



STATE TRADING CORPORATION

**STATE
TRADING
CORPORATION**

**FINANCIAL STATEMENTS
FOR THE 18 MONTHS
PERIOD
JULY 2009 –
DECEMBER 2010**



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 consolidated statement of financial position for the period ended December 31, 2010, and the consolidated statement of comprehensive income and the consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Corporation's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the State Trading Corporation Act 1982 and the Statutory Bodies (Accounts and Audit) Act 1972. This responsibility includes the design, implementation of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 accounting policies 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 basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements give a true and fair view of the financial position of the State Trading Corporation as at December 31, 2010, and of its financial performance and its cash flows for the period then ended in accordance with 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.

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

Statutory Bodies (Accounts and Audit) Act & State Trading Corporation Act

In my opinion, the State Trading Corporation has complied with the Statutory Bodies (Accounts and Audit) Act and the State Trading Corporation Act, in so far as they relate to the accounts.

Public Procurement Act 2006 - Part V (The bidding process)

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

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



(Dr R. JUGURNATH)
Director of Audit

National Audit Office
Level 14,
Air Mauritius Centre
PORT LOUIS

17 October 2012

STATE TRADING CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

		CONSOLIDATED	STC	CONSOLIDATED	STC
	Notes	2010	2010	June 2009	June 2009
		MUR	MUR	MUR	MUR
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	41,491,427	41,491,427	24,957,109	23,631,765
Investment in wholly owned subsidiary	9A		1,000,000	-	1,000,000
Investment in Associate	9B	2,371,867	2,371,867	1,939,604	1,939,604
Other Investments	9C	1,125,660	1,125,660	1,125,660	1,125,660
TOTAL NON-CURRENT ASSETS		44,988,954	45,988,954	28,022,373	27,697,029
CURRENT ASSETS					
Inventories	10	88,993,318	88,993,318	89,890,309	89,890,309
Trade and other receivables	11	4,982,696,171	4,982,696,171	3,799,389,667	3,815,251,896
Bank Balance	12	408,547,512	408,547,512	90,814,046	73,548,206
TOTAL CURRENT ASSETS		5,480,237,001	5,480,237,001	3,980,094,022	3,978,690,411
TOTAL ASSETS		5,525,225,955	5,526,225,955	4,008,116,395	4,006,387,440
EQUITY AND LIABILITIES					
EQUITY					
Share Capital	13	400,000	400,000	400,000	400,000
Retained Earnings	14	(529,715,426)	(528,715,425)	(3,222,068,091)	(3,223,192,459)
TOTAL EQUITY		(529,315,426)	(528,315,425)	(3,221,668,091)	(3,222,792,459)
NON-CURRENT LIABILITIES					
Borrowings	18	608,400,000	608,400,000	2,645,912,501	2,645,912,501
Employee Benefit Obligations	15	38,251,442	38,251,442	34,794,364	34,794,364
TOTAL NON CURRENT LIABILITIES		646,651,442	646,651,442	2,680,706,865	2,680,706,865
CURRENT LIABILITIES					
Trade and other payables	17	4,807,574,674	4,807,574,673	3,533,390,314	3,532,785,727
Borrowings	18	600,000,000	600,000,000	171,502,018	171,502,018
Bank Overdraft	12	315,265	315,265	844,185,289	844,185,289
TOTAL CURRENT LIABILITIES		5,407,889,938	5,407,889,938	4,549,077,621	4,548,473,034
TOTAL LIABILITIES		6,054,541,380	6,054,541,380	7,229,784,486	7,229,179,899
TOTAL EQUITY AND LIABILITIES		5,525,225,955	5,526,225,955	4,008,116,395	4,006,387,440

Notes 1 to 22 form an integral part of these financial statements.


R R Bapamah
 Financial Manager


Megh Pillay, C.S.K
 General Manager

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2010**

	Notes	CONSOLIDATED	STC	CONSOLIDATED	STC
		2010	2010	2009	2009
		MUR	MUR	Restated	Restated
		MUR	MUR	MUR	MUR
REVENUE	5	42,802,338,942	42,797,150,619	26,745,446,035	26,709,303,550
COST OF SALES		(40,198,183,021)	(40,192,033,272)	(24,715,478,406)	(24,688,094,903)
Hedging Loss		-	-	(4,740,553,271)	(4,740,553,271)
GROSS PROFIT/(LOSS)		2,604,155,921	2,605,117,347	(2,710,585,642)	(2,719,344,624)
Interest Receivable	6	5,223,125	5,223,125	5,487,279	5,487,279
Gain/(Loss)on Exchange		460,480,374	460,480,374	(344,055,538)	(343,912,729)
Miscellaneous Income		32,102,772	32,481,463	18,460,906	18,453,449
Investment Income	6	128,233	128,233	67,979	67,979
Administrative Expenses	15	(262,090,924)	(233,102,350)	(157,671,755)	(150,235,029)
Interest Expense	7	(147,412,439)	(146,582,823)	(120,491,925)	(120,484,257)
(Loss)/ Profit from operation		2,692,587,062	2,723,745,369	(3,308,788,696)	(3,309,967,933)
Loan to STCM written off			(29,033,939)		
Share of loss in Associate	9	(234,397)	(234,397)	(60,395)	(60,395)
Taxation				(83,309)	-
Profit for the year		2,692,352,665	2,694,477,033	(3,308,932,400)	(3,310,028,328)

**Statement of Changes in Equity for the 18 Months period
July 2009 to 31 December 2010**

STC

	Share Capital	Retained Earnings	Equity
	MUR	MUR	MUR
Balance as at 30 June 2008	400,000	86,835,869	87,235,869
Consolidated loss for the year 2008-2009	-	(3,310,028,328)	(3,310,028,328)
Balance as at 30 June 2009	400,000	(3,223,192,459)	(3,222,792,459)
Consolidated Profit for the 18 months period from July 2009 to December 2010	-	2,694,477,033	2,694,477,033
Balance as at 31 December 2010	400,000	(528,715,426)	(528,315,426)

CONSOLIDATED

	Share Capital	Retained Earnings	Equity
	MUR	MUR	MUR
Balance as at 30 June 2008	400,000	86,864,309	87,264,309
Consolidated loss for the year 2008-2009	-	(3,308,932,400)	(3,308,932,400)
Balance as at 30 June 2009	400,000	(3,222,068,091)	(3,221,668,091)
Consolidated Profit for the 18 months period from July 2009 to December 2010	-	2,692,352,665	2,692,352,665
Balance as at 31 December 2010	400,000	(529,715,426)	(529,315,426)

Consolidated Statement of Cash Flows for the 18 Months ended 31 December 2010

	STC 18 months July 2009 to December 2010 MUR	Consolidated Year ended 30 June 2009 MUR	STC Year ended 30 June 2009 MUR
Cash flows from Operating Activities			
Profit/(Loss) for the year	2,694,477,033	(3,308,849,091)	(3,310,028,328)
Share of Loss in Associate	234,397	60,396	60,396
Loan to STCM Ltd written off	29,033,939		
Investment revenue recognised in Income Statement	(128,233)	(67,979)	(67,979)
Gain on sale or disposal of property, plant and equipment	(310,950)	(216,562)	(216,562)
Depreciation of non current assets	7,842,114	4,016,536	3,687,208
Effects of Exchange Rate changes on the balance of Cash held in foreign currencies	(452,207,013)	392,393,959	392,393,959
Interest Receivable	(5,223,125)	(5,487,279)	(5,487,279)
Interest Payable	146,582,822	120,484,257	120,484,257
	2,420,300,984	(2,797,665,763)	(2,799,174,328)
Movements in Working Capital			
Decrease/(Increase) in trade and other receivables	(1,166,411,893)	2,059,481,022	2,059,424,688
Decrease/(Increase) in inventories	896,991	60,973,559	47,687,794
(Decrease)/Increase in trade and other payables	1,281,218,350	(2,198,784,826)	(2,199,240,924)
(Decrease) in Receivable – Loan to STCM Ltd	(29,033,939)		
Cash generated from operations	2,506,970,493	(2,875,996,008)	(2,891,302,770)
Interest Paid	(149,555,150)	(117,798,038)	(117,798,038)
Net Cash generated from operating activities	2,357,415,343	(2,993,794,046)	(3,009,100,808)
Cash flow from investing activities			
Interest received	4,190,743	7,191,334	7,191,334
Dividends received	128,233	67,979	67,979
Payments for property, plant and equipment	(25,845,326)	(8,558,356)	(8,540,379)
Investment in Rodrigues Trade and Marketing Ltd	(666,660)		
Proceeds from disposal of property, plant and equipment	454,500	236,362	236,362
Net cash (used in)/generated by investing activities	(21,738,510)	(1,062,681)	(1,044,704)
Cash flow from financing activities			
Proceeds from borrowings	25,390,668,617	17,754,187,687	17,754,187,687
Repayment of borrowings	(26,876,919,935)	(15,689,965,808)	(15,689,965,808)
Net cash generated from financing activities	(1,486,251,318)	2,064,221,879	2,064,221,879
Net decrease)/increase in cash and cash equivalents	849,425,515	(930,634,848)	(945,923,633)
Cash and cash equivalents at the beginning of the year	(770,637,083)	356,614,925	354,637,870
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	329,443,815	(179,351,320)	(179,351,320)
Cash and Cash equivalents at the end of the Financial Year	408,232,247	(753,371,243)	(770,637,083)
Note 14			

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**1. GENERAL INFORMATION**

The State Trading Corporation (STC) is a parastatal body wholly owned by the Government of Mauritius and reporting to the Ministry of Business, Small and Medium Enterprises, Commerce and Cooperatives. Established and regulated by the STC Act of 1982, its principal place of business is 3rd floor, Fon Sing Building, 12, Edith Cavell Street Port Louis, Mauritius. The STC is engaged in the importation of essential commodities such as petroleum products, liquefied petroleum gas, cement, rice and flour and any such commodity as the Government may decide.

2. STANDARDS AND INTERPRETATION NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations to existing standards have been published and are mandatory to the Corporation's accounting periods beginning in or after December 2010. The impacts on these statements on the Corporation's financial statements in the period of initial application are not known at this stage. These statements, where applicable, will be applied in the year when they become effective.

New/Revised International Financial Reporting Standards		Issued	Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards — Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	December 2010	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards — Additional exemption for entities ceasing to suffer from severe hyperinflation	December 2010	Annual periods beginning on or after 1 July 2011
IFRS 7	Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures — Amendments enhancing disclosures about transfers of financial assets	October 2010	Annual periods beginning on or after 1 July 2011

IFRS 9	Financial Instruments — Classification and Measurement	Original issue November 2009	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011
IAS 12	Income Taxes — Limited scope amendment (recovery of underlying assets)	December 2010	Annual periods beginning on or after 1 January 2012
IAS 24	Related Party Disclosures — Revised definition of related parties	November 2009	Annual periods beginning on or after 1 January 2011
IAS 34	Interim Financial Reporting — Amendments resulting from May 2010 Annual Improvements to IFRSs	May 2010	Annual periods beginning on or after 1 January 2011

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****i) Statement of compliance**

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) issued by the International Accounting standards Board (IASB) and interpretations issued by the Standing Interpretation Committee (SIC) of the IASB. The Financial Statements complied 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 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.

Amendment to the Statutory Bodies (Accounts and Audit) Act

Following the amendment of the Statutory Bodies (Accounts and Audit Act) in March 2009, a "financial year" has been redefined as a period of 12 months ending 31 December in any year. For the transition period the first financial year is for a period of 18 months starting 1 July 2009 and ending 31 December 2010.

ii) 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 have been prepared on a going concern basis as Government has always implicitly supported STC.

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

iii) Basis of Consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Corporation and its wholly owned Subsidiary. Control is achieved where the Corporation has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The result of the Subsidiary (STCM Ltd) created in September 2007 is included in the Consolidated Income Statement.

The subsidiary Company has ceased its activity during the reporting period and all its assets and liabilities have been taken over by the Corporation. Therefore, only the income statement has been consolidated.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010

Where necessary, adjustments are made to the Financial Statements of the Subsidiary to bring its accounting policies in line with the Parent.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group 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 consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

iv) Revenue Recognition

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

Revenue from sales of goods is recognised when all the following conditions are satisfied:

- ❖ The organisation has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ❖ The amount of revenue can be measured reliably.
- ❖ It is probable that the economic benefits associated with the transaction will flow to the entity.
- ❖ The organisation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ❖ The cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

v) Leasing

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

vi) Foreign Currencies

Transactions in currencies other than Mauritian Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Gains and losses arising on retranslation are recognised in Income Statement in the period in which they arise.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**vii) Retirement and other Benefits**

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

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 balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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

Employee Benefit Obligations (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.

viii) Property, Plant and Equipment

Building (held for administrative purpose) and Plant and Equipment are stated in the balance sheet at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010

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

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

ix) 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.

x) Investments

An investment in subsidiary is shown at cost. 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 income statement.

On disposal of the investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

xi) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value. The carrying amount of trade receivables is reduced when a trade receivable is uncollectible.

xii) Trade Payables

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

xiii) Derivative Financial Instruments

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

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010

xiv) Provisions

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Corporation's accounting policies, which are described in Note 3, Management has made the following judgments that have most significant effect on the amounts recognized in the financial statements, apart from those involving estimations, which are described below:

i) Determination of functional currency of the Corporation

The determination of the functional currency of each entity is critical since recording of transactions and exchange differences arising 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 Mauritian Rupee.

ii) Determination of Recovery Account under the Automatic Pricing Mechanism

As at the Financial Statement date, there are losses or gains, accumulated on sales of petroleum products for Inland Market which have to be passed on to or collectible from consumers at the subsequent APM price revision exercise.

The Consumer Protection (Prices and Supplies Control) Act (GN 38 of 2004) as amended subsequently require that consumers are charged for accumulated losses carried forward by price increases or benefit from accumulated gains carried forward by price reductions.

The gains or losses have been recognized on the basis that the realization of income or loss is virtually certain.

iii) Employee benefits

The determination of employee's benefit costs and related provisions, as described in Note 3 (v) and as detailed in Note 17 to the financial statements, required the use of actuarial calculations or other assumptions that include significant estimates

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010

in respect of, inter alia, the discount rate, the expected return on the plan assets, future salary increases and future pension increases. These significant estimates are assessed annually by the directors with the actuaries where applicable. Differences between actual and estimated are recorded as actuarial gains or losses.

5. REVENUE

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

	18 months period ended 31 December 2010				Year ended 30 June 2009			
	Consolidated		STC		Consolidated		STC	
	Metric Tons	MUR	Metric Tons	MUR	Metric Tons	MUR	Metric Tons	MUR
Petroleum Products		36,035,902,504		36,035,902,504	984,658	21,962,595,325	984,658	21,962,595,325
Contribution for hedging		1,856,161,385		1,856,161,385	-	1,376,038,945	-	1,376,038,945
Cement		987,437,533.94		987,437,533.94	231,364	652,047,906	231,364	652,047,906
Rice		330,199,713		330,199,713	23,206	249,312,608	23,206	240,456,736
Flour		1,711,527,605		1,711,527,605	95,354	1,168,335,711	95,354	1,166,776,269
LPG		1,844,520,450		1,844,520,450	65,573	1,299,119,623	65,573	1,299,119,623
Sugar		30,935,190		30,935,190	985	12,258,154	985	12,258,154
Butter								
Beans and others		5,654,511		466,238	-	25,737,761	-	10,591
TOTAL REVENUE		42,802,338,942		42,797,150,619		26,745,446,035		26,709,303,550

Note: (i) Turnover is net of amount collected on behalf of third party as follows:-

(a) Road Development Authority-MUR 1,039,509,033

(b) Subsidy for transportation and storage of petroleum products to Rodrigues - MUR 41,176,383

(ii) During the period July 2009-December 2010 an amount of MUR 1,856,161,385 has been recovered from sales of Mogas and Gas Oil in respect of hedging.

(ii) During the reporting period, sales made to the subsidiary for an amount of MUR 77,426,245.19.

(iii) 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.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**Hedging Loss**

In November 2002, Government gave its approval for STC to hedge its petroleum products price risks and a list of Counterparties was also agreed. To enable hedging transactions to be done the legal documentations (ISDA) have been signed. In April 2004, a hedging cost of 10 cents per litre was included in the price structures, under the item STC expenses, for Mogas and Gas Oil. Government took the decision in January 2008 to include a separate item 'Provision for hedging' in the price structures of Mogas and Gas Oil. An amount of MUR 1.50 per litre was included and was subsequently increased to MUR 3.00 per litre in November 2008. The first hedging transaction was done by STC on 29 October 2004 for Premium Unleaded covering the period of November to December 2004. Subsequently more hedging transactions were done in later years.

In July 2008, STC entered into hedging contracts to protect against future hike in price of petroleum products. Such exposure was taken for Premium Unleaded for the period August 2008 to 31 December 2008 and for Gas Oil for the period August 2008 to 30 June 2009. Oil prices subsequently reduced drastically and crude prices fell from USD 147 per barrel to reach a level of USD 40 per barrel in December 2008. A total amount of MUR 4.7 billion has been paid to counterparties namely Morgan Stanley and Mitsui & Co Energy Risk Management Ltd. During the reporting period, an amount of MUR 1.8 billion has been collected under that item, leaving a balance of MUR 1.5 billion as at 31 December 2010. This amount is recoverable in the foreseeable future.

6. INVESTMENT INCOME & INTEREST INCOME

	STC	Consolidated	STC
	18 months ended 31 Dec 2010	Year ended 30 June 2009	Year ended 30 June 2009
	MUR	MUR	MUR
Investment Income, Interest on bank balances and bank deposits etc	128,233	67,979	67,979
	5,223,125	5,487,279	5,487,279
TOTAL	5,351,358	5,555,258	5,555,258

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**7. INTEREST EXPENSE**

	STC 18 months ended Year ended 31 Dec 2010 MUR	Consolidated Year ended 30 June 2009 MUR	STC Year ended 30 June 2009 MUR
Interest on lines of credit	60,700,182	56,403,264	56,403,264
Interest on overdraft	85,882,640	64,088,661	64,080,993
Total Interest payable	146,582,822	120,491,925	120,484,257

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**8. Property ,Plant and Equipment**

	Motor Vehicles MUR	Office Equipment & Furniture MUR	Plant & Machinery MUR	Buildings MUR	Computer System MUR	TOTAL MUR
COST						
At 30 June 2008	8,644,907	8,178,897	21,816,909	12,533,862	13,726,421	64,900,996
Additions	2,816,370	455,754	4,929,596	-	338,660	8,540,380
Disposal	(1,652,452)	(92,499)	-	-	-	(1,744,951)
At 30 June 2009	9,808,825	8,542,152	26,746,505	12,533,862	14,065,081	71,696,425
Additions	4,736,697	671,032	7,403,841	796,399	1,129,637	14,737,606
Disposal	(2,573,528)		(715,000)	-	(16,070)	(3,304,598)
At 31 Dec 2010	11,971,994	9,213,184	33,435,346	13,330,261	15,178,648	83,129,433
DEPRECIATION						
At 30 June 2008	6,204,907	5,702,774	19,237,134	3,297,501	11,660,286	46,102,602
Charge for the year	1,173,274	492,199	1,286,173	250,677	484,885	3,687,208
Disposal	(1,652,452)	(72,698)	-	-	-	(1,725,150)
At 30 June 2009	5,725,729	6,122,275	20,523,307	3,548,178	12,145,171	48,064,660
Charge for the year	2,822,161	801,025	2,878,453	394,551	945,924	7,842,114
Disposal	(2,573,528)	-	(572,000)	-	(15,521)	(3,161,049)
At 31 Dec 2010	5,974,362	6,923,300	22,829,760	3,942,729	13,075,574	52,745,725
NET BOOK VALUE						
At 30 June 2009	4,083,096	2,419,877	6,223,198	8,985,684	1,919,910	23,631,765
At 31 Dec 2010	5,997,632	2,289,884	10,605,586	9,387,531	2,103,074	30,383,707
Freehold Land						11,107,720
Total PPE						41,491,427

(i) Miscellaneous Income in the Income Statement includes an amount of MUR 310,950 as Gain on Disposal of PPE during the reporting period.

(ii) Depreciation charges amounting to MUR 7,842,114 for the period July 2009 to December 2010 has been included in Administrative Expenses in the Income Statement.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**9. INVESTMENTS**

Name of Company	Country of incorporation	% Ownership	Consideration	2010 MUR	2009 MUR
STCM Ltd	Mauritius	100	Cash	1,000,000	1,000,000
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	2,371,869	1,939,604
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 Balance Sheet date				4,497,529	4,065,264

Note (i) As at 31 December 2010 STC holds 4,000 out of 6,650,000 shares in SPDC
(ii) As at 31 December 2010 STC holds 10 out of 75,000 shares in Afreximbank.
(iii) As at 31 December 2010 STC holds 266,666 shares out of 666,000 shares in Rodrigues Trade & Marketing Ltd (RTML).
(iv) In April 2009, a private limited company, named LP GAS TERMINAL LTD was incorporated with 20% shares for STC but as at Balance Sheet date no transfer of funds for the shares has been made.

9 A. INVESTMENT IN SUBSIDIARY

Name of Company	Country of incorporation	% Ownership	Consideration	2010 MUR	2009 MUR
STCM Ltd	Mauritius	100	Cash	1,000,000	1,000,000
At 30 June				1,000,000	1,000,000

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.

9 B. INVESTMENT IN ASSOCIATE

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	2010 MUR	2009 MUR
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	2,371,869	1,939,604
At Balance Sheet date				2,371,869	1,939,604

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010

For the purpose of applying the equity method of accounting, the financial statements of RTML for the 18 months ended 31 December 2010 has been used.

Summarised financial information of the Group's associates is set out below:

	2010 MUR	2009 MUR
Total revenue	20,126,717	11,544,022
Total expenses	20,712,710	11,695,011
Net loss	(585,993)	(150,989)
STC's share of net loss in associate	(234,397)	(60,396)

	2010 MUR	2009 MUR Restated
Investment in Associate at 1 July	1,939,604	2,000,000
Investment during the reporting period	666,660	
Group share of net loss period	(234,397)	(60,396)
Investment in associate at Balance Sheet date	2,371,869	1,939,604

9 C.AVAILABLE FOR SALE

Name of Company	Country of incorporation	% Ownership	Consideration	2010 MUR	2009 MUR
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 Balance Sheet date				1,125,660	1,125,660

Investment	% of Shares	2010 MUR	2009 MUR
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	2,371,867	1,939,604
d) STCM (Note iv)	100	1,000,000	1,000,000
		4,497,527	4,065,264

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**10. INVENTORIES**

COMMODITIES	STC 18 months ended 31 Dec 2010	Consolidated Year ended 30 June 2009	STC Year ended 30 June 2009
	MUR	MUR	MUR
Rice	46,231,321	43,443,850	43,443,850
Flour	41,027,570	43,842,350	43,842,350
Sugar	1,579,483	2,604,109	2,604,109
Pulses	154,944	-	-
TOTAL	88,993,318	89,890,309	89,890,309

COMMODITIES	18 Months ended 31 December 2010	
	COST	Net Realisable Value
	MUR	MUR
Ration Rice	61,689,848	46,231,321
Flour	44,569,503	41,027,570
Sugar	1,579,483	1,679,600
Pulses	154,944	190,555
TOTAL	107,993,778	89,129,046

The cost of inventories recognised as an expense includes MUR 19,000,460 for STC in respect of write-downs of inventory **of Rice and Flour** to Net Realisable Value (NRV) during the reporting period as a result of Government policy of fixing the selling price of these products. The subsidiary did not have any inventory at 31 December 2010.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010

COMMODITIES	Year ended 30 June 2009 Consolidated STC			
	COST	Net Realisable Value	COST	Net Realisable Value
	MUR	MUR	MUR	MUR
Ration Rice	58,707,668	43,443,850	58,707,668	43,443,850
Flour	51,801,197	43,842,350	51,801,197	43,842,350
Sugar	2,604,109	2,691,240	2,604,109	2,691,240
TOTAL	113,112,974	89,977,440	113,112,974	89,977,440

At 31 December 2010, STC did not hold any inventories for Petroleum Products, LPG and Cement as the risk in these products passes from the Seller (STC) to the Buyers as the product passes the vessel's discharge manifold.

11. TRADE & OTHER RECEIVABLES

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

	STC 18 months 31 Dec 2010	Consolidated Year ended 30 June 2009	STC Year ended 30 June 2009
	MUR	MUR	MUR
Recovery Account	-	3,522,802	3,522,802
STCM Ltd –Working Capital Loan	-	-	33,878,932
APM Recovery Account	-	126,991,055	126,991,055
Mauritius Revenue Authority	13,977,532		
Trade Receivable	4,945,967,199	3,654,332,865	3,636,316,162
Other receivables	22,751,439	14,542,945	14,542,945
TOTAL	4,982,696,170	3,799,389,667	3,815,251,896

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**12. CASH AND CASH EQUIVALENT**

	STC 18 months ended 31Dec 2010	Consolidated Year ended 30 June 2009	STC Year ended 30 June 2009
	MUR	MUR	MUR
Bank Balances	408,547,512	90,814,046	73,548,206
Overdraft	(315,265)	(844,185,289)	(844,185,289)
TOTAL	408,232,247	(753,371,243)	(770,637,083)

Overdraft facilities are guaranteed by Government of Mauritius.

13. SHARE CAPITAL

	2010 MUR	2009 MUR
Authorised: 1 million ordinary shares of MUR10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid: 40,000 shares of MUR10 each	400,000	400,000

14. RETAINED EARNINGS

	CONSOLIDATED MUR	STC MUR
At 01 July 2008	<u>86,864,309</u>	<u>86,835,869</u>
Loss for the year 2008-2009	<u>(3,308,932,400)</u>	<u>(3,310,028,328)</u>
Balance at 30 JUNE 2009	<u>(3,222,068,091)</u>	<u>(3,223,192,459)</u>
Profit for the period July 09-Dec 10	2,692,352,665	2,694,477,033
Balance as at 31 December 2010	(529,715,426)	(528,715,426)

The hedging loss of MUR 4.7 billion has been accounted in the income statement of 2008-2009 resulting in a negative result of MUR 3.2 billion. An amount of MUR 3 per litre has been provided in the price structure of Mogas and Gas oil to recover the hedging loss.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**15. ADMINISTRATIVE EXPENDITURE & EMPLOYEE BENEFIT OBLIGATIONS**

Administrative Expenditure of MUR 265.9 million (MUR 233.1 for STC) for the period July 2009 to December 2010 includes an amount of MUR 168.7 million in respect of staff cost and MUR 7.8 million for Depreciation charge.

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. An accrual amount of MUR 38.2 million is made for the estimated liability for bank sick leave and vacation leaves. Administrative Expenditure for 18 months July 2009 to December 2010 includes an amount of MUR 3.5 million in this respect.

	18 months ending 31 December 2010	Year ending 30 June 2009
Amounts recognised in balance sheet at end of year:	Rs	Rs
Present value of funded obligation	266,150,791	233,023,634
(Fair value of plan assets)	(234,192,909)	(197,865,473)
	31,957,882	35,158,161
Present value of unfunded obligation	0	0
Unrecognised actuarial gain/(loss)	(36,427,081)	(35,158,161)
Unrecognised transition amount	0	0
Liability at end of year		
This asset has not been recognized in the Balance Sheet (see note below)*	(4,469,199)	0
Amounts recognised in income statement:		
Current service cost	10,858,612	6,119,240
(Employee contributions)	(5,149,611)	(3,151,289)
Fund expenses	484,872	263,838
Interest cost	36,701,222	20,355,806
(Expected return on plan assets)	(31,512,312)	(22,196,031)
Actuarial loss/(gain) recognised	697,400	8,649,026
Past service cost recognised	0	0
Transition effect of adopting IAS 19	0	0
Total, included in staff costs	12,080,183	10,040,590

Movements in liability recognised in balance sheet:

At start of year	0	0
Total staff cost as above	12,080,183	10,040,590
(Actuarial reserves transferred in)	(230,361)	0
(Contributions paid by employer)	(16,319,021)	(10,040,590)
At end of year	(4,469,199)	0

Actual return on plan assets:

31,902,034	(4,723,699)
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Main actuarial assumptions at end of year:

Discount rate	10.50%	10.50%
Expected rate of return on plan assets	10.50%	11.00%
Future salary increases	7.50%	7.50%
Future pension increases	5.50%	5.50%

The assets of the plan are invested in funds managed by State Insurance Company of Mauritius Ltd.

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

* The IAS 19 figures for STC show a negative liability (i.e. asset) of Rs 4.5M as at 31 Dec 2010. However there are also net cumulative unrecognized actuarial losses of Rs 36.4M as at 31 Dec 2010.

Subject to Paragraphs 58, 58A & 58B of IAS 19, in the opinion of the actuary, the asset ceiling (i.e. recognized asset) should be set to zero.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**16. RELATED PARTY TRANSACTIONS**

The State Trading Corporation is wholly owned by the Government of Mauritius. During the period July 2009 to December 2010, 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:

July 2009 to December 2010 MUR	July 2008 to June 2009 MUR
4,293,509,738	2,288,444,259

- Sales of goods to CEB were made at market related prices.
- Outstanding balance as at 31 December 2010 – MUR 304 million (2009:MUR 266.2 million)

STCM LTD

STCM Ltd is a company incorporated in September 2007 and is wholly owned by the Corporation. During the 18 months ending 30 June 2009, the Corporation has purchased goods from STCM Ltd on commercial terms. The Board of STC has decided to grant an unsecured interest free loan of MUR 50 million with no repayment terms to the Subsidiary. Following Government decision, the subsidiary company has ceased its activities on 31 May 2010 and all its assets and liabilities have been taken over by the Corporation. The balance of the loan of MUR 29.03 million has been written off by STC.

Compensation of key management personnel

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

	CONSOLIDATED 18 months period ended 2010	STC 18 months period ended 2010	CONSOLIDATED Year ended 2009	STC Year ended 2009
Short-term benefits	12,706,173	11,614,978	6,882,904	5,589,307
Post-employment benefits	6,479,000	6,479,000	3,194,062	3,194,062
Fees to Board Members	1,223,850	1,103,850	986,050	776,050

The remunerations of Board Members are determined by the parent Ministry and those of key management are determined by the Pay Research Bureau, the body responsible for remuneration in the public sector. Out of 8 key management personnel, four are on contract and four are on substantive capacity.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**17. TRADE AND OTHER PAYABLES**

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

The average credit period taken for trade purchases is 60 days. Management considers that the carrying amount of trade payables approximates to their fair value.

	Period ended 31 Dec 2010 MUR	Consolidated Year ended 30 June 2009 MUR	STC Year ended 30 June 2009 MUR
<u>NON-CURRENT LIABILITIES</u>	<u>42,720,641</u>	<u>34,794,364</u>	<u>34,794,364</u>
CURRENT LIABILITIES			
Government of Mauritius	172,993,799	104,253,944	104,253,944
Mauritius Revenue Authority	574,994,079	611,111,465	611,028,156
Trade Payables	3,979,600,684	2,299,650,367	2,299,650,367
Other Payables	79,996,111	518,374,538	517,853,260
TOTAL	4,807,574,673	3,533,390,314	3,532,785,727

18. BORROWINGS – LOANS AND LINES OF CREDIT

BORROWINGS	STC 18 months period ended 31 Dec 2010		CONSOLIDATED Year ended 30 June 2009	
	USD	MUR	USD	MUR
Long Term Lines of Credit	19,500,000	608,400,000	73,250,000	2,420,912,501
Short Term Facilities	-	-	-	225,000,000
Short term Line of Credit	-	600,000,000	5,189,168.48	171,502,018
TOTAL BORROWINGS	19,500,000	1,208,400,000	78,439,168.48	2,817,414,519

Lines of Credit

- i) Lines of Credit borrowings are arranged at variable interest rates based on LIBOR
- ii) The Corporation has lines of Credit which are long-term credit facility and carry an average interest rate at 1.41 % above LIBOR.

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**19. RISK MANAGEMENT POLICIES**

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

a) Credit risk

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

b) Liquidity risk

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

c) Interest rate risk

The Corporation has short-term loans at average floating interest rates of 2.86% per annum. As such, its income and cash flows are exposed to interest rate risks. These risks are to some extent mitigated as the Corporation maintains a cash surplus that is invested in short-term deposits.

d) Commodity risk

The Corporation's principal variable cost component is the FOB price of its commodities. The FOB price of its commodities are indexed according to international commodity prices and accordingly the Corporation's profitability is exposed to commodity price risk. The risk associated to fluctuations in the FOB price of petroleum products is managed to some extent by various hedging techniques.

e) Currency Risk

The Corporation operates internationally and is exposed to Foreign Exchange Risk. Foreign Exchange Risk arises from commercial transactions whereby commodities are purchased and sold at different dates whereas all purchases are in US Dollars. Only part of the sales is in foreign currency. Currency risk is therefore related to that portion of sales which are not in US Dollars.

Currency exposure arising from commercial transactions is primarily managed through:

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

Notes to Financial Statement for the 18 months period 1 July 2009 to 31 December 2010**20. OPERATING SEGMENT.**

The surplus of MUR 2,694,477,034 for the 18 months period July 2009 to December 2010 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 surpluses on sales of other products.

STATEMENT OF COMPREHENSIVE INCOME FOR THE 18 MONTHS PERIOD JULY 2009 TO DECEMBER 2010

	RICE	FLOUR	PETROL	CEMENT	SUGAR	LPG	Others	TOTAL
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
REVENUE	330,199,713	1,711,527,606	37,892,063,889	987,437,534	30,935,190	1,844,520,450	466,238	42,797,150,619
COST OF SALES	445,226,159	1,884,460,292	34,286,786,310	1,009,116,017	28,254,909	2,537,750,142	439,443	40,192,033,272
Gross Surplus / (Deficit)	(115,026,446)	(172,932,686)	3,605,277,579	(21,678,483)	2,680,281	(693,229,692)	26,795	2,605,117,347
Other costs/ revenue	(28,973,504)	(93,471,634)	192,264,809	23,891,870	(1,612,362)	27,618,609	(1,324,163)	118,393,625
Bad debt - STCM							(29,033,939)	(29,033,939)
NET SURPLUS FOR THE YEAR	(143,999,950)	(266,404,320)	3,797,542,388	2,213,387	1,067,919	(665,611,083)	(30,331,308)	2,694,477,033

21. TAX

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

22. FUTURE COMMITMENTS

(i) The corporation has entered in a three year agreement for the supply of petroleum products.

(ii) STC has entered into a fifteen year agreement for the transportation of petroleum products in accordance with Government decision.