10 out of 75,000 shares in Afreximbank.

(iii) As at 31 December 2014 STC holds 266,666 shares out of 666,000 shares in Rodrigues Trade & Marketing Ltd (RTML).

Notes to Financial Statement for the year ended 31 December 2014

8A Investment in Associated Company

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	2014 Rs	2013 Rs
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	1,200,925	1,200,925
At Reporting date				**1,200,925**	**1,200,925**

For the purpose of applying the equity method of accounting, the financial statements of RTML for the year ended 31 December 2013 has been used. At the time of issue of this report, the Financial Statements of RTML for the year 2014 has not been submitted. Therefore no adjustment has been made to the statement in respect of year 2014.

Summarised financial information of the RTML for 2013 is set out below:

	2013 Rs
Total Assets	5,943,460
Total Liabilities	412,386
Net Assets/Equity	**5,531,074**
Total revenue	20,055,471
Total expenses	21,687,305
Net loss	(1,631,834)
STC's share of net loss in associated company	(652,734)

	2013 Rs
Investment in Associated Company at 1 January	1,576,374
Investment during the reporting period	-
STC's share of net loss period	
Prior year adjustment (2011 & 2012)	(375,449)
Investment in associate at reporting date	**1,200,925**

Notes to Financial Statement for the year ended 31 December 2014

8B. Other Investment

Name of Company	Country of incorporation	% Ownership	Consideration	2014 Rs	2013 Rs
State Property Development Co Ltd (SPDC)	Mauritius	0.06015	Cash	400,000	400,000
Africa Export - Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
STCM Ltd	Mauritius	100	Fair Value	100	100
At Reporting date				**1,125,760**	**1,125,760**

The wholly owned subsidiary company of STC, the STCM Ltd has ceased its activity in May 2010 and all assets and liabilities have been taken over by STC. However, the Company is still registered with the Registrar of Companies.

Investment	% of Shares	2014 Rs	2013 Rs
Unquoted			
a) State Property Development Co Ltd (SPDC) Note (i)	less than 1	400,000	400,000
b) Africa Export-Import Bank (Afreximbank) Note (ii)	less than 1	725,660	725,660
c) Rodrigues Trade & Marketing Note (iii)	40	1,200,925	1,200,925
d) STCM Ltd Note (8B)	100	100	100
		2,326,685	**2,326,685**

Notes to Financial Statement for the year ended 31 December 2014

9. Inventories

	2014 Rs	2013 Rs
COMMODITIES		
Rice	74,194,358	28,439,969
Flour	45,998,040	42,593,980
Sugar	1,035,220	587,809
TOTAL	**121,227,618**	**71,621,758**

	2014		2013	
	Cost Rs	Net Realisable Value (Rs)	Cost Rs	Net Realisable Value (Rs)
COMMODITIES				
Rice	91,435,682	74,194,358	37,715,637	28,439,969
Flour	61,426,283	45,998,040	55,551,634	42,593,980
Sugar (White)	859,613	910,000	354,059	376,250
Sugar (Raw)	175,607	193,700	237,714	233,750
TOTAL	**153,897,185**	**121,296,098**	**93,859,044**	**71,643,949**

The cost of inventories recognised as an expense includes Rs 32,669,567 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.

At 31 December, STC did not hold any inventories for Petroleum Products and 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.

Notes to Financial Statement for the year ended 31 December 2014

10. Trade and Other Receivables

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

	2014 Rs	2013 Rs
Trade Receivable	3,479,579,494	7,246,087,911
Other receivables	74,622,345	53,010,688
Total	**3,554,201,839**	**7,299,098,599**

11. Cash and Cash Equivalent

	2014 Rs	2013 Rs
Cash in Hand	221,302	11,211
Bank Balances	1,329,680,614	1,021,559,122
Short Term Deposit	1,450,000,000	550,000,000
Total	**2,779,901,916**	**1,571,570,333**

12. Share Capital

	2014 Rs	2013 Rs
Authorised:		
1 million ordinary shares of Rs10 each	10,000,000	10,000,000
Issued and fully paid:		
40,000 shares of Rs10 each	400,000	400,000

13. Retained Earnings

	Rs
Balance as at 31 December 2012	953,044,685
Surplus for the year 2013 -Restated	226,966,601
Restated Balance as at 31 December 2013	1,180,011,286
Surplus for the year 2014	400,500,000
Balance as at 31 December 2014	**1,580,511,286**

Notes to Financial Statement for the year ended 31 December 2014

14. Employee Benefit Obligations

(i) Employee Benefit Obligations

Employee entitlements to bank sick leave and vacation leaves as defined in the PRB Report (the regulatory body for determining remuneration of STC employees) are recognized when they accrue to employees. 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 Profit or Loss and Other Comprehensive Income.

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 Profit or Loss and Other Comprehensive Income.

An accrual amount of Rs 62,172,643 is made for the estimated liability for bank sick leave passage benefits and vacation leaves. Administrative Expenditure for 2014 includes an amount of Rs 9 million in this respect.

(ii) 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 01 January 2013.

The amount of Rs 153.7 million in respect of wages, salaries and employee benefits (see note 20) includes Rs 13,943,938 contributed by STC in the Defined Benefit Pension Plan and Rs 229,024 in the Defined Contribution Pension Scheme managed by SICOM Ltd.

Movement of Rs 111.4 million in the Defined Benefit Pension Plan in year 2013.

For the financial year 2013, retirement benefit obligations were prepared as per IPSAS 25. IPSAS 25 allows for actuarial gain/loss to be deferred using the "10% Corridor method" and spread over the remaining average working lifetime of employees. For the financial year 2014, figures for the pension plan have been computed under IAS 19 with comparative figures for 2013.

As per IAS 19, all actuarial gains and losses should be recognized immediately in the year in which they occur and as such, it is not possible to defer their recognition.

Further, following the transition from IPSAS 25 disclosure to IAS 19 disclosures, the figures for 2013 had to be restated and the amount of Rs 111.4 million was recognized immediately.

This explains the movement from a pension asset of Rs 14.3 million to a liability of Rs 97.2 million in year 2013. A special contribution of Rs 92.5 million has been made in the year 2014 to this effect.

Notes to Financial Statement for the year ended 31 December 2014

Actuarial report on the defined benefit pension plan for STC Employees

FIGURES FOR IAS 19 ADOPTION FOR: State Trading Corporation for year ending 31 December 2014

	Year ending 31 December 2014 Rs	Year ending 31 December 2013 Restated Rs
AMOUNTS RECOGNISED IN STATEMENT OF FINANCIAL POSITION AT END OF YEAR		
Defined benefit obligation	412,148,286	391,508,243
Fair value of plan assets	(402,648,832)	(294,324,536)
Liability recognised in balance sheet at end of year	**9,499,454**	**97,183,707**
AMOUNTS RECOGNISED IN INCOME STATEMENT:		
Service cost:		
Current service cost	10,669,587	10,627,077
Past service cost	0	0
(Employee contributions)	(4,418,201)	(4,401,281)
Fund Expenses	370,000	293,757
Net Interest expense/ (income)	4,136,499	2,298,671
P&L Charge	**10,757,885**	**8,818,224**
REMEASUREMENT:		
Liability (gain)/loss	(1,812,983)	77,719,187
Assets (gain)/loss	9,814,783	(5,429,066)
Total Other Comprehensive Income (OCI) recognised	8,001,800	72,290,121
Total	**18,759,685**	**81,108,345**
MOVEMENTS IN LIABILITY RECOGNISED IN BALANCE SHEET:		
At start of year	97,183,707	30,027,874
Amount recognised in P&L	10,757,885	8,818,224
(Contributions paid by employer)	(13,943,938)	(13,952,512)
(Special Contribution)	(92,500,000)	
Amount recognised in OCI	8,001,800	72,290,121
At end of year	**9,499,454**	**97,183,707**
Actual return on plan assets:	**17,950,776**	**26,726,846**

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

Notes to Financial Statement for the year ended 31 December 2014

FIGURES FOR IAS 19 ADOPTION FOR: State Trading Corporation for year ending 31 December 2014

	Year ending 31 December 2014 Rs	Year ending 31 December 2013 Restated Rs
RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
Present value of obligation at start of period	391,508,243	295,030,587
Current service cost	10,669,587	10,627,077
Interest cost	31,320,659	23,602,447
(Benefits paid)	(19,537,220)	(15,471,055)
Liability (gain)/loss	(1,812,983)	77, 719,187
Present value of obligation at end of period	**412,148,286**	**391,508,243**
RECONCILIATION OF FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets at start of period	294,324,536	265,002,713
Expected return on plan assets	27,184,160	21,303,776
Employer contributions	13,943,938	13,952,512
Special Contribution	92,500,000	
Employee Contributions	4.418,201	4,401,281
(Benefits paid + other outgo)	(19,907,220)	(15,764,812)
Asset gain/(loss)	(9,814,783)	5,429,066
Fair value of plan assets at end of period	**402,648,832**	**294,324,536**
DISTRIBUTION OF PLAN ASSETS AT END OF PERIOD		
Percentage of assets at end of year	31 Dec 2014	31 Dec 2013
Government securities and cash	57.1%	59.1%
Loans	4.1%	4.9%
Local equities	21.1%	21.9%
Overseas bonds and equities	17.0%	13.4%
Property	0.7%	0.7%
Total	**100%**	**100%**

ADDITIONAL DISCLOSURE ON ASSETS ISSUED OR USED BY THE REPORTING ENTITY		
	31 Dec 2014	31 Dec 2013
Percentage of assets at end of year	%	%
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0

Notes to Financial Statement for the year ended 31 December 2014

COMPONENTS OF THE AMOUNT RECOGNISED IN OCI

Year	31 Dec 2014	31 Dec 2013 Restated
Currency	Rs	Rs
Asset experience gain/ (loss) during the period	(9,814,783)	294,324,536
Liability experience gain/ (loss) during the period	1,812,983	(391,508,243)
	(8,001,800)	**(97,183,707)**

Year	2015
Expected employer contributions (Estimate to be reviewed by State Trading Corporation)	14,615,304
Weighted average duration of the defined benefit obligation (Calculated as a % change in PV of liabilities for a 1% change in discount rate)	13 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:

	Year ending 31 December 2014 Rs	Year ending 31 December 2013 Rs
Expected rate of return on plan assets	8.00%	8.00%
Future salary increases	5.50%	5.50%
Future pension increases	3.50%	3.50%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables	
Retirement age	As per Schedule II in the Statutory	

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

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 **Rs 43.2 M** (increase by Rs **51.7 M**) if all other assumptions were held unchanged.
- If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by **Rs 21.3 M** (decrease by Rs **19.2 M**) if all assumptions were held unchanged.
- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by **Rs 10.4 M** (decrease by Rs **10.4 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 interdependence between the assumptions.

Notes to Financial Statement for the year ended 31 December 2014

15. Trade Payables

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

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

	2014 Rs	2013 Rs
NON-CURRENT LIABILITIES		
Employee Benefit Obligations:		
Bank Sick Leave/Passage Benefits/Vacation Leave	**62,172,643**	**58,621,797**
CURRENT LIABILITIES		
Government of Mauritius	172,202,625	149,837,016
Mauritius Revenue Authority	392,363,632	714,182,309
Trade Payables	1,472,632,750	3,719,725,081
Price Stabilisation Account	1,707,064,453	790,164,341
Other Payables	8,465,026	7,482,174
Total	**3,752,728,486**	**5,381,390,921**

16. Borrowings - Loans and Lines of Credit

	2014 Rs	2013 Rs
BORROWINGS		
Short term Lines of Credit	1,097,515,814	2,272,898,754
Total Borrowings	**1,097,515,814**	**2,272,898,754**

Notes to Financial Statement for the year ended 31 December 2014

17. Revenue

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

	2014		2013	
	Metric Tons	Rs	Metric Tons	Rs
Petroleum Products	1,014,576	29,401,558,288	1,147,448	35,460,668,641
Rice	21,021	282,205,099	19,606	208,963,613
Flour	101,443	1,122,889,457	101,921	1,128,241,178
LPG	70,552	1,486,406,259	68,224	1,499,446,340
Sugar	202	5,149,400	178	4,947,815
Total Revenue		**32,298,208,503**		**38,302,267,587**

Note: (i) Revenue is net of VAT and net of amount collected on behalf of third party as follows:
(a) Road Development Authority-Rs 716,259,230
(b) Build Mauritius Fund- Rs 399,207,010
(c Subsidy for transportation and storage of petroleum products and LPG to Rodrigues -Rs 37,009,488

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

18. Investment & Interest Income

	2014	2013
	Rs	Rs
Investment Income (Dividend Received)	-	103,184
Interest on bank balances and bank deposits, etc.	82,138,285	34,527,147
Total	**82,138,285**	**34,630,331**

19. Net Foreign Exchange Gain and Loss

The Corporation realises exchange gains and losses on accounts payable and accounts receivable, transactions incurred in currencies other than Mauritian rupees based on exchange rate in effect on the date of transaction. Such gains and losses are also realised on settlement of foreign currency loans and lines of credit. In addition, unrealised exchange gains and losses related to the revaluation of bank accounts and other monetary assets and liabilities into Mauritian rupees at the exchange rate in effect on the reporting date are recognised in the financial statements.

Notes to Financial Statement for the year ended 31 December 2014

The net effect of all exchange gains and losses amounting to Rs 476,000,441 recognised in the Statement of Profit and Loss is made up of :

Description	Net Impact Rs	Gain Rs	Loss Rs
Accounts payable	(110,023,345)	28,037,846	(138,061,191)
Accounts receivable	100,571,408	100,784,382	(212,974)
Repayment of foreign currency borrowings	479,876,003	479,876,003	
Subtotal realised gain/(loss)	**470,424,066**	**608,698,231**	**(138,274,165)**
Bank accounts - unrealised gain/(Loss)	5,576,375	5,576,375	
Total Exchange Gain/(Loss)	**476,000,441**	**614,274,606**	**(138,274,165)**

20. Administrative Expenses

Administrative Expenses amounting to Rs 205,119,838 for year 2014 is made up as follows:

	2014 Rs	2013 Restated Rs
Wages Salaries & Employee Benefits	145,667,800	178,684,603
Supplies and Consumables	11,494,495	10,671,056
Utilities	4,900,953	4,828,518
Rent	16,674,846	16,821,345
Repairs and Maintenance	6,152,469	6,554,404
Other Expenses	12,324,891	5,940,553
Depreciation	7,904,384	7,616,448
Total	**205,119,838**	**231,116,927**

21. Interest Expense

	2014 Rs	2013 Rs
Interest on Lines of Credit	5,867,062	7,894,833
Interest on overdraft	-	9,122
Total	**5,867,062**	**7,903,955**

Notes to Financial Statement for the year ended 31 December 2014

22. 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 surplus of Rs 400,500,000 for year ended December 2014 is made up as shown below. The selling prices of Rice, Flour and LPG are fixed by Government. Deficits on these products are met from contribution for subsidy in the price structures of Mogas and Gas Oil and from surpluses on sales of other products.

	RICE Rs million	FLOUR Rs million	PETROL Rs million	SUGAR Rs million	LPG Rs million	OTHERS Rs million	TOTAL Rs million
Revenue	282.2	1,122.9	29,401.5	5.1	1,486.5	-	32,298.2
Cost of Sales	(361.1)	(1,463.6)	(28,301.1)	(4.9)	(2,062.8)	(43.4)	(32,236.9)
Gross Profit/(Loss)	**(78.9)**	**(340.7)**	**1,100.4**	**0.2**	**(576.3)**	**(43.4)**	**61.3**
Net Foreign Exchange Gain	-	14.2	448.8	-	13.0	-	476.0
Other Expenses	(22.7)	(107.9)	(5.0)	(0.2)	(1.0)	-	(136.8)
Profit (Loss) for the year	**(101.6)**	**(434.4)**	**1,544.2**	**-**	**(564.3)**	**(43.4)**	**400.5**

23. Related Party Transactions

The State Trading Corporation is wholly owned by the Government of Mauritius. During the year 2014, 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:

2014 Rs	2013 Rs
3,867,143,082	4,589,235,381

(a) Sales of goods to CEB were made at market related prices.
(b) Outstanding balance as at 31 December 2014 – Rs 241 million (Dec 2013: Rs 658 m)

Notes to Financial Statement for the year ended 31 December 2014

Compensation of key management personnel

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

	2014 Rs	2013 Rs
Short-term benefits	16,080,740	12,860,767
Post-employment benefits	9,583,964	12,112,689
Fees to Board Members	1,247,280	972,592

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 31 December 2014, out of 6 key management personnel, three are on contract and three are on substantive capacity.

24. Contingencies

At the reporting date, there was one case pending at court awaiting hearing.

25. Commitments

(i) On 25 July 2013, the Corporation has entered in a three year agreement with Mangalore Refinery and Petrochemicals Limited (MRPL) for the period August 2013 to July 2016 with MRPL for the supply of petroleum products.

(ii) On 27 November 2009, STC has entered into a fifteen year agreement with Betamax Ltd for the transportation of petroleum products. However, since February 2015, STC no longer avails itself of the services of Betamax Ltd for the transport of petroleum product from Mangalore to Mauritius. (see note 26 (b) below).

(iii) In the Corporation's Budget for year 2015, the Board has given its approval for:

- Payment of Dividend of Rs 800 million to Government.
- Construction of Office Building and Warehouse for the storage of Rice and Flour for a total cost of Rs 800 million.

26. Events after the Reporting Period

Arbitration

(a) A claim in respect of flour received in March 2015 for the amount of USD 819,043 is under dispute and has been referred to Arbitration.

(b) Following the decision of STC not to avail itself of the services of Betamax Ltd for the transportation of petroleum products since February 2015 as stated at note 25 (ii) above, a claim of USD 176,345,494.52 plus interest, legal fees and costs from the company, is under dispute and has been referred to Arbitration.



Trade Statistics

The State Trading Corporation (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 Minister of Industry, Commerce and Consumer Protection.

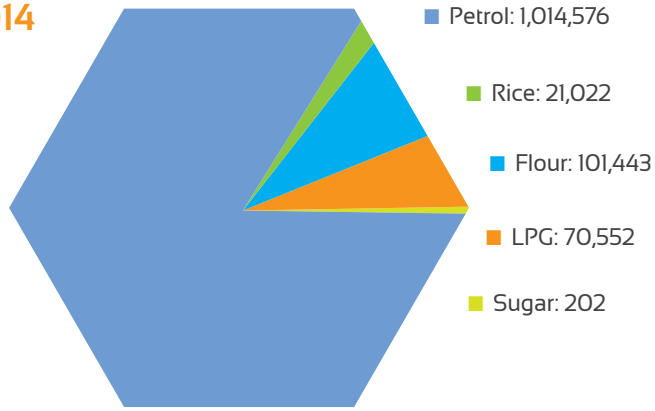
STC has been entrusted with the responsibility of importing certain essential commodities including all petroleum products and Liquefied Petroleum Gas (LPG) traded in Mauritius. STC also supplies the domestic market with all its requirements in Wheat Flour and non-Basmati Rice.

Sales volume and Turnover

The Turnover of State Trading Corporation (STC) which was about Rs 600 million in 1983-1984 when it was created has reached more than Rs 32 billion in 2014. 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 stabilize the market if the need arises.

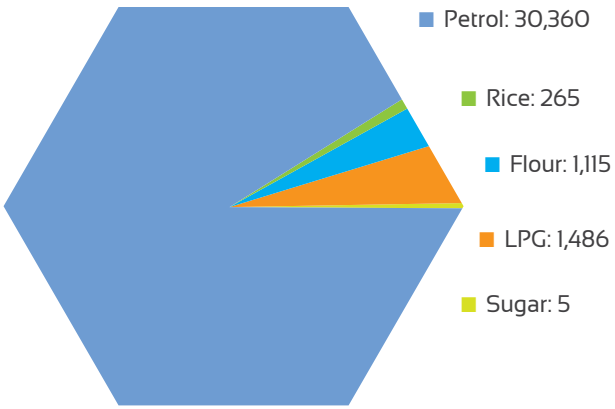
The sales volume of 1.2 million metric tons for 2014 consists mainly of petroleum products as shown below:

Sales Volume - 2014 (MTons)



The Corporation's Turnover for 2014 reached Rs 32.3 billion.

Turnover - 2014 (Rs million)



Petroleum Products

STC is responsible for the importation of all the country's requirements of petroleum products. These include the demands for the running of public transport, industrial and commercial activities, private motor vehicles, 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 at the New Oil Jetty of Port Louis Harbour, those products are pumped out of tanker 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 (Mauritius) Ltd
4. Indian Oil (Mauritius) Ltd

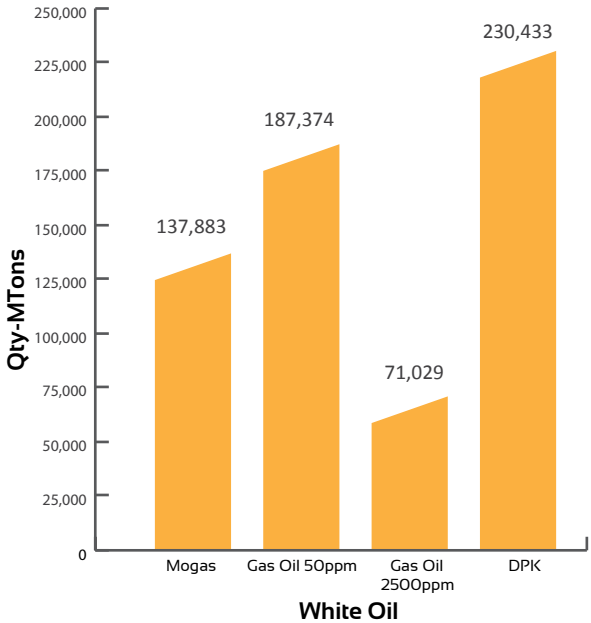
The oil companies market, distribute and retail the products through their respective networks of retail outlets across the country. Some also operate barges to carry out their bunker supply operations at sea. During the year 2014, the bunkering trade was partly liberalized allowing the Oil Companies 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 eight 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 1.2 million M/tons may look large, it consists of many small shipments over the annual period and the seven grades of product. This translates into 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 sync 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 could be unable to meet its commitments, ONGC guarantees that our contract will be honoured.

STC imports some 1.1 million metric tons of 7 categories 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.

Petroleum Products White Oil 2014



Mogas

The annual import of Mogas of 137,883 metric tons is sold entirely on the local market and the retail price is determined by the Petroleum Pricing Committee (PPC).

Gas Oil

The total annual importation of Gas Oil is 259,000 metric tons. 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).

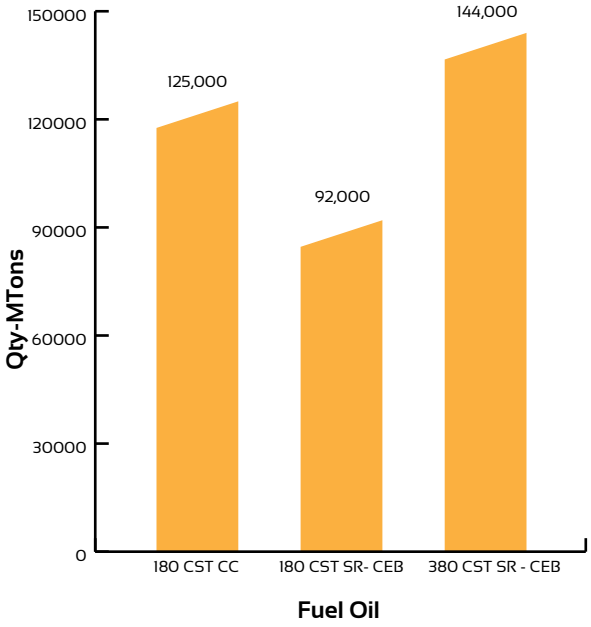
The selling price of Gas Oil for bunkering purpose is fixed by STC for each consignment on a cost plus basis.

Jet A-1

The annual import of 230,000 metric tons of Jet A-1 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.

Petroleum Products Fuel Oil 2014

STC imports 125,000 metric tons of Fuel Oil 180 CST Catalytic Cracked (CC) for sale to oil companies and another 236,000 metric tons of Fuel Oil 180 CST SR and 380 CST SR for direct sales to CEB.



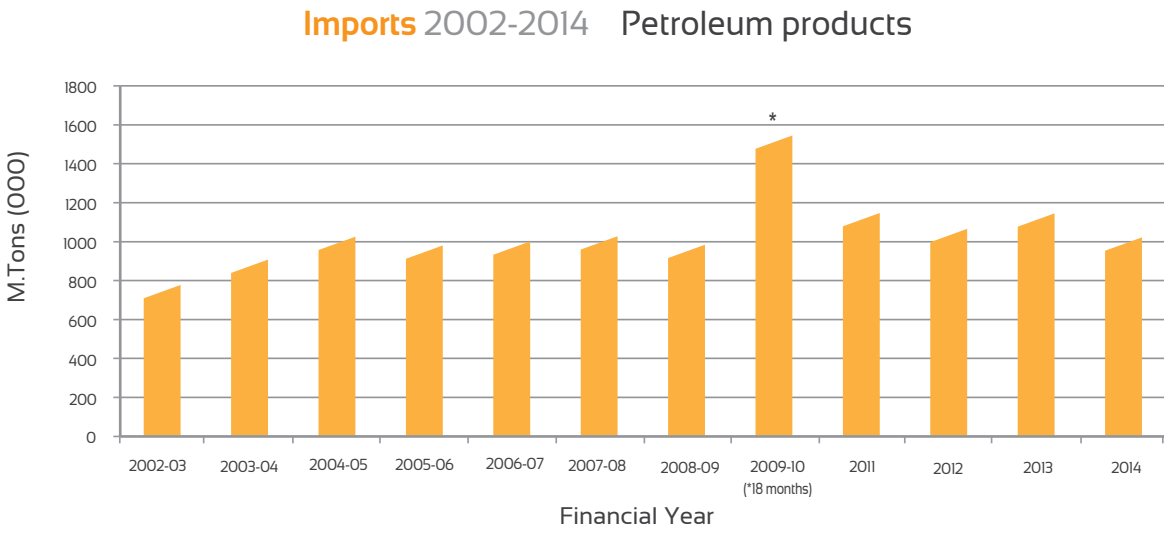
About 20% of tons Metric Tons Catalytic Cracked Fuel Oil 180 CST CC is sold on the local market for industrial purposes and the remaining 80% is sold for bunkering of vessels. STC has started selling Fuel Oil 380 CST SR to Oil Companies for bunkering purpose since January 2014. The selling price of Fuel Oil for both inland and international trade is fixed by STC for each consignment on a cost plus basis.

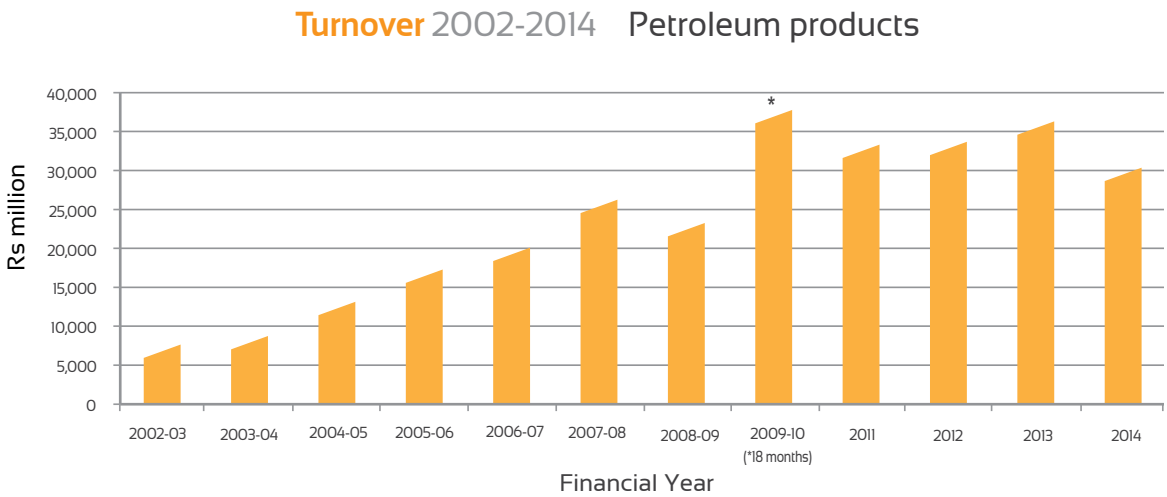
Mauritius is strategically positioned in the middle of the Indian Ocean with increasing Atlantic traffic plying at one end towards Africa, Madagascar and the West, while on the other hand, there is also a steep rise in traffic moving towards India, China, Japan, Malaysia and Thailand – essentially Asia 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 sole importer and supplier of petroleum products in Mauritius. At the same time, we strongly support the government's initiative to liberalize 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 2014:





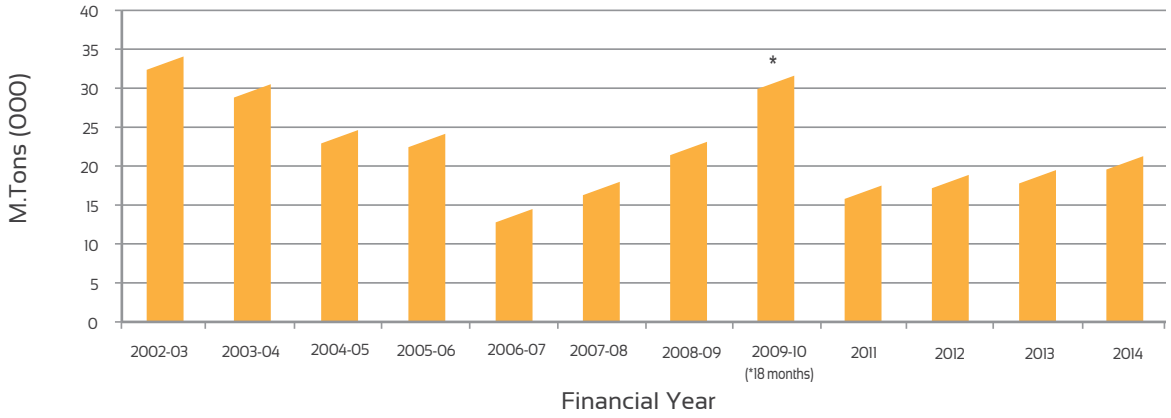
Long-grain white Rice

STC imports basic long-grain white rice (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.

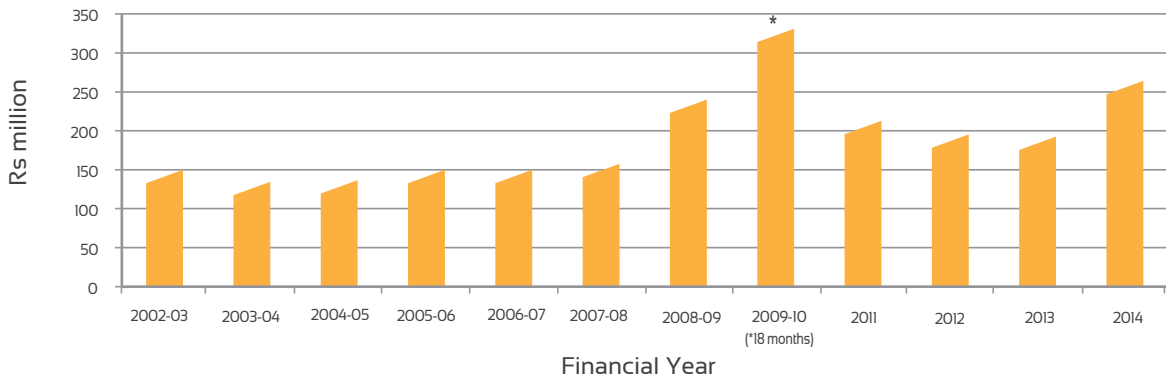
Rice is procured on the world market after periodic Requests for Quotations (RFQ) attracting a large number of offers. Since prices of Rice on the world market are volatile, it was to the disadvantage of STC to lock on prices for long term contract. In order to benefit from the fluctuation of prices 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. Rice is sold to wholesalers for retail at a heavily subsidized price that has remained unchanged since July 2006. The sale of Ration rice was 19,482 tons (including 4,265 M.T for Rodrigues) in the year 2014. 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 Rs 101.7 million in 2014. The retail price of ration rice has last been fixed in July 2006 at Rs 5.40 per half kg.

Imports/Purchases 2002-2014 Rice



Turnover 2002-2014 Rice



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.
The first consignments were purchased from Amira Food Ltd and Shri Lal Mahal Ltd and were sold at the retail price of Rs Rs 250 and Rs 285 per packet of 5 kg for Pusa Basmati and Basmati 1121 respectively. During 2014, STC has sold some 1,539 M.Tons of Basmati Rice.

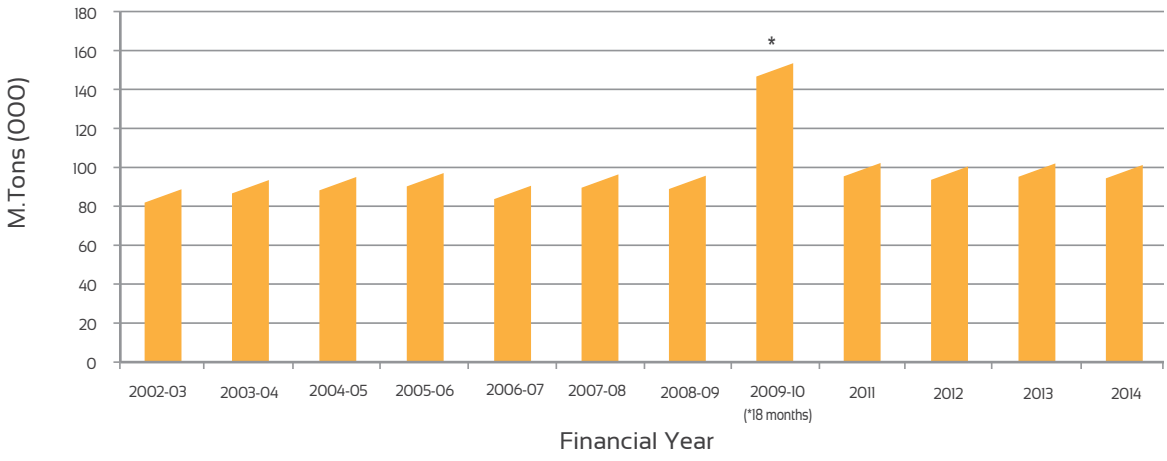
Flour

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.

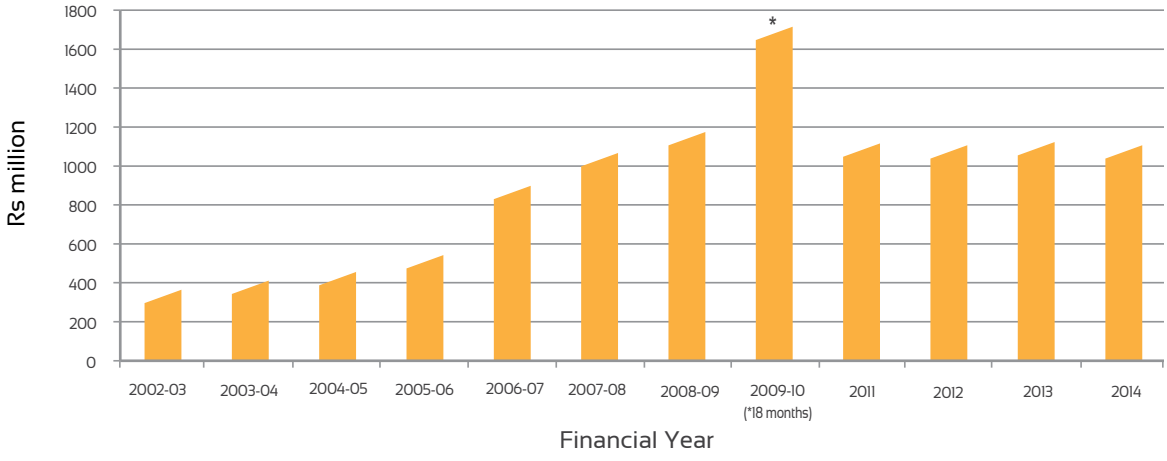
STC supplies the market with some 100,000 tons of Wheat Flour yearly at retail prices fixed since December 2008. Wheat Flour remains the main staple food other than rice. Efforts are currently underway to sensitize the market to the benefits of shifting eating habits from refined white Flour to the more nutritious Whole Wheat flour which is now also offered at similarly subsidized prices despite the initially low demand volumes.

The sale of flour amounted to 101,443 metric tons (including 1,957 M.T for Rodrigues) during 2014. 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 Rs 5.85 per half kg since 22 December 2008. During 2014 STC has incurred a shortfall of Rs 434.4 million on Flour. 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.

Imports/Purchases 2002-2014 Flour



Turnover 2002-2013 Flour



Though wheat flour and rice comprise only 4% of our 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)

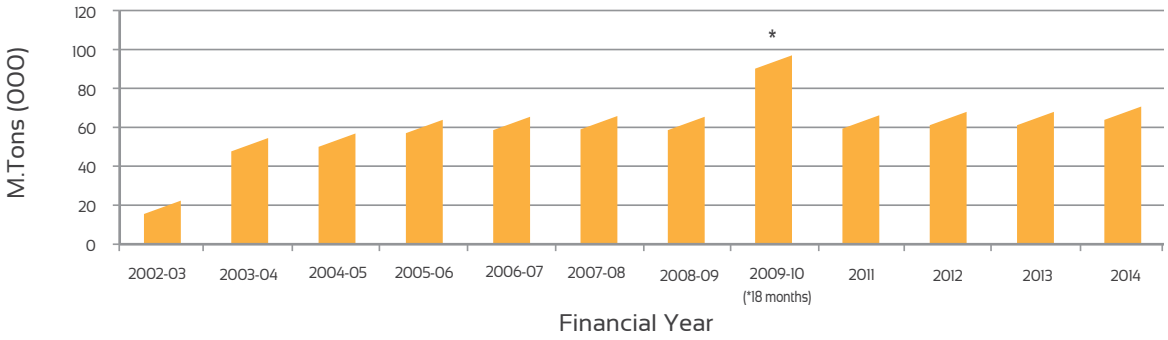
In 2002, the Government decided that there should be public intervention in the LPG market. The Corporation was instructed by the government to take over the country's total requirements of 47,000 Mt from the existing importers as from 2003.

Currently, STC procures and supplies about 70,000 tons of LPG to meet the residential and industrial demand of Mauritius. LPG represents the main source of cooking and water-heating for 98% households and the retail price is heavily subsidized for 6 and 12-kg bottles destined for residential use.

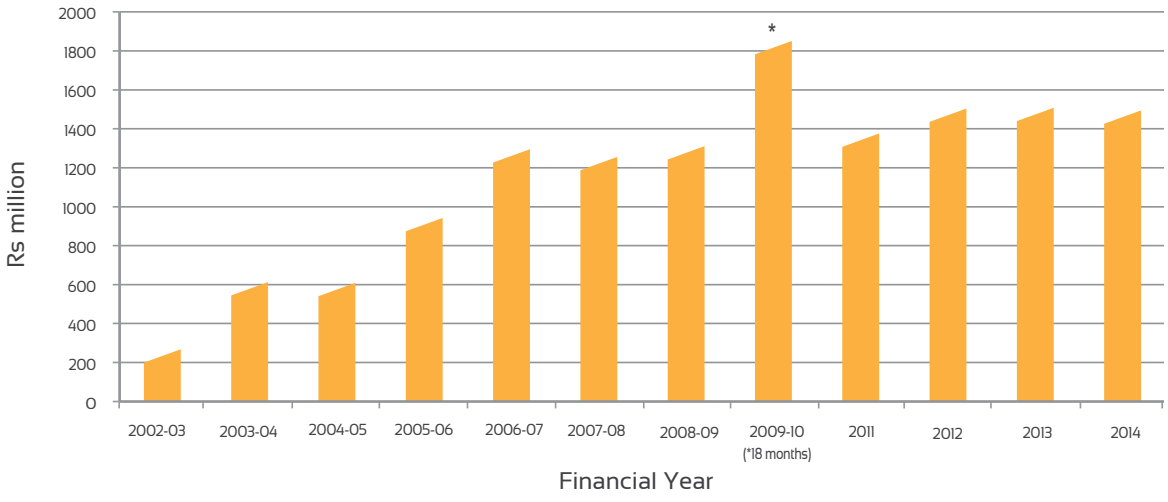
As from February 2006, a dual pricing policy is being implemented for LPG. About 75% of the annual import is sold in cylinders. The retail price of cylinders of 5 kg, 6 kg and 12 kg destined for domestic market is fixed by Government. The sale of LPG for 2014 amounts to 70,552 metric tons on which a shortfall of Rs 565 million has been incurred.

The price of LPG sold for auto gas and in cylinders above 12 kg for non-domestic purpose is reviewed quarterly by STC on a cost plus margin basis. All storage tanks for LPG belong to 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 2002-2014 LPG



Turnover 2002-2014 LPG







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. It has a State of Art Refinery at Mangalore. The Refinery has got a versatile design with high flexibility to process crudes of various API and with high degree of automation.

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 tonnes, overlooking the harbor. Les Moulins de la Concorde is a proud member of the Association of Operative Millers (AOM), Middle East and East Africa and is an ISO 140001 certified company.

3. Petredec Ltd - LPG

Petredec Limited was formed as an LPG trading company in 1980 to develop a shipping and trading operation. Focusing on providing a quality and reliable service to its customers and suppliers, Petredec has grown into one of the largest independent LPG trading companies worldwide.

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. Betamax Ltd

6. Wholesalers Association

7. Bakers Association

Banking Services

Bank of Mauritius
Sir William Newton Street
Port Louis

SBI (Mauritius) Ltd
SBI Tower
Mindspace Building
Ebène

Barclays Bank Mauritius Limited
Barclays House
68-68A Cybercity
Ebène

SBM Bank (Mauritius) Ltd
Level 14, State Bank Tower
Port Louis

The Mauritius Commercial Bank Ltd
11th Floor MCB Centre
Sir William Newton Street
Port Louis

Mauritius Post and Cooperative Bank Ltd
25, Bank Street
Cybercity, Ebène, 72201

AfrAsia Bank Ltd
10, Dr Ferriere street
Port louis

Bank of Baroda
Bank of Baroda Building
Sir William Newton Street
Port Louis

Corporate Information

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- **State Trading Corporation**
  3rd Floor, Fon Sing Building
  12 Edith Cavell Street
  Port Louis
  Mauritius
  Tel: (230) 208 5440 Fax: (230) 208 8359
  Website: http://www.stcmu.com
  E-mail: stc@stcmu.com

Auditors:

- **National Audit Office**
  Level 14
  Air Mauritius Centre
  Port-Louis

Legal Advisers:

- **The Solicitor General**
  Attorney General's Office
  Port Louis

Outstation:

- **Shed A Warehouse**
  Mer Rouge
  Port Louis
  Tel: 217 4916/62

- **STC Rodrigues**
  Camp du Roi
  Rodrigues
  Tel: 832 0881 Fax: 831 2255

- **STC Granary**
  Rodrigues
  Port Mathurin
  Tel: 831 1564



Registered Office:

State Trading Corporation
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