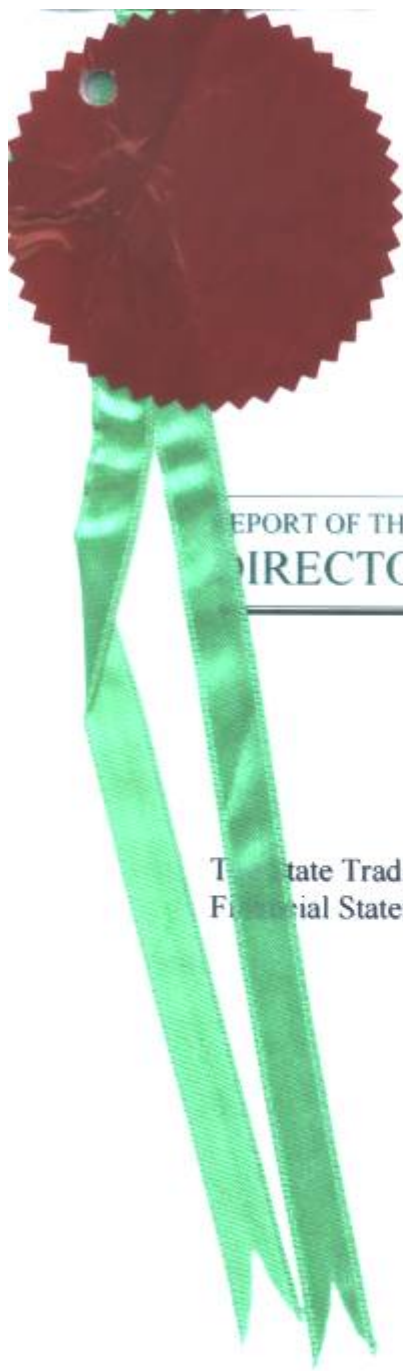


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REPORT OF THE
DIRECTOR OF AUDIT

Tea State Trading Corporation
Financial Statements for the Year Ended 30 June 2005

NATIONAL AUDIT OFFICE



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

I have audited the accompanying balance sheet of the State Trading Corporation as of 30 June 2005, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Audit Opinion

In my opinion, the financial statements give a true and fair view of the state of affairs of the State Trading Corporation as of 30 June 2005, and of its income and expenditure for the year then ended and comply with the Statutory Bodies (Accounts and Audit) Act 1972.


(R. JUGURNATH)
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
President J. Kennedy Street
Port Louis
23 November 2005



**STATE
TRADING
CORPORATION**

FINAL ACCOUNTS

2004 - 2005

BALANCE SHEET AS AT 30 JUNE 2005

	NOTE	2005 MUR	2004 MUR
FIXED ASSETS			
Property, Plant and Equipment	2	26,093,597	29,343,246
Investments	3	1,125,660	1,125,660
		27,219,257	30,468,906
CURRENT ASSETS			
Stocks		88,943,836	116,930,015
Accounts Receivable	4	3,290,561,931	2,171,895,713
Short Term Deposits	5	200,000,000	127,650,818
Bank Balance		666,246,298	212,793,713
		4,245,752,065	2,629,270,259
CREDITORS			
Accounts Payable	6	2,159,799,500	1,665,585,339
US Dollar Loans	7	384,852,000	483,157,000
Lines of Credit	7	1,149,876,804	0
		3,694,528,304	2,148,742,339
NET CURRENT ASSETS			
		551,223,761	480,527,920
CAPITAL AND RESERVE			
Share Capital	8	400,000	400,000
General Reserve		578,043,018	510,596,826
		578,443,018	510,996,826



A Teelokee
Financial Manager



R S Soomarooah
General Manager

The notes on pages 4 to 10 form an integral part of the Accounts.

26 September 2005

**INCOME AND EXPENDITURE FOR THE
YEAR ENDED 30 JUNE 2005**

	NOTE	2005 MUR	2004 MUR
Turnover	9	14,764,147,203	10,229,517,314
Recovery from Government	14	540,242,174	88,936,573
Subsidy on Rice and Flour From Government	10	400,000,000	400,002,844
Refund of Subsidy from Traders		156,765	133,552
Transfer from surplus on petroleum product		144,704,494	44,977,464
TOTAL REVENUE		15,849,250,636	10,763,567,747
COST OF SALES		15,487,010,154	10,649,349,156
		362,240,482	114,218,591
<u>OTHER INCOME</u>			
Interest receivable	11	22,168,149	11,276,302
(Loss)/Gain on Exchange		(57,213,325)	143,613,251
Miscellaneous Income		4,915,218	1,436,870
Investment Income		36,703	21,321,639
		(30,093,255)	177,648,062
<u>OTHER EXPENDITURE</u>			
Exceptional Item	12	(5,409,945)	(5,122,952)
Administrative Expenses		(96,530,227)	(91,300,155)
Depreciation	2	(5,371,298)	(5,295,891)
Interest Payable	13	(12,685,071)	(796,046)
		(119,996,541)	(102,515,044)
SURPLUS FOR THE YEAR		212,150,686	189,351,609
Transfer to Rice and on Flour		(144,704,494)	(44,977,464)
NET SURPLUS FOR THE YEAR		67,446,192	144,374,145
RETAINED SURPLUS B/F		510,596,826	476,258,681
		578,043,018	620,632,826
Transfer to Over/(Under) Rec. A/C		0	(110,036,000)
RETAINED SURPLUS C/F		578,043,018	510,596,826

**CASH FLOW STATEMENT FOR YEAR
ENDED 30 JUNE 2005**

	NOTE	2005 MUR	2004 MUR
Net Cash (Outflow)/Inflow from Operating Activities	19	618,065,143	32,708,263
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
Interest Paid		(11,489,402)	(899,900)
Interest Received		19,623,265	11,965,036
Investment Income Received		36,703	21,356,126
Net Cash (Outflow) from Returns on Investments & Servicing of Finance		8,170,566	32,421,262
INVESTING ACTIVITIES			
Acquisition of Fixed Assets		(2,128,942)	(5,153,148)
Sales of Fixed Assets		0	154,303
Net Cash (Outflow)/Inflow from Investing Activities		(2,128,942)	(4,998,845)
FINANCING			
US Dollar Loans: (Decrease)/Increase in		(98,305,000)	40,642,000
Cash & Cash Equivalents	19(a)	525,801,767	100,772,680

1. ACCOUNTING POLICIES

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

(a) Basis of Accounting

The accounts are prepared under the historical cost convention.

(b) Turnover

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

(c) Depreciation

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

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

(d) Stocks

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

(e) Foreign Currencies

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

2. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Office Equipment & Furniture	Plant and Machinery	Buildings	Computer System	TOTAL
	MUR	MUR	MUR	MUR	MUR	MUR
COST						
At 1 July 2004	7,499,600	7,137,226	21,802,712	12,922,321	10,112,055	59,473,914
Additions		342,692	192,903		1,708,781	2,244,376
Disposal		(243,013)				(243,013)
At 30 June 2005	7,499,600	7,236,905	21,995,615	12,922,321	11,820,836	61,475,277
DEPRECIATION						
At 1 July 2004	4,663,604	4,198,961	12,268,856	2,341,407	6,657,840	30,130,668
Charge for the year	1,246,244	467,599	2,074,286	258,447	1,324,722	5,371,298
Disposal		(120,287)				(120,287)
At 30 June 2005	5,909,848	4,546,273	14,343,142	2,599,854	7,982,562	35,381,679
At 30 June 2004	2,835,996	2,938,265	9,533,856	10,580,914	3,454,215	29,343,246
At 30 June 2005	1,589,752	2,690,631	7,652,473	10,322,467	3,838,274	26,093,597

STATE TRADING CORPORATION – FINAL ACCOUNTS 2004-05

Page 5

	% of Shares	2005 MUR	2004 MUR
3 INVESTMENTS			
Unquoted (As at 30 June)			
a) State Property Development Co Ltd (SPDC) - <i>Note 1</i>	Less than 1	400,000	400,000
b) Africa Export-Import Bank (Afreximbank) - <i>Note 2</i>	Less than 1	725,660	725,660
		<u>1,125,660</u>	<u>1,125,660</u>

Note 1: As at 30 June 2005 STC holds 4,000 (0.06%) out of 6,650,000 shares in State Property Development Co. Ltd.

Note 2: As at 30 June 2005 STC holds 10 (0.01%) out of 75,000 shares in Afreximbank.

4 ACCOUNTS RECEIVABLE

The Accounts Receivable are as follows:

Government of Mauritius	1,265,373,657	726,256,661
Trade Debtors	2,011,684,572	1,406,311,833
Interest Receivable	2,757,756	212,872
SBM LTD Forward Contract	0	30,120,000
SICOM-Insurance Claims Receipts	253,753	271,293
Marine Cement Ltd.	2,089,908	0
Others	8,402,285	8,723,054
	<u>3,290,561,931</u>	<u>2,171,895,713</u>

5 SHORT TERM DEPOSITS

Short Term Deposits are made up as follows:

HSBC	<u>200,000,000</u>	<u>127,650,818</u>
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6 ACCOUNTS PAYABLE

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

Government of Mauritius	369,441,101	446,313,363
Trade Creditors	1,720,313,631	1,130,779,495
Accrued Interest	1,589,376	1,713,430
Currency Swaps	0	30,120,000
Others	68,455,392	56,659,051
	<u>2,159,799,500</u>	<u>1,665,585,339</u>

STATE TRADING CORPORATION – FINAL ACCOUNTS 2004-05

		2005	Page 6 2004
		MUR	MUR
7	US DOLLAR LOANS AND LINES OF CREDIT		
		2005	
		USD	
		MILLION	
	USD LOAN		
	<i>SBI</i>	7.0	207,228,000
			0
	<i>State Bank of Mauritius Ltd</i>	6.0	177,624,000
			127,894,500
	<i>HSBC</i>	0.0	0
			241,578,500
		<u>13.0</u>	<u>384,852,000</u>
	LINES OF CREDIT		
	<i>Barclays Bank OBU</i>	29.1	862,718,004
			0
	<i>IDB</i>	9.7	287,158,800
			113,684,000
	Balance as at 30 June	<u>38.8</u>	<u>1,149,876,804</u>
			<u>113,684,000</u>
8	SHARE CAPITAL		
	Authorised		
	1,000,000 shares of MUR 10 each		10,000,000
			<u>10,000,000</u>
	Issued and fully paid		
	40,000 shares of MUR 10 each		400,000
			<u>400,000</u>
9	TURNOVER		
	<i>Turnover is made up as follows:</i>		
	Petroleum Products: Inland Trade		6,517,883,224
			5,086,269,825
	Fuel oil (CEB)		1,583,890,407
			797,827,523
	Windfall gain		31,755,469
			11,470,616
	Windfall loss		(8,546,975)
			0
	International Trade		5,219,963,504
			3,021,281,877
			<u>13,344,945,629</u>
			<u>8,916,849,841</u>
	Cement		222,514,786
			164,015,899
	Ration Rice		137,528,729
			134,642,777
	Flour		448,381,599
			407,322,743
	Sugar		5,572,135
			5,601,838
	LPG		605,204,325
			601,084,216
			<u>14,764,147,203</u>
			<u>10,229,517,314</u>

10 SUBSIDY RECEIVABLE

Rice and Flour

	2005 <i>MUR</i>	2004 <i>MUR</i>
At 01 July	0	(23,202,844)
Subsidy for the year	544,861,259	445,113,860
Subsidy Received from Government	(400,000,000)	(376,800,000)
Transfer from surplus on petroleum product	(144,704,494)	(44,977,464)
Refund of Subsidy from Traders	(156,765)	(133,552)
At 30 June	<u><u>0</u></u>	<u><u>0</u></u>

A subsidy is receivable from Government to enable STC to meet the loss incurred on the sales of Ration Rice and Flour.

11 INTEREST RECEIVABLE

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

12 EXCEPTIONAL ITEMS

	2005 <i>MUR</i>	2004 <i>MUR</i>
This amount represents :		
Provision for payment of Dead Freight to Scott Granary & Co. Ltd	5,409,945	5,122,952
	<u><u>5,409,945</u></u>	<u><u>5,122,952</u></u>

13 INTEREST PAYABLE

This amount includes interest payable on Lines of credit

	2005 MUR		2004 MUR	
14 NET SURPLUS FOR THE YEAR				
Net Surplus has been realised as follows:				
Petroleum Products				
Surplus on International Trade:	278,505,981		244,045,457	
Loss on Inland Trade *	(307,295,302)		(154,797,405)	
Gross (Loss)/Surplus	(28,789,321)		89,248,052	
Refundable by Government	237,462,706	208,673,385	65,765,412	155,013,464
Cement				
Gross (Loss)/Surplus	(13,898,422)		(11,604,206)	
Refundable by Government	14,930,711	1,032,289	10,920,316	(683,890)
LPG				
Gross (Loss)/Surplus	(285,666,317)		(10,233,735)	
Refundable by Government	287,848,757	2,182,440	12,250,845	2,017,110
Interest Receivable		348,596		11,276,302
Investment Income		36,703		21,321,639
Interest payable				(21,552)
Miscellaneous Income		(122,726)		428,536
NET SURPLUS		<u>212,150,687</u>		<u>189,351,609</u>

* The loss on Inland Trade include a figure of MUR 69,655,696 representing losses incurred by STC on Mogas and Gas Oil (under APM) for the period July 2004 to June 2005 on on Mogas and Gas Oil. These losses will be adjusted in the prices in the next quarter with effect from October 2005.

15 AUTOMATIC PRICE MECHANISM(APM)

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

The Major Features of APM are that:

- i) It will be applicable initially for Motor Gasoline (Mogas) and Gas Oil (Diesel) sold on the local market.
- ii) Price change if any will be effected on a quarterly basis.
- iii) Price change, downward or upward, will be within the range of 2.5% and 15% respectively. Any price change (cumulative) below 2.5% and above 15% will be carried forward for the next quarter.
- iv) A Certification Committee shall have as Chairman in the person of the Director of Central Statistical Office, and three members appointed by the Minister of Commerce and Cooperatives. The Committee will verify the computation of STC and certify the price changes on the eve of the price change.

AUTOMATIC PRICE MECHANISM(APM) (continued)

- v) There may be windfall gain or loss on account of stocks being held by oil companies on the day of price change.
- vi) The CIF price to be used for calculation of retail prices for next quarter will be the weighted average of the CIFs of all the vessels of the previous quarter, including vessel(s) already loaded but still in transit up to the fifteenth of the last month of the previous quarter.

16 RISK MANAGEMENT POLICY

STC has developed an Enterprise Risk Management Policy regarding the various areas of risk. As part of this business strategy, during the financial year 2004/05, two hedge transactions have been made to cover price risk exposures of petroleum products.

17 PENSION SCHEME

All permanent employees of the Corporation are members of the State Trading Corporation Pension Scheme, a defined benefit Scheme managed by SICOM LTD. The Pension Fund which is wholly funded by the Corporation has a market value of MUR 123.7 m. as at 30 June 2004.

18 CONTINGENCIES

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

19. NOTES TO CASH FLOW STATEMENT

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

	2005	2004
	<i>MUR</i>	<i>MUR</i>
Net Surplus for Year	212,150,687	189,351,609
Interest Payable	12,685,071	796,046
Transfer from Surplus on petroleum products	(144,704,494)	(44,977,464)
Interest Receivable	(22,168,149)	(11,276,302)
Investment Income	(36,703)	(21,321,639)
Operating Surplus	57,926,412	112,572,250
Transfer to Over/(Under) Reco. A/C	0	(110,036,000)
Depreciation Charges	5,371,298	5,295,891
(Profit)/Loss on Sales of Fixed Assets	122,726	(96,636)
(Increase)/Decrease in Stocks	27,986,179	(43,004,004)
(Incr)/Decr in Accounts Receivable	(1,116,121,335)	(445,938,440)
Incr/(Decr) in Accounts Payable	1,642,779,863	513,915,202
Net Cash (Outflow)/Inflow from Operating Activities	618,065,143	32,708,263

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

	<i>MUR</i>	<i>MUR</i>
At 1 July	340,444,531	239,671,851
Net Cash (Outflow)/Inflow (Note 20 b)	525,801,767	100,772,680
At 30 JUNE	866,246,298	340,444,531

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

	CHANGE IN			CHANGE IN		
	2005	2004	YEAR	2004	2003	YEAR
	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>	<i>MUR</i>
Bank Balances	666,246,298	212,793,713	453,452,585	212,793,713	50,865,451	161,928,262
Short Term Deposits	200,000,000	127,650,818	72,349,182	127,650,818	188,806,400	(61,155,582)
	866,246,298	340,444,531	525,801,767	340,444,531	239,671,851	100,772,680