



Annual Report 2019

State Trading Organization plc



This report comprises the Annual Report of State Trading Organization plc prepared in accordance with the Companies Act of the Republic of Maldives (10/96), Listing Rules of Maldives Stock Exchange, Maldives Securities Act (02/2006), Securities (Continuing Disclosure and Obligations of Issuers) Regulation (R-1050/2019) of Capital Market Development Authority and Corporate Governance Code of Capital Market Development Authority requirements. Unless otherwise stated in this Annual Report, the terms 'STO', the 'Group', 'we', 'us' and 'our' refer to State Trading Organization plc and its subsidiaries, associates and joint ventures collectively. The term 'Company' refers to STO and/or its subsidiaries. STO prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2019. In this report, financial and statistical information is, unless otherwise indicated, stated on the basis of the Company's financial year. Information has been updated to the most practical date. This Annual Report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and STO plans and objectives, to differ materially from those expressed or implied in the forward looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. STO cannot guarantee future results, levels of activity, performance or achievements.

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Vision

Enriching lives through expansion and accessibility.

Values

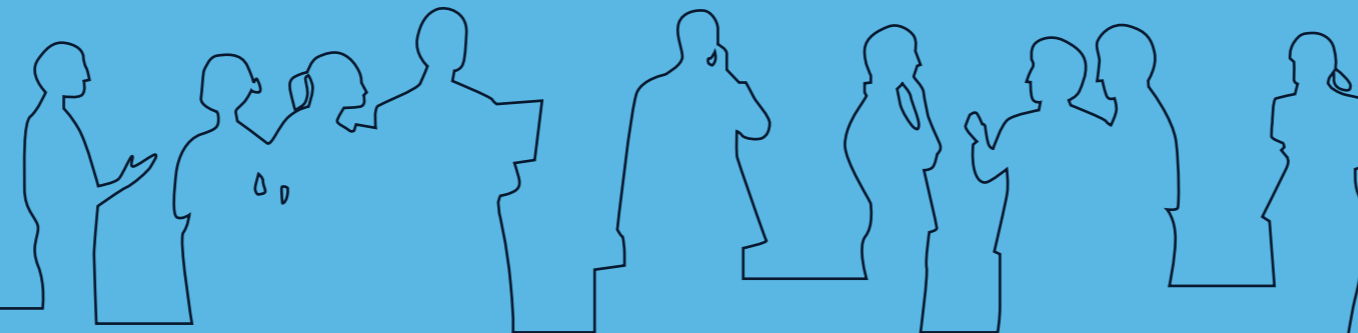
Progressive

Respectful

Innovative

Accessible

Caring



Mission

Lead through expansion of existing businesses, diversification, exploring new possibilities and entering into new ventures.

Explore beyond our borders, expand our markets and establish ourselves as an international player, respected by the international business community.

Ensure accessibility with our presence nationwide; offer peace of mind and assurance to the public of uninterrupted provision and affordability of essential goods and services and those that contribute to a fulfilling modern lifestyle.

Build a skilled workforce by investing in human development; build our competencies, to achieve sustainable and unhindered growth and fulfil our vision.

STO Group in 2019

Gross profit
1,950
(In millions) MVR

Revenue
10,906
(In millions) MVR

Operating cash outflow

125
(In millions) MVR

Operating profit

842
(In millions) MVR

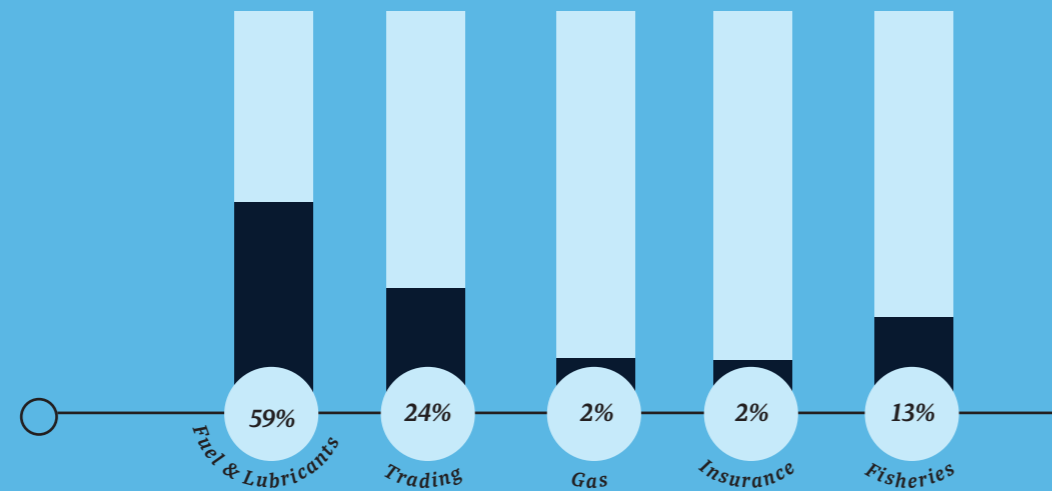
Dividend proposed

58
(Per share) MVR

Profit before tax

476
(In millions) MVR

Share of revenue by segments as of 2019



A Letter to Shareholders

“The assurance of availability of primary necessities lies within our roots; hence at STO, our vision is Bold, which is enriching lives through expansion and accessibility.”



Dear Shareholder,

I am pleased to present to you the Annual Report and the Financial Statements for the financial year ended 31st December 2019.

I am trusting that this report will provide an in-depth understanding of our values and performance for the year 2019.

STO has been playing an integral role in the growth and success of Maldives in its 56 years of business. The assurance of availability of primary necessities lies within our roots; hence at STO, our vision is Bold, which is "enriching lives through expansion and accessibility." It is an honor to serve and augment the lives of every citizen in the Maldives through our dynamic business portfolio.

Despite the external challenges, STO has evolved and stepped up to ensure the accessibility of essential goods and services to public along with the development of Maldivian economy. We are keeping our core business as a priority. With the challenges, we have also made a significant investment in areas such as shipping, agriculture, and construction. In 2019, we managed to conduct strategically focused discussions for the future growth and sustainability of our Company. For long term goals, we will focus on talent management of our employees, and we will enhance our portfolio by exploring beyond borders.

Maldives economy shows persistent progress with an increased GDP of 5.2% in the year 2019, indicating a positive trend in overall trade. This year we have managed to achieve a total of MVR 383 as net profit and the board has declared a final dividend of MVR 58.

STO profoundly benchmarks as a leading company in corporate governance; hence, our efforts in adopting good governance have been recognized by the "CG Efforts Award 2019" from Capital Market Development Authority. We are fortunate to have a versatile, industry-experienced board to lead us, and shareholders who genuinely care for the betterment of the Company.

2019 has been an exceptionally good year for the Group and this has only been possible with the tremendous efforts of the employees. I take this opportunity to thank everyone for the contribution and their efforts.

As we look forward to another successful year, we aim for higher goals and we depend on our stakeholders to achieve these goals. Therefore I would like to express my sincere gratitude to our valuable shareholders, our loyal customers, our board members and dedicated employees of STO Group for their continuous contribution in fostering and developing the entire Nation.

Hamid Nasheed Mohamed
Chairman

An interview with

*Husen Amru Mohamed Rashad,
CEO & MD*

“All our subsidiaries are also engaged in providing essential services which are directly benefiting the whole community and together we achieve SYNERGY among us. They are the pride of STO Group”

1. How would you describe STO as a Company?

STO is the largest state owned enterprise in the country and engages in diverse sector, all of which are connected to every Maldivian's life in one way or the other. When I took the helm at the company I did so with much pride and honor, but also understanding that it was going to be a profound responsibility and arduous task. I was not completely familiar with how extensive STO's functions were in people's everyday lives, and the entire immense scope of operations of the company when I joined as CEO and MD. I am deeply appreciative and grateful for the continuous support of our Board of Directors who offer guidance and direction, the inspiring heads of departments who have showed exemplary leadership, and all the dedicated hardworking staff of STO who are the real heroes who keep the wheels turning.

STO's mandate is broad but the most significant of those is undoubtedly ensuring the country's food security. We import major staples and ensure they are supplied across the country. We have also started advocating for alternative sources to ensure food security, because one of the most important lessons to take from Covid19 is that circumstances can change drastically very suddenly and we cannot rely so much on imports alone. We also supply all medical supplies required for the public health sector and is a large provider of pharmaceuticals. We are also the key provider of fuel for the energy sector. One could say almost all of basic necessities are connected to STO in one way or another.

We are a Company that is unique in our objectives. Our quest to cater to the daily needs of the people while striving to generate shareholder returns is a challenging task. Some essential services are provided at cost or sometimes below. Such losses need to be covered by other profit generating activities. STO is therefore a social service provider as well as a trading Company. Unlike a governmental organization or an NGO, STO must generate its own funds to overcome the losses from non-profit activities to warrant enough shareholder returns. Keeping profits modest while maintaining business sustainability is a balancing act. So far, we have managed to do it well. And that is exactly what STO is. STO has always been there and will always be there when the people need us. And I believe this was no more clearer than when STO stepped up during immense challenges during Covid19 to ensure food, medical and fuel supply among others.

2. Financially, 2019 has been the most successful of the past four years. Congratulations on completing your first year with such a performance mark. How would you describe the results of 2019 and what are the key highlights?

I believe that the result is from us working together as one. By us I mean staff from all departments and branches of STO throughout the nation, and various stakeholders that contributed night and day to achieve what we did in 2019. We all worked towards one common goal and ensured that we all did what needed to be done at the right time. All departments of the Company put extra effort and I acknowledge that all our staff walked the extra mile to achieve our goals in 2019. The booked figures are the end result of that commitment.

Improving operational efficiency and adopting cost cutdown practices was our key focus during the past year. Managing close supplier relationships and improving the efficiency of our supply chain was a major contributor to this strategy. Successful steps were taken to eliminate existing friction with suppliers and revitalize relationships. Identifying bottlenecks and reducing their strain was also a big part of our efficiency strategy, which eventually led to the good financial performance.

3. Can you tell us about how the subsidiary companies contribute to the success of STO Group?

The affiliation we have with our subsidiaries is core to our business. Allied Insurance Company is the largest insurer of the country and adds immense value to the Group's financial performance. Maldives Gas is specialized in the supply of LPG and medical gas and adds value to the Group with its wide accessibility, strengthening STO's presence nationwide. It is the sole supplier of medical gas in the country. Fuel Supply Maldives ensures smooth distribution of fuel imported by STO and caters to the ever-growing expectations of our customers. Even though MIFCO may not be performing financially well at the moment, it remains the largest contributor to the nation's fisheries industry. In terms of product quality and customer satisfaction, it is at the top level. Hence, we believe that with improvements in a few operational areas, MIFCO can turn the tables. It is currently the only source of foreign income within STO.

All our subsidiaries are also engaged in providing essential services which are directly benefiting the whole community and together we achieve SYNERGY among us. They are the pride of STO Group

4. Upon your appointment, you have been continuously emphasizing on STO expanding its business and venturing into new ones. As such, shipping and agriculture are areas which you have cited often. What is the status of these ventures?

I believe a company with the scope and potential of STO should be targeting to explore further possibilities that will benefit the company and the country. It should be prioritizing easing life for Maldivians. Venturing into shipping was considered as a significant step towards facilitating commercial activities not just for STO but to other local businesses as well, and a venture where we can compete directly in international markets. In fact it was very fortunate that we had initiated the shipping line with our first ship completing its maiden voyage in April 2020, as it proved to be of great help when borders closed following Covid19 and transport became increasingly difficult. With additional ships I have no doubt we can build up a competitive and highly viable shipping line in the Maldives, as was operated years before. Our vision is to revitalize the shipping industry, creating jobs and boosting business across the country, and bring back the glory days when our ships sailed international seas with pride bearing our national flag.

Under our new label “Grown in Maldives” we launched this agricultural initiative in October 2019. It is executed in affiliation with Ministry of Fisheries’ Marine Resources and Agriculture unit, Ministry of Tourism and the President’s Office. Since this is a CSR initiative undertaken by STO with the purpose of assisting farmers, our plan is to start small with an initial operation in AA. Thoddoo and then expand it over time, as the venture bears fruition. We are grateful to the Councillors and Secretariat of the Thoddoo Council for assisting us in setting up this operation. The operation will involve sourcing produce from farmers, packaging and marketing the products. Marketing will focus on tourist resorts and guest houses. We are hoping this initiative will prove to be a successful model that can be replicated with other councils as well, furthering interest in agriculture. As we have repeatedly emphasized, Covid19 has shown us vividly how important attaining some degree of self sufficiency is, and how risky it is for us to be entirely reliant on imports for our food. By guaranteeing farmers markets for their produce and value for the products STO can play a key role in encouraging more communities to engage in agriculture, growing a wider variety of crops and boosting economy in island communities while ensuring food security.

5. STO has been resolute at the forefront of the nation’s fight against Covid-19. How has that experience been?

That’s absolutely true. Like most nations, we were caught off-guard by an outbreak that rapidly turned into a worldwide pandemic. As with all national emergencies including disease outbreaks before, STO mobilized quickly and began working closely with the national task force despite immense challenges. One of our first priorities was to secure essential food supplies for the nation and ensure the means to distribute to the people. Massive procurement efforts were also undertaken in sourcing huge quantities of medical supplies and equipment needed to effectively combat the disease. I am also very proud of our contributions to the rapid development of new isolation and treatment facilities. Another huge challenge was in protecting our staff without discontinuing any of our essential services. While a number of our operational frontline workers did contact the virus, quick action contained the spread and we are fortunate that none has had to be hospitalized so far.

6. What can you share about the Company’s preparedness for such a situation, lessons learned and what will possibly change?

A lot of our recent work and ongoing projects towards service enhancement and operational efficiency saved us valuable time in organizing a better and more effective response to Covid 19. Kaadu Agent project—which we successfully completed last year to improve nationwide staple food distribution—enabled timely restocking of staple foods across all islands initially when panic buying was happening and helped ease tensions quickly. Additionally, making information of staples being distributed to each specific island proved to be helpful in reducing worry and questions of the public and increased transparency as well. Similarly, recent projects undertaken by our ICT department made it possible to rapidly deploy two potent platforms that turned out to be invaluable for our continued operations and services during the lockdown. One of it was the remote working toolset for our staff, and the other was the robust ecommerce platform that hosted our popular online shops and delivery services. We had initiated our eSTOre just a couple of days prior to the lockdown and it was a work in progress when we faced thousands of orders overnight. But I feel we learnt quickly along the way and our skilled staff were able to maneuver accordingly despite the tough circumstances.

However, the pandemic has taught important lessons for us as a company as well. One I would like to highlight is the importance of developing long-term relationships with suppliers. Policy changes will be required in some areas. We also need to develop and adopt remote working practices more broadly. Additionally, the benefits that can be achieved from automation has become more evident from this experience. So has the need for refining and expediting some of the projects we already have in the pipeline, such as centralized warehousing for medicals and advanced logistical operations.

6. What is your plan for 2020 and your future vision for STO?

I truly admire the dedication and teamwork demonstrated by STO employees. They are the pillars that hold up the company and the reason for our success. I believe that employee motivation and sense of belonging must be immersed within the corporate culture of an organization. I was pleased to see STO embodies such a culture and I take it as my responsibility to uphold this culture within the organization. We have a very cooperative and friendly workforce and it is of the utmost importance that they are rewarded with what they truly deserve. Their commitment to service was most evident due to the tireless, stressful hours everyone put in during lockdown operations, be it working from home with admin work to operating the busy call centre, from handling staples warehouse supply and distribution to managing orders for medicines and medical supplies, from IT teams working around the clock to cater to increasing demands to hardworking teams attending to in person and online customers at the supermarket, and so much more. 2020 is going to be a year where we focus on the wellbeing and development of our staff. We are currently revising the employee benefits package to ensure that staff are justly rewarded with the best possible package.

As for the longer-term outlook, I believe that STO has successfully grown the current businesses and secured a solid foothold in the domestic market. It is now prime time to take the next step and, in my view, it is to go international and explore beyond borders. Being a company that directly imports massive quantities of goods requiring huge foreign currency payouts, I believe that expanding internationally is a way to ease access to foreign currency. Furthermore, it is our objective to contribute to the economy and infuse the much-needed foreign currency into the country and be a benchmark Company in business. Hopefully, this is not very far from being achieved, especially with our new shipping venture.

I would like to thank the avid team of STO for their relentless efforts and commitment during the last fiscal year and in our fight against Covid-19. I would like to convey my sincere appreciation to all our customers, suppliers and bankers for their continued support. I would also like to express my heartiest gratitude to our shareholders, especially our main shareholder, the Government of Maldives represented by Ministry of Finance, for their enduring faith in STO.

Husen Amru Mohamed Rashad
CEO and Managing Director



Our Business

01



Our Business

“STO played and has been playing an integral role in the growth and success of Maldives in its 56 years of business.”

Hamid Nasheed Mohamed- Chairman

Trading
Net Revenue
2,646
MVR in Million

Gas
Net Revenue
219
MVR in Million

Fuel & Lubricant
Net Revenue
6,458
MVR in Million

Insurance
Net Revenue
210
MVR in Million

Fisheries
Net Revenue
1,359
MVR in Million





Trading

Performance

Revenue
2019

2,646
MVR in Million

2018

2,662
MVR in Million

Trading segment generated a revenue of **MVR 2,646** million for the year. The Group is committed to provide continuous supply of essential goods and services and contribute to the development of the nation by catering to the demands of the people.

Construction - Designs and develops competitive solutions for the construction industry.

Medical Services - Committed to improve health and well-being of the people through provision of pharmaceuticals, hospital consumables and equipments.

Peoples Choice

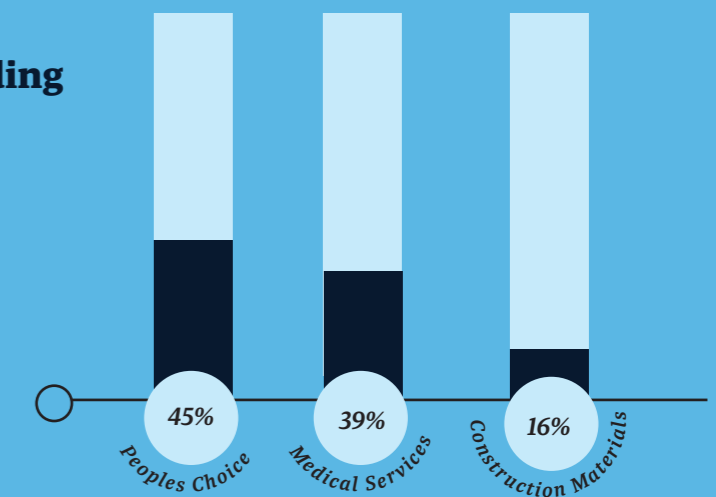
Supermart: Offers convenient mode of shopping for customers.

Home Improvement: Focused on improving living standards through better quality home and electronic appliances.

Staple foods: Focused on accessibility and availability of staple foods.

Regional outlets: Ensures better quality products at affordable prices across the country.

Share of Trading Revenue



Construction Materials

Performance

Revenue
2019

418
MVR in Million

2018

481
MVR in Million

In 2019, the segment reported lower revenue compared to the previous year, characterized by significant competition and operational challenges. However, the Group is striving to structure and develop existing operations, ensure efficiency and expand our services.

We supplied sewerage items for over

10
Islands

We supplied construction materials for

34
Resorts

Over 1.3 million roofing sheets supplied to more than

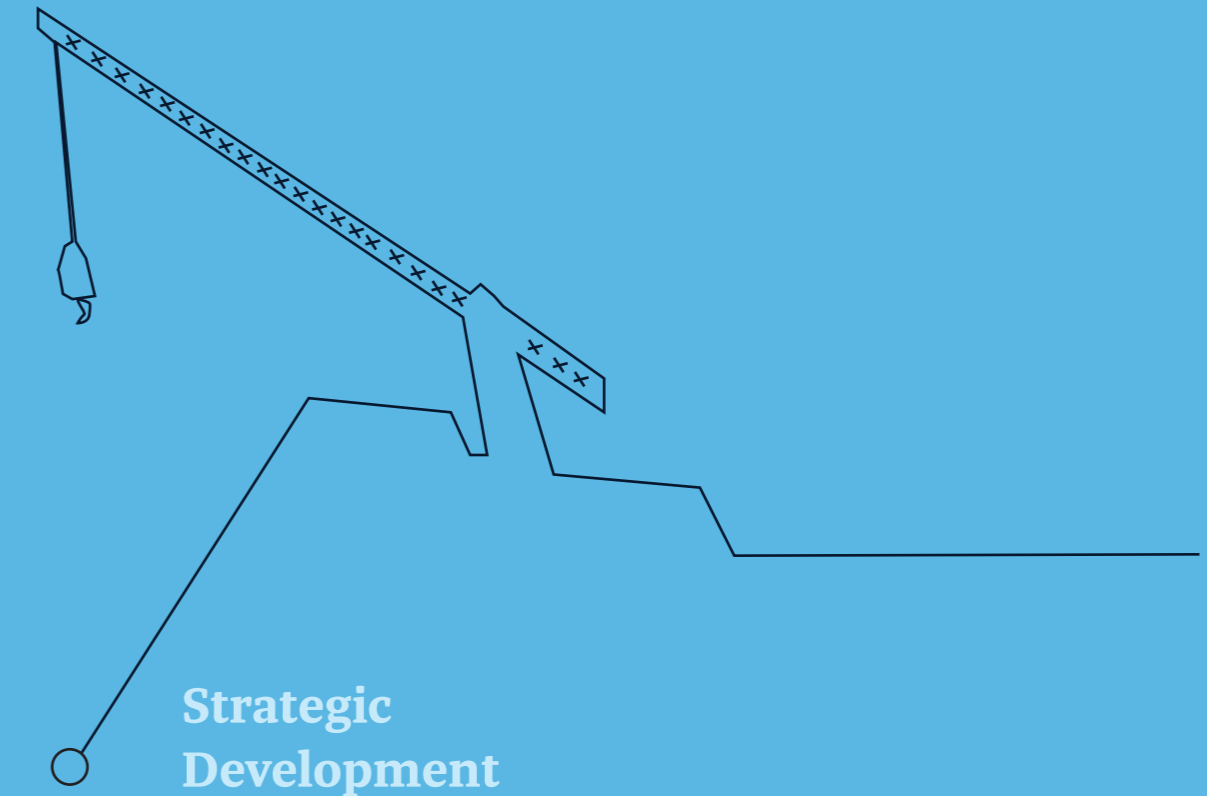
2,600
Houses

Around 4.7 million bags of cement provided to over

2,400
Houses

27,500 cbm ready-mix delivered to

110
Buildings



Strategic Development

We are focused on introducing new solutions to the construction industry to modernize the practices. For the first time in Maldives, Autoclave concrete blocks and ready-mix plastering solutions were introduced. The Group is associated with one of the leading AAC blocks manufacturer in India, Renaatus Procon Pvt Ltd and is the exclusive distributor of “Renacon” brand blocks in Maldives. Along with the blocks, ready-mix joining motor solution has also been introduced.

The Group is committed to evolve the construction industry of the country through innovative solutions. As the Group is focused on cost efficiencies and value creation, the Group plans to secure a port facility and increase the delivery capacity of construction items in 2020.

Medical Services

Performance

Revenue
2019

1,028
MVR in Million

2018

963
MVR in Million

Medical segment of the Group crossed a milestone revenue of MVR 1 billion in 2019, with an increase of 7% compared to previous year.

Over **223,000**

Patients, equivalent to 55% of the population were served through our pharmacies.

189 Hospitals were supplied with 10,000 consumables and 55,600 dozes of vaccines were provided

The Group installed **39** machines in 29 hospitals across the country.

To ensure efficient running of the medical equipments, our biomedical team conducted numerous preventive maintenance.

46 *Knowledge Sharing Activities* were held by the Group, with over **1000 participants** including doctors, nurses and technical staff. In association with medical sector professionals, World Mental Health Day conferences, Orthopedic conference, World Heart Day and World Cancer Day activities were held. These activities enable us to build relationships, transfer knowledge and work for the betterment of the medical sector.

we served 1 prescription in every 12 second, enabling us to attend over 2.7 million prescriptions.



Promises for better health care

Though 2019 ended with new milestones and greater expectations for the future, 2020 started with great challenges. As our duty of care, we are focused on the continuous availability of medical products and services as per critical needs of the health sector. The Group is committed to improve health and well-being of people and envision to improve people's lives through better health care.

Uniform prices

for staple foods across the country from April 2019 onwards

Peoples Choice

Performance

Revenue 2019	1,200 <small>MVR in Million</small>
2018	1,218 <small>MVR in Million</small>

In 2019, the revenue from Peoples Choice segment reduced by 1% compared to previous year.

Under the school breakfast program of the Government, over

57,000

students were supplied with Devondale milk packets for breakfast

Over

1,000,000

Bags of staple foods supplied

Improving living standards

The services provided under the Peoples Choice segment of the Group includes the provision of staple foods, household appliances, food and beverages and providing all goods and services across the country. Rather than maximizing profit, the segment is focused on improving living standards through accessibility and availability of high-quality products to geographically scattered islands through regional sales outlets.



The Supermart and Regional outlets act as the vessel to maintain prices and ensure affordability and availability of essential goods and services. Furthermore, the Group ensures customer wellbeing and improved lifestyle through home improvement products. Innovative products of well-known brands are offered and technical support is provided by our skilled technicians from service centers located in Male' and Addu City.

Fuel & Lubricants

Performance

Revenue
2019

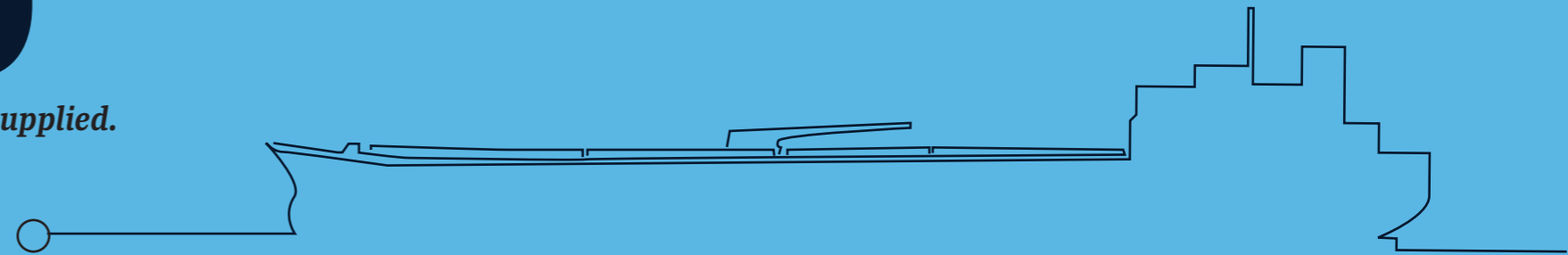
6,458
MVR in Million

2018

6,381
MVR in Million

The Fuel segment of the Group achieved a revenue of MVR 6,458 million for the year 2019, increasing revenue by MVR 77 million compared to the previous year. The feasible investments of the Group enabled to expand and lower the operational expenses, generating higher profit for the group.

Over
600
million litres of fuel supplied.



Storage expansion project
was completed, which

**doubled
the storage**

*of the Funadhoo Terminal, increasing fuel security in
Maldives*

Installation of
**automatic
gauging system**

*which marks the beginning of our
plans to automate the terminal*

In our unwavering commitment to consistently supply quality fuel and keep up with market trends, we switched our diesel to low sulphur diesel in 2019. Low sulphur diesel in engines has shown improvement of performance in engine exhaust systems and reduce harmful emissions from diesel engines leading to better air quality.

In order to cater to the growing demand and ensure better accessibility, a fuel shed was opened in Male' Industrial Village and a pump house was opened in Hulhumale' during the year. Furthermore, Thilafushi Boat Yard was upgraded to berth the vessels alongside the jetty and commercialize boat yard services. The Group is focused on maintaining fuel security and mitigating the impact of price fluctuations through sustainable investments and expansion.

Maintained our market position as the

industry leader

in gas supply solutions.

Gas

Performance

Revenue
2019

219

MVR in Million

2018

223

MVR in Million

In 2019, Maldivian Gas sales decreased slightly from 223 million to 219 million. However, better strategic planning and efficient utilization of resources facilitated the Group to reduce costs, resulting in a higher net profit before tax.

over

9 Million

kg of cooking gas were supplied to households, resorts and commercial

905,114

litres of medical oxygen were supplied to hospitals

Successfully

entered aviation industry

by supplying Nitrogen and Oxygen gas to Manta Air Pvt Ltd



Strategic focus and developments

In 2019, the Company made substantial progress by bridging gaps within the islands, linking the nation across our supply chain, selling a range of gas and other kitchen appliances. We have demonstrated operational excellence by producing high-quality results and maintained our market position as the industry leader in gas supply solutions.

Ensuring best value with the best covers in insurance

Insurance

Performance

Revenue
2019

210
MVR in Million

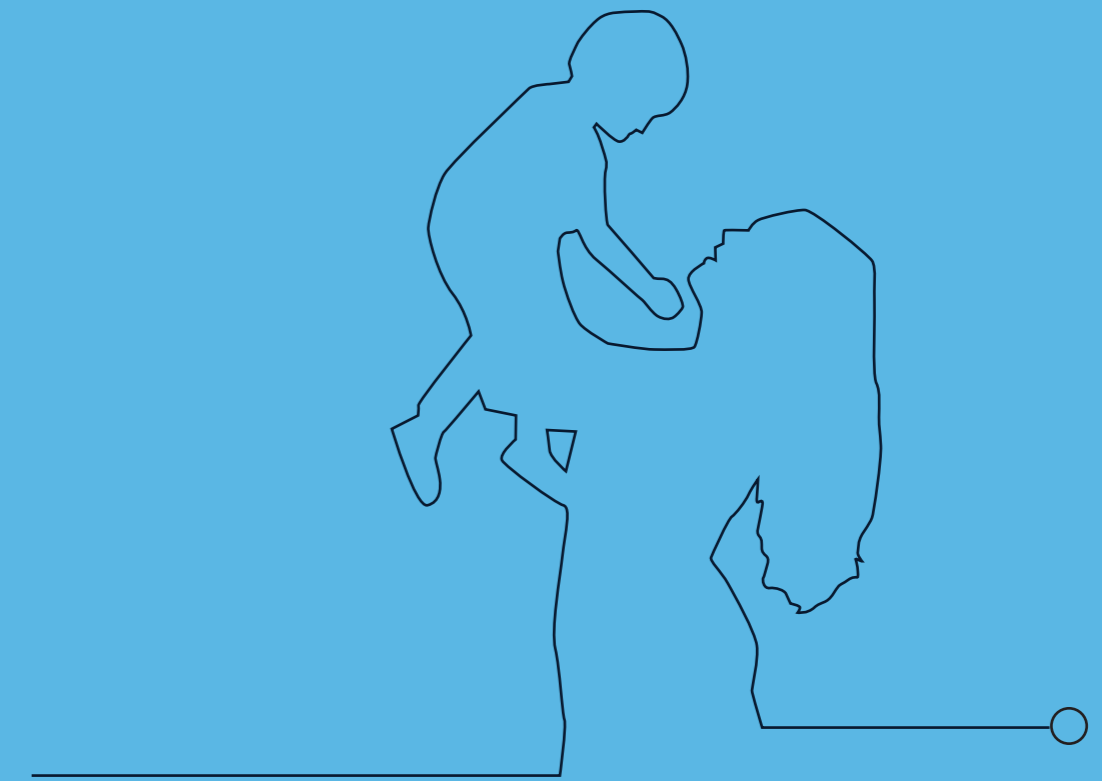
2018

245
MVR in Million

145 Million
MVR paid as claim

125,000
insurance policies were issued during the year

142,000
health beneficiaries issued



The year 2019 had been a challenging year due to increased competition and other environment and market factors which affected the business. With emphasis on providing better solutions for our customers, special insurance for safari operators were launched in collaboration with Maldives Boating Association. We participated in several expositions during the year, which enabled us to build relationships and extend our reach to all corners of the country. Information regarding possible risks to businesses and solutions were provided to prospects and importance of insurance was shared with students. Furthermore, Allied online portal was revamped with additional features and Ayadi online services for Home content Takaful and Hajj/Umrah was introduced during the year. By leveraging the expertise and innovative technology, we are striving to portray Allied as a modern, dynamized insurer and market leader in insurance.

Fisheries Performance

Revenue
2019 **1,359**
MVR in Million

2018 **1,342**
MVR in Million

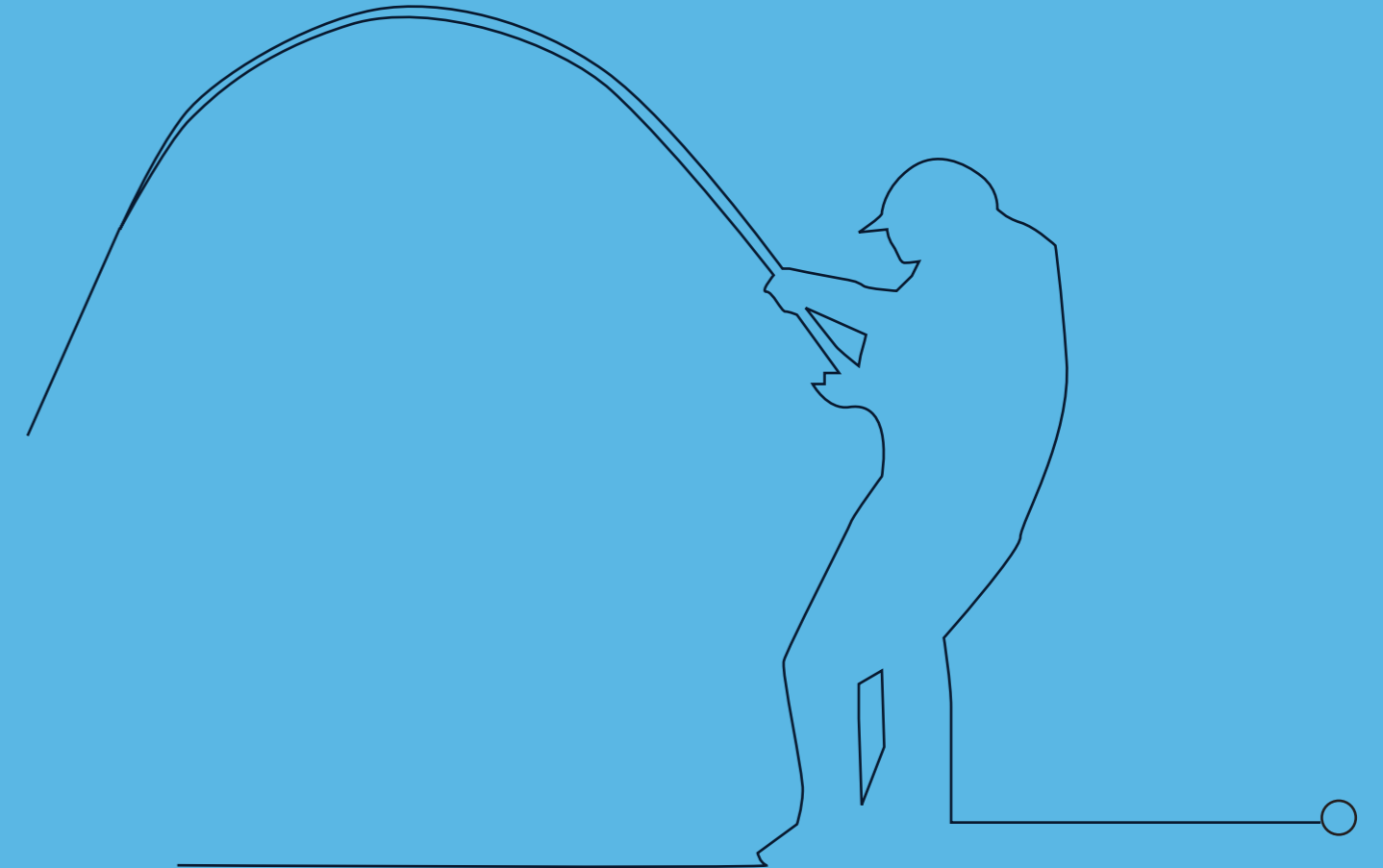
Revenue from the fisheries segment increased by 4%, generating a total revenue of MVR 1,403 million. In 2019, subsidies were provided by the Government to partly compensate the loss incurred due to lower international prices since buying prices are regulated. This enabled the Group to subsidize the loss compared to previous year.

Over **48,500**
MT of fish collected

39,606
MT frozen tuna exported

which is an increase of 9,494 MT compared to 2018

Over **169,869**
cases of canned tuna exported



The Group strives to identify key consumer insights, to develop innovative products and to embrace a philosophy of uncompromising adherence to customer satisfaction. The Group's mission to provide unique products from Maldivian seas to the world was met with many new products being introduced locally and internationally. During the year 2019, diamondback squid value added products and 3kg to 500g pouches of new finger foods including nuggets, reef fish burger and tuna meet ball were introduced. In addition, more varieties of canned tuna products including canned tuna - dried chilli and canned tuna - pepper were introduced.

Financial Review

02



STO group's profitability and financial position improved significantly during the financial year 2019 through successful execution of sound strategies. Strong financial performance was witnessed with notable growth in the profitability of our key business segments.

Clearly focused sound strategies and strengthened consumer confidence had a favorable impact on demand for our products under our portfolio. Fuel segment remains the key contributor for financial performance followed by Insurance and Gas segments. Growth in revenue from fuel and resilient performance from other segments combined with marginal increase in operational expenses excluding the impairment loss on receivables, enabled the group to achieve a higher profit. Further, subsidies provided by Government to fisheries segment reduced the adverse impact on profits, improving financial performance for the year 2019.

Revenue

STO group reported a third consecutive year of revenue growth with a total revenue of MVR 10.91 billion in 2019.

	2015	2016	2017	2018	2019
Revenue	7,313	6,939	9,100	10,873	10,906

Revenue growth was once again led by fuel segment with an increase of MVR 77 million compared to 2018. It reflects the benefits reaped by the landmark investment in the expansion project of the segment to cater to the growing economic demand and increase the customer base. Fisheries segment was also a significant contributor for revenue growth with an increase in revenue by MVR 17 million compared to previous year.

Gross Profit

STO Group witnessed an exceptional increase in gross profit for the year 2019, with an increase of 29% compared to previous year. Key segments of the Group reported a higher gross profit, achieving a total gross profit of MVR 1.95 billion. Fuel segment remain the most prominent contributor for higher gross profit due to growth in sales volume.



The fish prices in the international market experienced a decline during 2019 compared to previous year. Lower export price combined with regulated fish buying costs resulted in a significant gross loss for the fisheries segment of the Group. The Government of Maldives had provided subsidies to minimize the negative impact from lower selling price of fish products on gross profit of the group. Notable growth in gross profit from fuel segment mainly supported by volume growth, Government subsidies for loss of fisheries segment combined with improved efficiencies in sourcing in other segments of the Group led to higher gross profit.

Operating Profit

The group management has given emphasis for cost reduction strategies which enabled the Group to maintain operational expenses, excluding impairment on receivables, with a marginal increase compared to 2018. Higher gross profit, marginal increase in operational expenses combined with reversal of impairment on receivables increased the operating profit to MVR 842 million for the year 2019.



	2019	2018
EBITDA	1,052	424
EBITDA & Provisions on receivables	946	490

Net Finance cost

Significant receivables from the Government owned companies remains a great challenge for the Group's working capital management, as it delays our payments to suppliers. To reduce the impact of delay charges arising from delayed payments, STO Group focused on refinancing interest bearing supplier credits with loans from an International bank at lower interest rates, which enabled the Group to maintain finance cost with a marginal increase. With the changes to financial reporting requirements, the Group adopted the new lease accounting standard IFRS 16 which primarily impacted the accounting treatment of group's operating lease expenses and resulted in an additional interest expense of MVR 33 million escalating finance cost to MVR 241 million.

	2019	2018
Finance cost excluding IFRS 16 Impact	207	204
Finance cost including IFRS 16 Impact	241	204

Net Finance cost

2019: MVR
216
in Million

2018: MVR
178
in Million

Profit before tax and Earnings per share

Profit before tax of the group has exceptionally improved compared to the loss incurred in 2018, mainly resulting from notable improvement in operating profit. As the Group is in the process of finding a buyer to sell the ownership of Hulhumale' Hotel, the Group decided to further impair the cost of the property to reflect the most appropriate market value. Hence, an impairment loss of MVR 159 million was recognized which had an adverse impact on the profit before tax. However, the adverse impact of the impairment was offset by the reversal of provision for receivables from a Government owned entity. The receivables from the Government owned entity was set off with dividend payable to the Government, creating a reversal of provision by MVR 106 million.

2019: MVR
476
in Million

2018: MVR
(130)
in Million

	2019	2018
PBT excluding impairment loss on receivables	370	(64)
PBT excluding impairment loss on receivables & impact of IFRS 16 impact	398	(64)

Earning per share

2019: MVR
336

2018: MVR
(162)

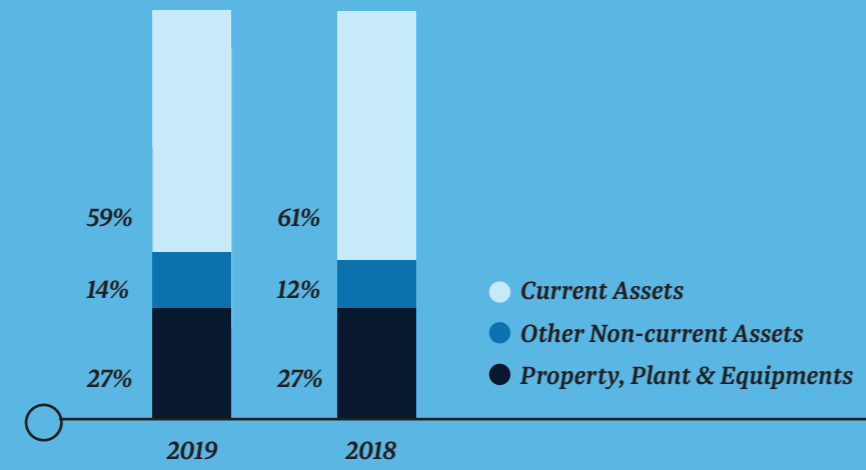
Return on Equity

2019
17.5%

2018
(7.9%)

Financial Position

The financial year 2019 reflects strengthened financial position led by higher profits and emphasis on maintaining a sound asset base. The application of IFRS 16 reporting requirements created a Right of Use (ROU) asset of MVR 524 million on account of recognition of ROU assets for the leased properties. However, the increase in asset from the recognition of ROU asset was partly offset by the impairment of Hulhumale' hotel.



The Group had adopted more rigorous procedures on approval of new credits and for the recovery of receivables from Government owned companies. Focused approaches on the recovery of receivables have yield better results and generated additional cash inflow to the group to service the credits to suppliers and lenders. The receivables from related companies were further reduced with the arrangement with Government to offset the dividend payable against the long outstanding receivable from a State-Owned Enterprise. The Group has given priority to conserve adequate cash reserve at all time to meet the operational requirements and debt obligations. As a result, highly liquid cash and cash equivalent balance has slightly improved to MVR 359 million at the end of 2019 compared to MVR 334 million of previous year.

Working capital and liquidity

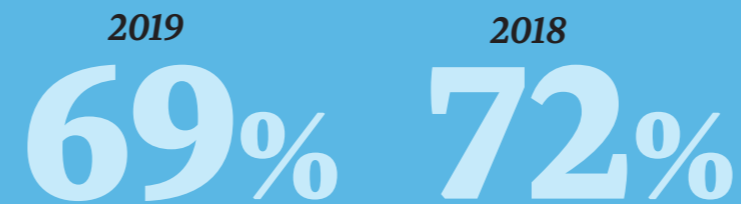
	2019	2018	Percentage change
Current assets	4,667	4,693	-1%
Current liabilities	4,643	5,038	-8%
Working capital	24	(345)	107%

Group liabilities and debt

Total liabilities of the Group decreased by 2% from MVR 5,661 million to MVR 5,558 million at the end of 2019 mainly from the reduction in trade and other payables. Trade and other payables decreased by more than MVR 1 billion from settlement of dues to vendors by using the additional cash generated from the recovery of receivables, cash profit generated during 2019 and partly from the refinancing of supplier credit through bank financing.

Gearing

The Gearing ratio which is calculated as "Net debt / Total capital" was decreased to 69% at the end of 2019 compared to previous year.



Return to shareholders

The shareholders' funds increased by MVR 312 million to MVR 2.3 billion at the end of 2019 from the profit generated during the year.

	2019	2018
Total equity , in millions	2,347	2,035
Net Asset per share	2,083	1,806
Equity attributable to owners of the Company, in millions	2,324	2,016
Return on equity %	17.5	(7.9)

Cash flow

Cash flow generated from operating activities improved to MVR 125 million in 2019 compared to a negative operating cash flow of MVR 218 million in 2018. The group generated negative operating cash flows in previous years mainly from settlement of liabilities to suppliers by using cheaper working capital loans which are classified under financing activities. Despite significant reduction in creditors, strong operating cashflow was generated mainly from the higher profits earned in 2019 and as a result of measures taken to recover receivables from customers.

Cash used in investing activities reduced to MVR 204 million in 2019 compared to MVR 388 million in 2018. Cash used in investing activities was higher in 2018 on account of notable investments in fuel segments which has started to reap in higher income for the Group. We continue to focus on streamlining our existing business operation and apply more prudence in selecting new investments.

2020 Outlook

Despite the remarkable financial performance achieved in the year 2019, COVID 19 pandemic causes unprecedented challenges and uncertainties on business operations, social and economic activities, which is expected to have an adverse impact on Maldivian economy and our financial performance for the year 2020. Our Group has formulated action plans to cope with the challenges of Pandemic and Implemented them at our business level to serve Maldivian economy. Our focus is to ensure wellbeing of the public through incessant supply of essential goods and services and accordingly our resources are mobilized on our core activities on provision of staples, fuel, gas, medical and other goods and services required by the public. We are confident that our business is more resilient and has adequate resources to overcome the challenges with minimum impact on our financial performance.

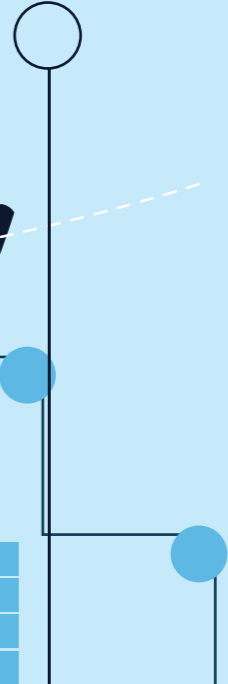
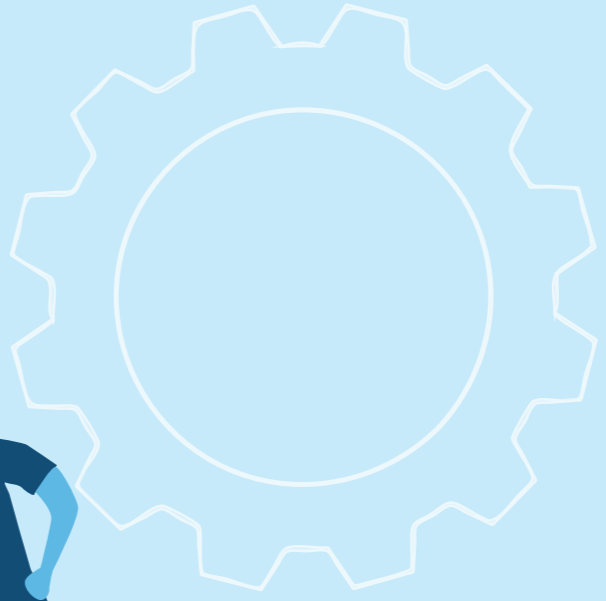
Group key figures

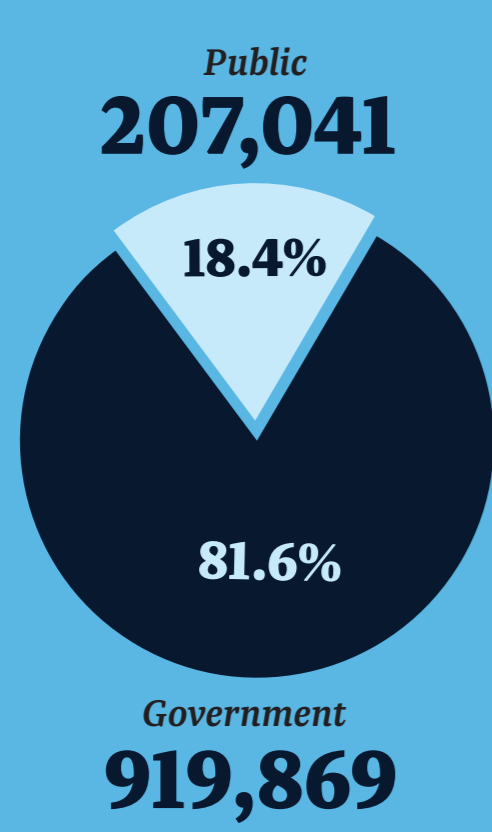
	In MVR (millions)	
	2019	2018
Revenue	10,906	10,873
Gross Profit	1,950	1,509
Operating profit	842	247
Profit/(loss) before tax	476	(130)
Profit/(loss) for the year	383	(180)
Earnings/Loss per share, MVR	336	(162)
Net Assets per Share, MVR	2,083	1,806
Net cashflow from operating activities	125	(218)
Return on Equity, %	17.5%	(7.9%)
Net Debt/Equity ratio	2.2	2.6
Dividend per share, MVR *	58	58
Interest cover ratio	4.1	1.2

* Proposed dividend for 2019

**Share
Performance**

03



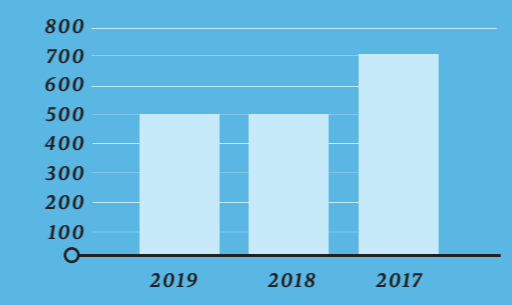


Total Issued Shares
1,126,910

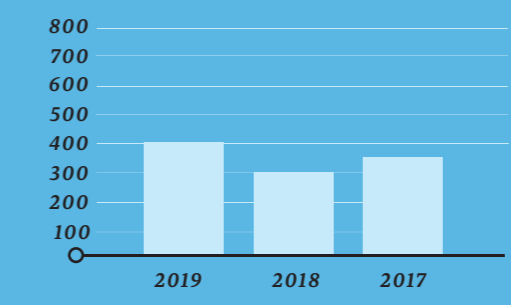
Nominal Value of Shares
MVR 50

No single party other than the Government holds more than **5%** Shares

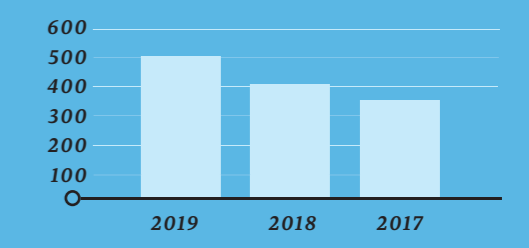
Proposed Dividend MVR/Share 2019
MVR 58



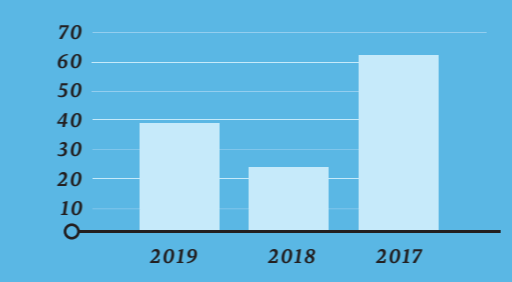
Highest Trading Price



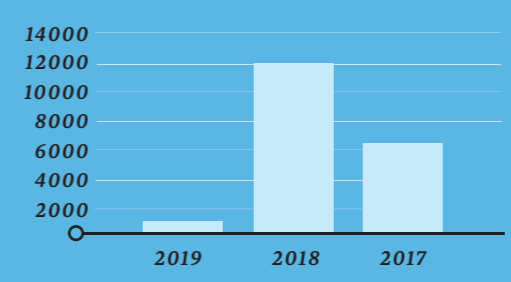
Lowest Trading Price



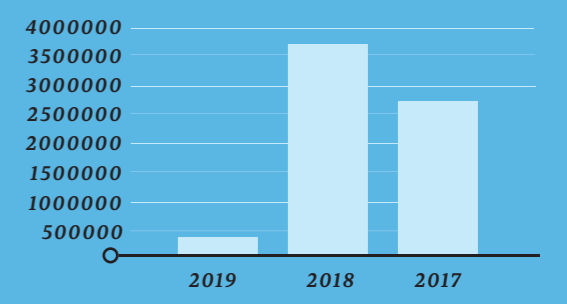
Last Trading Price



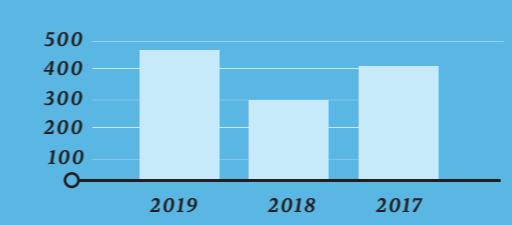
No. of Trades



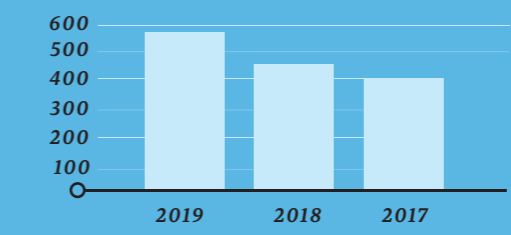
No. of Shares Traded



Value of Shares Traded (in Millions)



WATP



Market Capitalization

Corporate Governance Report

04

Our business practices are conducted in good faith, in the interests of the Group and all our stakeholders, with due observance of the principles of good Corporate Governance.

STO is a limited liability Company and complies to the Companies Act of the Republic of Maldives 10/96, the Corporate Governance Principles of the Company and the Corporate Governance Code (Code) of the Capital Market Development Authority (CMDA). Compliance with the rules and recommendations of the Securities Act (02/2006), the Listing Rules of the Maldives Stock Exchange Pvt. Ltd. (MSE) and Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 were also followed, where applicable.

During the year, STO was committed to maintain high standards in compliance with all regulations described above. Any deviations are explained through the “comply” or “explain” principle in this report.



1.1. Our Board of Directors



Hamid Nasheed Mohamed
Chairman
Non-Executive, Independent Director

Appointed as the Chairman of STO on 16th May 2019, Mr. Hamid Nasheed Mohamed represents the major shareholder of the Company, the Government.

Having a passion for technology and computer programming, he majored in the computing field from Adelaide TAFE, South Australia, in December 1992. He has further completed various short-term courses in different areas of management, business and sustainable development.

He currently works at Sisilfaru Hajj and Umrah Group Pvt Ltd. His last official employment was at the Maldives Transport and Contracting Company plc (MTCC), the main logistic operator in Maldives - a company formed with Government and Public shares. He has 17 years of experience in MTCC, where he has been engaged in Information Technology, Transport Services, Rental Services, Ferry Services and also Administrative Services.

He was contracted with polio at the age of 4, yet his determination and passion for achievement never reduced. He is today, the Chairman of the largest trading Company in the Maldives. Furthermore, he is an

ambassador creating awareness on disability, while helping people in need. As such, both nationally and internationally he holds key positions such as the Vice-Chairperson of Association for Disability Development (ADD), Vice-Chairperson of South Asian Disability & Forum (SADF), Vice-Chairperson of Maldives Association of Physical Disabilities (MAPD), a member of Disabled Peoples International Asia-Pacific (DPI/AP), a member of the foundation of Asia Pacific Development on Disability (APCD) and a member of National Disability Council. He has further, immensely contributed to the development of the national policy on disability in Maldives.

Hamid is a generous and result oriented character who enjoys football and playing chess.



Husen Amru Mohamed Rashad
CEO & MD
Executive, Non-Independent Director

Husen Amru Mohamed Rashad took on the roles of Chief Executive Officer and Managing Director, on 30th November 2018.

He holds a Master of Business Administration from International Islamic University, Malaysia and has a Bachelor of Science in Computer Science from University of Sunderland, through Binary College Malaysia.

Amru has previously held the position of Chief Executive Officer of MTCC, from September 2010 till February 2012. He has also served as Deputy Under-Secretary heading the Economic Development Unit at the President's Office and was a member of the Privatization Committee formed by the President's Decree in 2018. He serves as the Chairman of Maldives Industrial Fisheries Company Ltd, Maldives National Oil Company Ltd and Lafarge Maldives Cement Pvt Ltd. Furthermore, he has represented STO in the Board of Directors of Addu International Airport Pvt Ltd until early January 2020 when STO transferred its shares to the Government.

Amru has also played an active role in the political sphere as a National Council member of the Maldivian Democratic Party. He has been instrumental in formulating manifestos

of the party and current government as Chairperson of the Policy Committee, member of the Economic Committee and as the Chairperson of the 100 days Committee contributing immensely to compiling the 100 Days Action Plan during the transition period in 2018. Furthermore, he has been a successful entrepreneur engaged in the private sector for a number of years.

Amru's wide ranging interests include entrepreneurship, strategy, economics, politics and technology. His hobbies include playing tennis and squash, research, and experimenting with inventions.



Mohamed Mihad
CFO
Executive, Non-Independent Director

Mohamed Mihad joined STO in 2009 as an accountant and was appointed as the Chief Financial Officer of the Company in 2014. Mihad is one of the youngest people to be appointed as a CFO in the Maldives. Furthermore, he was appointed to the Board of Directors of STO as an Executive Director in 2016. Mihad is a member of the Chartered Institute of Management Accountants and has experience in SAP ERP systems since he played a key role in the ERP implementation project of the Company. He was core team lead of the SAP ERP finance module in this project.

He is an easily approachable character with excellent communication skills. He has a passion for reading and trying out new cuisines. He is also an avid fan of Liverpool Football Club.



Shimad Ibrahim
Non Executive, Independent Director

Shimad Ibrahim is a Chartered Accountant with over 15 years of professional experience. He also holds a Bachelor of Accounting (Honors) Degree from the International Islamic University of Malaysia, where he was awarded the Best Student in Management Accounting.

At present, he is a partner of S&A Advisory LLP and Managing Director of SFG Corporate Services. He also worked as the Chief Financial Officer at Villa Group, Head of Finance at Maldives Islamic Bank and as the Chief Finance Executive at Ministry of Finance and Treasury.

Shimad was appointed to the STO Board in May 2019, on behalf of the majority shareholder. He is an Independent, Non-Executive member of the Board. Shimad also served as a Director in the Islamic Bank, Maldives Tourism Development Corporation plc, Thilafushi Corporation Limited and Upper South Utilities Limited. Further to this, he also served the nation as a member of the National Debt Management Committee.

Shimad has a passion for community work, playing and watching football, music, movies, travelling and swimming. He is a compassionate character with an eye for detail and vast knowledge of different industries.



Gais Ismail
Non Executive, Independent Director

Gais Ismail is an independent, Non-Executive Director of the Company and was appointed to the Board in May 2019, to represent the majority shareholder.

Gais has experience and knowledge in the fields of finance, human resource and project management. He has a Diploma in Management from the University of Leicester, UK and a Bachelor's Degree (Hons) in Management and Finance from the University of Northumbria, UK.

Previously, he has worked as an audit junior at KPMG Maldives and as an auditor at Huvafen Fushi Maldives – one of the luxurious resorts in the Country. He has also worked at Centex Group as a Human Resources Manager and as a General Manager at Fortune Capital Management Limited. Further to this, he has handled a project of 32 island water system as a Manager of project operation at Water Engineering FZE-Dubai. Currently he works as a General Manager at Adept Maldives Pvt Ltd.

Prior to being appointed as a Board Director of STO, Gais also served as a Board Director of Upper South Health Corporation Ltd.

Gais is a person of confident character and has a strong affection for football. His favorite club is Real Madrid.



Ismail Zumayl Rasheed
Non Executive, Independent Director

Ismail Zumayl Rasheed was appointed to the Board of Directors of STO as an independent, non-executive member in May 2019 by the majority shareholder.

Zumayl Rasheed actively engages in the trade industry of Maldives, serving currently as a Finance Manager at INK Investment Maldives Pvt Ltd, while contributing to the community by sitting on the Football Association of Maldives (FAM) Disciplinary Committee. Mostly engaged in trade commerce development and international trade channels, he counts over 15 years of international relationship management, served roles as Trade Representative of Maldives Chamber of Commerce and Industry (MNCCI) to Hong Kong; and continues to involve to promote community development activities and successful launch of various products and services.

Keenly interested in innovation strategies and efficiency in International trade transactions, his passions extend to maintaining healthy lifestyle choices and sustainable communities. He holds a Master's of International Business from Hult International Business School, Boston (USA), and a Bachelor's of Business from LaTrobe University, Melbourne (Australia).



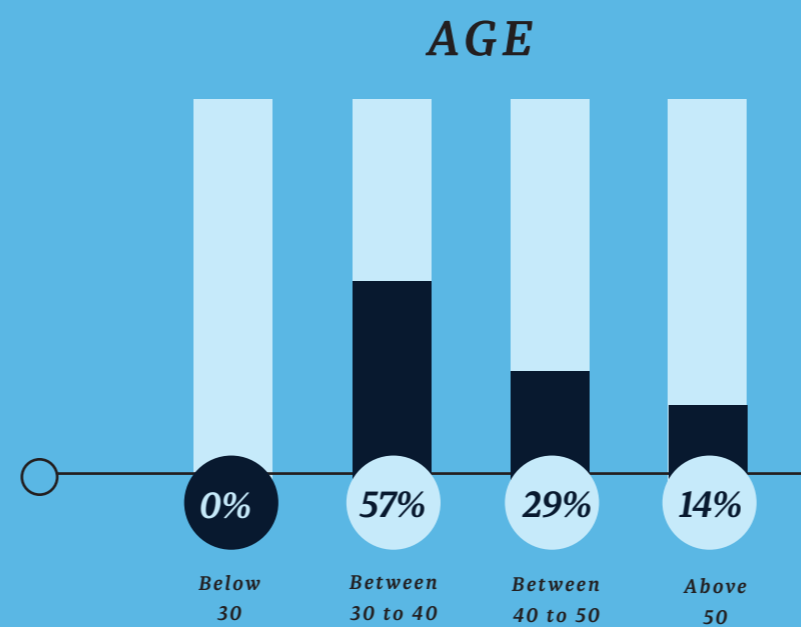
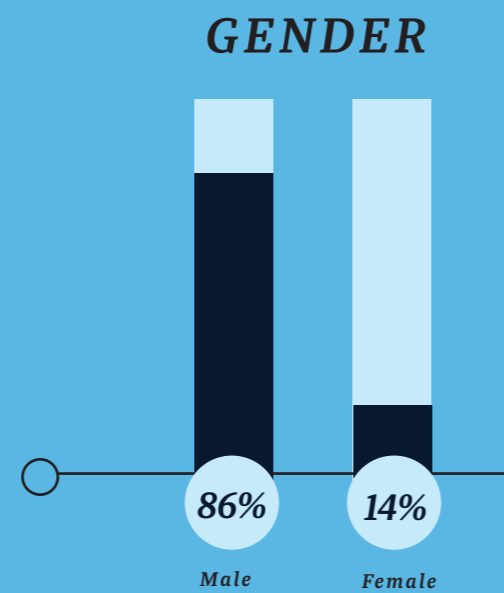
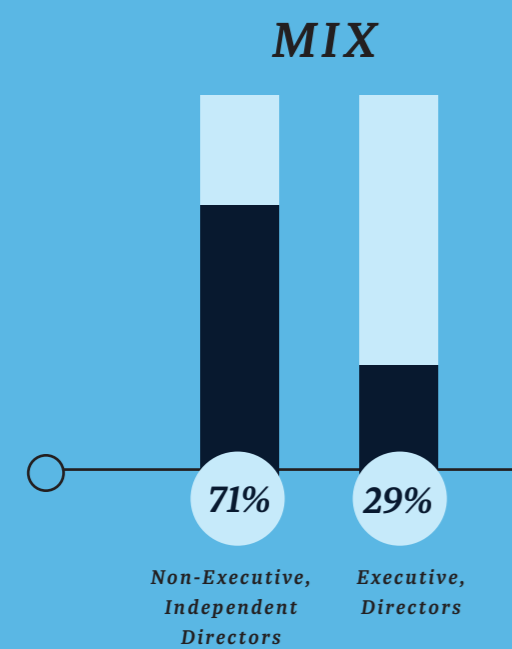
Aminath Rushma
Non Executive, Independent Director

Aminath Rushma was elected to represent the interests of the 18% public shareholders of the Company in the Board of Directors of STO. She was elected to the Board in May 2019 at the Annual General Meeting.

She is currently working at Maldives Airports Company Limited as a manager of performance management. She also lectures part-time at MAPs College. Earlier to this, she worked at Civil Service Training Institute as a senior training coordinator, in human resources and also in public relations.

She holds a Master's Degree in Managerial Psychology from Help University, Malaysia and a BA Honors in Human Resource Management from UCTI, Malaysia. Furthermore, she has attained knowledge in travel and tourism and airline ticketing, reservation and marketing as well.

With a passion for reading, calligraphy and travelling, Rushma is a very friendly and empathetic character in person.



1.2. Board Charter

The most recent review of the Board Charter was done on 15th January 2020. The Charter provides guidelines for Directors on their responsibilities, authorities, composition, meetings, appointment, training, evaluation and disclosure.

The roles and responsibilities of the Board include;

- Developing the corporate vision, mission and strategies
- Developing business plans and budgets
- Identifying operational risks and its mitigation strategies
- Monitoring the financial performance and asset management
- Establishing the right technology direction for the Company
- Overseeing the general business of STO Group
- Deciding on the dividend policy
- Publishing the Annual Report and other information for the shareholders
- Framing an appropriate Corporate Governance outline for the management

1.3. Board Composition

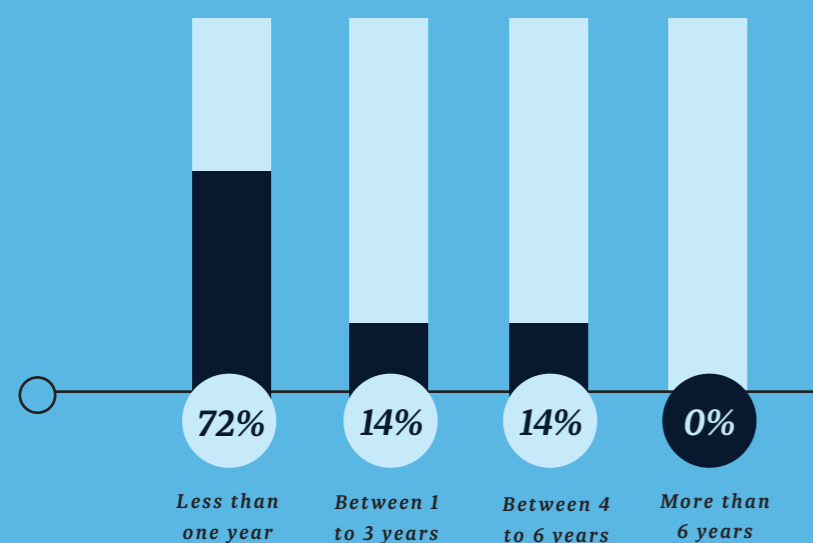
In accordance with the Company's Articles of Association (AOA), the Board comprises of 7 members, of whom 6 are appointed and 1 is elected for a term of one year. Of these 7 members, 5 are Non-Executive Members and 2 are Executive Officers.

Table below indicates the changes that came to the Board of Directors in 2019;

Name	Date of initial appointment	Date of last appointment	Resigned / Removed date
Hussain Salim Mohamed	06.12.2016	30.05.2018	21.01.2019
Aishath Rafiyya	21.08.2014	30.05.2018	06.02.2019
Amir Mansoor	07.05.2012	30.05.2018	16.05.2019
Mariyam Zaahiya	23.01.2018	30.05.2018	16.05.2019
Aishath Fazeena	30.05.2018	30.05.2018	16.05.2019
Hamid Nasheed Mohamed	16.05.2019	16.05.2019	
Gais Ismail	16.05.2019	16.05.2019	
Ismail Zumayl Rasheed	16.05.2019	16.05.2019	
Shimad Ibrahim	16.05.2019	16.05.2019	
Aminath Rushma	16.05.2019	16.05.2019	

1.4. Tenure

Chart below indicates the tenure of existing members in the Board. As shown on the chart, 72% of the Board of Directors were changed in 2019, with all of them being Non-Executive, Independent Directors.



1.5. Diversity

The merits for Directorship of the Company include knowledge of the business, its markets and the industry, ability to read and understand financials and sustainability, business background, skills, experience, expertise, personal quality and integrity. The merits for an effective Board further include age and gender diversity.

STO Board comprises a mix of all such merits, in terms of age, gender, experience and knowledge. The Board had 4 male Directors and 3 female Directors up until February 2019. From May 2019 onwards, the Board has 6 male Directors and 1 female Directors.

1.6. Independence

All Directors have a duty to act with independence of mind, in the best interests of the Company. The Board believes that the Independent, Non-Executive Directors are of the

appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The AOA further indicates that the majority of the Board shall be independent of the Company. The independence of these members is determined upon the criteria described in the Code of CMDA, where neither a Director nor his or her immediate family members during the past year has held a key position in the Company, and the Director or none of their immediate family members have had any substantial finance dealings with the Company. Considering these factors, all Non-Executive Members of the Board were considered to be independent in the past year.

1.7. Process of Re-Election and Appointment Of New Directors

The Nomination and Remuneration Committee has put in place a formal process for the selection of new Directors to increase the transparency of the nomination and election process in identifying and evaluating nominees for Directors.

Below is the process explained;

- Both the majority shareholder (Government) and the other shareholders (Public) are given 21 days of notice to submit their candidates/interests
- The nominees for public share representatives are then evaluated according to the Board Candidacy Guideline. The prime purpose of this evaluation is to identify the skills, knowledge and experience of the candidates and to see how it would strengthen the existing Board
- Nomination and Remuneration Committee also meets with the short-listed candidates to assess and further evaluate the candidates
- Nomination and Remuneration Committee recommends the candidates who meet the required criteria to the Board, who are then submitted to AGM for election
- The majority shareholder makes appointments to the Board through Privatization and Corporatization Board. However, the Board Candidacy Guideline and the Fit and Proper Guideline of CMDA are passed to them, requesting to consider when making their appointments
- Directors are then elected and appointed for another term at the Annual General Meeting

In 2019, 6 candidates from the public shareholders submitted their names for Directorship. All candidates were interviewed by the Nomination and Remuneration Committee. After considering the interview results and other information, the Committee recommended Ms. Aminath Rushma,

Ms. Aishath Fazeena, Mr. Mansoor Zubair and Mr. Mohamed Imthishaal Ahmed, for election at the Annual General Meeting.

At the Annual General Meeting, Ms. Aminath Rushma was elected as the Director representing general public.

1.8. Board Induction and Continuing Education

The Company has a comprehensive orientation program designed for newly appointed Directors to familiarize them with business and governance policies. The orientation program arranged by the Company Secretariat gives Directors an understanding of the Group's business to enable them to assimilate into their new roles.

Effective 2018, the Company provides a training analysis report for Directors upon their appointment, based on their education and experience. This report highlights which areas of development the Director is required to focus on, during his/her tenure.

In 2019, Directors attended a total of 11 different training programs conducted abroad and in the Maldives. These trainings focused on areas such as Board Directorship, corporate risk management, corporate governance, leadership and corporate finance.

1.9. Chairman and Managing Director

The Chairman and Managing Director's role in the Company are assumed by different individuals and their roles and responsibilities are provided in the Director's Charter.

Mr. Hussain Salim Mohamed had served as the Chairman of the Board until his resignation on 21st January 2019. The current Chairman, Mr. Hamid Nasheed Mohamed, was appointed to the Board on 16th May 2020. The Managing Director's role has remained with Mr. Husen Amru Mohamed Rashad since his appointment on 30th November 2018.

There is a clear division of responsibilities between the Chairman and the Managing Director, which ensures a balance of power and authority at the top of the Company.

The Chairman is the leader of the Board. He;

- Ensures the effectiveness of the Board, Board Committee and individual Directors
- Leads and drives others to achieve and maintain a high standard of Corporate Governance
- Approves the agenda for the Board meetings and ensures sufficient allocation of time and information
- Promotes an open environment for debates and ensures that the Non-Executive Directors can speak freely and contribute effectively
- Provides oversight, guidance, advice and leadership to the Managing Director
- Ensures constructive dialogue between shareholders, the Board and management

The Managing Director is the highest-ranking executive officer of the Group. He;

- Runs the day-to-day business of the Group, within the authorities delegated to him by the Board
- Ensures implementation of policies and strategy across the Group as set by the Board
- Provides oversight, guidance, advice and leadership to executive and senior management team
- Leads the development of senior management within the Group
- Ensures that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments
- Leads the development of the Group's future strategy, including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

1.10. Role of the Non-Executive Directors

The Board and management fully appreciate that an effective and robust Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals is fundamental to good corporate governance.

For this to happen, the Board and in particular the Non-Executive Directors, must be kept well-informed of the Group's businesses and be knowledgeable about the industries that the Group operates in. To ensure this, Non-Executive Directors are well supported by timely information.

The Board has also adopted processes to ensure that Non-Executive Directors have sufficient time and resources to perform their functions effectively. The roles and responsibilities of None-Executive Directors are also described in the Director's Charter.

1.11. OTHER DIRECTORSHIPS HELD

No Director has held directorship in any other Public Listed Companies over the year. However, some of the Directors do practice membership on the Boards of STO Group Companies, private companies and non-profit organizations. Despite this, all Directors devoted enough time and efforts to their duties as board members of the Company. Details on other Directorships held by the Directors are provided in their profiles.

1.12. Board Evaluation

Board continuously monitors and reviews the board performance and evaluation framework. Board has laid down a new set of evaluation criteria for the performance review of Chairman, Executive, Non-Executive, Independent Directors, the Company, the Board, its Committees and the Company Secretary. This evaluation is carried out through an online questionnaire on the Boardpaq software. This process enables to review the functioning and effectiveness of the Company and the Board, while also identifying possible paths for improvement. The questionnaire includes on board composition, skills strategy and performance, governance, board functioning and the effectiveness of the whole board and its various committees. The evaluation for the year 2019 was completed in March 2020 and areas for improvement were identified and discussed.

1.13. Director Remuneration

Details on Director remuneration is provided in the Remuneration Report of the Nomination and Remuneration Committee. Refer to page 38 for this information.

1.14. Conflict of Interest and Materially Significant, Related Party Transactions

The Company has a Board approved Conflict of Interest Policy for the Directors. As part of this process, the Directors must disclose any company, association or other affiliation where he/she and his/her immediate family members hold a significant interest. This information is reviewed and where required, tallied by the Registrar of Companies to confirm the information provided. All known substantial or material third party transactions, monetary transactions or relationships between the Company and its Directors, the Management, Subsidiaries or relatives have been disclosed in the note 44 of audited financials.

1.15. Board Meetings

The Board of Directors held 18 Board Meetings during the year. In addition to this, the Committees altogether held 20 meetings. The Company Secretary drafts the agenda for each meeting in consultation with the Chairman and the Managing Director. The Directors are given notice as per the Articles of Association and are authorized to suggest the inclusion of additional items in the agenda, where necessary.

The table below indicates the Directors' attendance to the Board Meetings.

<i>Name of Director</i>	<i>Attendance at the last Annual General Meeting held on 16th May 2019</i>	<i>No. of Board Meetings attended / No. of Board Meetings held</i>
Hussain Salim Mohamed	n/a	1/1
Hamid Nasheed Mohamed	n/a	9/10
Husen Amru Mohamed Rashad	Present	18/18
Mohamed Mihad	Present	17/18
Amir Mansoor	Present	8/8
Dr. Aishath Rafiyya	n/a	2/3
Mariyam Zaahiya	Present (Chairperson of meeting)	8/8
Aishath Fazeena	Present	8/8
Aminath Rushma	n/a	10/10
Shimad Ibrahim	n/a	9/10
Gais Ismail	n/a	10/10
Ismail Zumayl Rasheed	n/a	9/10

The Board is confident that the Directors made adequate time available to give sufficient attention to the Board meetings.

1.16. Board Proceeds and Major Decisions

Board has access to all company related information, including that of the employees where required. At Board meetings, executive team members and managers who can provide additional insights into the items being discussed are invited.

Board agenda and papers are provided well in advance of the meeting via Boardpaq. Boardpaq is an international software, that is cost-effective, paperless and centralizes all board documents and information. This application also makes it easier to provide additional material or information requested by the Directors, promptly.

Management's proposals to the Board for approval provide background and explanatory information such as facts,

resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

In order to keep Directors abreast on Company's performance, management also shares Company performance reports with the Board. These reports include budgets, forecasts, quarterly financial reports and monthly management accounts.

In addition, the Head of Internal Audit Department also provides the Audit and Risk Committee and where necessary to the Board with audit reports. These reports include, annual audit plans, fraud risk assessment and findings from internal and investigation audits. Management further provides status on the implementation of recommendations given in the audit reports, to the Board, quarterly.

Some of the major decisions taken during the year include;

- Approved strategy to improve Staple Food segment and introduced agents to facilitate staple food around the country
- Revised Company Structure
- Approved 6-month maternity and 1-month paternity leave for staff
- Revised Corporate Governance Code of Subsidiaries
- Revised Group Company Board appointments
- Appointed an HOD to ICT Department
- Discussed ways forward regarding Hulhumale' hotel project and Ekuhivaru Island
- Developed arrangements to enhance the risk management function
- Approved to invest in the "Grown in Maldives" project
- Held strategic discussion sessions with the management
- Approved to venture into shipping/ cargo vessel business

1.17. Non-Executive Directors Meeting

As per the Board Charter and Corporate Governance Policy of STO and the Code of CMDA, the Non-Executive Directors held one meeting in the absence of Executive Members of the Board. The purpose of this meeting was to review the performance of the Executive Members, the management team and the Board as a whole while assessing the quality, quantity and timeliness of the flow of information between the management and the Board.

1.18. Committees

The Board's work is supported through its Committees - the Audit and Risk Committee, the Nomination and Remuneration Committee and the Corporate Governance and Compliance Committee. The Chairman and members of the Committees are appointed, and their performance is reviewed by the Board annually.

The membership, responsibilities and activities of each of these Committees are described further in this report through the individual committee reports. Each committee has a set of guidelines in the form of charters, approved by the Board and signed by the members.

The Nomination and Remuneration Committee is combined for the purpose of expediency, since the majority of the same Directors are entrusted with the functions of both committees.

The Committee Chairperson and the Company Secretary determines the frequency and duration of the Committee meetings. All Committees are required to meet at least four times a year. Recommendations of the Committees are then submitted to the entire Board for approval before management is assigned the work for implementation.

1.19. Good Governance, Policies, Procedures and Guidelines

Over the years, the Board has developed and reviewed the Company's Corporate Governance Principles to help fulfil its corporate responsibility towards the stakeholders. These principles ensure that the Board has the necessary authority and processes to review and evaluate the operations when required. Furthermore, these guidelines allow the Board to make decisions that are independent of the Management.

STO first established its Governance Guideline in 2006. Thereon, the Company has reviewed and made changes to it, considering the various amendments brought to the relevant legislations and the international codes. The Company further established its first Code for the Group in 2014. This Code was revised in 2019.

STO has in place, policies and procedures to govern its subsidiary companies and major commercial activities, a manual for Board Directors and a Code of Ethics for Directors. Furthermore, STO has timely reviewed the Board and its Committee Charters and Corporate Governance Guidelines. STO also, has in effect a guideline on holding Annual General Meetings and preparation of Annual Reports for its Group Companies. These policies, procedures and guidelines are believed to provide the Group with guidance and emphasize the importance of proper governance within the Companies.

1.20. Company Secretary

All Directors have access to the services and advice of the Company Secretary. The Company Secretary supports the Board as a whole, and Directors individually, by providing guidance as to how to fulfil their responsibilities as directors in the best interests of the Company. The Company Secretary regularly refreshes her knowledge of developments in Corporate Governance best practice and regulation.

The Board remains satisfied with the competency and experience of the Company Secretary.

1.21. Management Review and Responsibility

The Company's vision is to enrich the lives of its stakeholders; the customers, employees and shareholders, through expansion of its services while being accessible to all.

Through a sustainable growth, innovative products under strong brands, operational excellence and dedicated employees, STO creates the condition to reach its vision. The objective is to develop smarter, more accessible, resource-efficient solutions that meet people's needs and improve their everyday lives.

The operations of the Company are divided into Energy, Supermart, Home Improvement items, Staple Foods, Construction Materials and Medicals. These businesses are catered in Male' and in many of the Atolls, while the Company has its presence through its pharmacies in every inhabited island. These six business areas are supported by Finance, Human Resources, Administration, Procurement, Information Communications and Technology and Transport Department. Apart from these, STO has in place an Internal Audit, Risk Management, Managing Director's Bureau and a Secretariat and Legal Department.

STO Group has its businesses established in fields such as insurance, fuel distribution, commodity trade, gas distribution, fish canning and production of fish products and manufacture of roofing sheets. These businesses are administered as Subsidiary Companies governed by STO.

STO has over 4000 staff in its Group, serving the community and the country.

The Nomination and Remuneration Committee reviews and recommends, the compensation and benefits to all Executive Board Members, to the Board. The Managing Director reviews, evaluates and promotes the members of the Executive Team, in accordance with the salary and benefits structure approved by the Board and the Executive Team does the same for other employees of the Company.

The Managing Director, the Chief Financial Officer and the Head of Managing Directors Bureau, which also includes the Public Relations Unit, represent the Company in interactions with investors, the media and the Government. The individual Executives and Head of Human Resources and Administration interacts with employees while individual Executives deal with their clients.

1.22. Group Management

The Board of Directors have entrusted the Managing Director of STO with the function of overseeing its Group of Companies. As such, many measures have been taken to establish good governance practices within the Group.

A Board Manual and Code of Ethics was approved by STO Board for its Group of Companies.

As of 2019, there are 8 subsidiaries of STO; where STO holds more than 90% of shares. STO also has 1 Joint Venture Company with equal share distribution, with Rainbow Investments and holds less than or equal to 20% shares in 3 other Companies.

Details of STO Shares held in these Companies as required by the SCDOI Regulations 2019 is provided on page 108.

1.23. Internal Audit

The Internal Audit function is responsible for independent, objective assurance, in order to systematically evaluate and propose improvements for more effective management, governance and internal control processes.

The Company has a well-established in-house audit function. The Internal Audit is an independent function. The Head of Internal Audit, reports functionally to the Chairman of the Audit and Risk Committee and administratively to the Managing Director.

1.24. External Audit

Appointment of an External Auditor is reviewed annually by the Audit and Risk Committee. The Committee advises the Board on the results of this assessment which is then submitted to the Annual General Meeting for shareholders' approval. The Board of Directors welcome the impartial opinion and recommendations of the appointed Independent Auditors and strive to improve the findings pointed out in the Auditor's Report.

The shareholders re-elected KPMG as the External Auditors for 2019. The Auditors provide an audit opinion regarding STO and the Consolidated Financial Statements of STO Group. The Audit was conducted in accordance with International Standards on Auditing. These standards ensure that the auditors comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated and separate Financials Statements are free from material misstatement.

1.25. Internal Controls

The process of Internal Control and Risk Management Framework provides reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

STO's control environment determines the individual and collective behavior. It is defined by policies and procedures, manuals and codes, IT generated controls and is enforced by the organizational structure with clear responsibility and authority based on collective values.

The Board of Directors have the overall responsibility for establishing an effective system of internal control. The responsibility of maintaining internal controls is delegated to the Managing Director.

The Audit and Risk Committee assists the Board in overseeing relevant manuals, policies and important accounting principles applied.

The limits of authorities and responsibilities are given in instructions for delegation of authority, manuals, policies and procedures and code, including the code of conduct, employee handbook and various policies and procedures. Together with laws and external regulations, these internal guidelines form the control environment.

All entities within STO Group are required to maintain adequate controls. Monitoring and testing of control activities is performed periodically to ensure the adequacy of these controls and to ensure that the risks are properly mitigated. The level of effectiveness of control activities is monitored by the Internal Audit and Risk Department at Group level, business areas level, functional level and process level, which is reported to the Audit and Risk Committee and the Management. Controls that have failed are remediated, by establishing and implementing actions to correct the weaknesses.

The Board is confident that the system of Risk Management and Internal Controls in place within the Group is adequate and effective in addressing the material risks in the Groups in its current business environment including material, financial, operational, compliance and information technology risks.

1.26. Risk Management

The Company has an integrated approach to managing risks in various aspects of the business. The Risk Management Report forms part of this Annual Report on page 35.

1.27. Shares and Shareholders

STO's shares are listed at the Maldives Stock Exchange (MSE). STO has over 4,000 active shareholders in the shareholder's register and of the total share capital, 83.6% was owned by the Government of Maldives while the rest of the 18.4% was owned by the General Public.

None of the individual shareholders (other than the Government) hold shares more than 5% within the Company.

1.28. Voting Rights

The share capital of STO includes ordinary shares only. Each share entitles holders to the same proportion of assets and earnings and carries equal rights in terms of dividends.

According to the Articles of Association, each share accounts to one vote each. Voting is based on a show of hands where the vote is counted as 1 vote per member, unless 10% shareholders or their proxies present, request for a poll where voting will be counted on shares represented.

1.29. Communication with Shareholders

The Quarterly Report, along with additional information and official news releases, are posted on the Company's website, www.sto.mv. The proceedings of the Annual General Meeting and the voting rights are also stated in the Company's website.

In addition to this, the Company has set up a communication facility for the shareholders through the website http://sto.mv/Investor_Relations.aspx. All complaints or messages received through this facility are delivered directly to the Chairman and the Company Secretary. The Chairman then submits to and recommends for actions at the earliest Board meeting.

Furthermore, Board members hold and facilitate meetings with the shareholders as required.

1.30. Certification of Financials

The Board has reviewed and approved the financial results of the Company. In presenting these results, the Board has aimed to provide shareholders with a balanced and clear assessment of the Group's position and prospects.

As required by the Code of CMDA, the MD and CFO certifications on the Financials are provided with this report. The Board, to the best of their knowledge, confirms that the Financial Statements for the period from 1st January to 31st December 2019 have been prepared in accordance with the applicable accounting standards and gives a true and fair view of the Group and the Company's consolidated and separate assets, liabilities, financial position and results of operations.

1.31. Prevention of Insider Trading

The Company has in place a guideline on trading in Company's Securities, to regulate, monitor and report trading by insiders. This guideline also includes practices and procedures for the disclosure of price-sensitive information and continual disclosure. It also includes penalties for not adhering to the guideline.

1.32. System for Raising Concern

Appropriate mechanisms are in place to enable employees, management or other stakeholders to raise any concerns, whether on a confidential basis or otherwise, about any non-compliance or fraud or other misdemeanor within or to the Company. STO has implemented a Fraud Response Policy and a Whistleblower Policy. The Company has established a whistleblower facility for the employees through the Intranet and a 'Raise Your Concern' facility for other stakeholders through our website. In addition, the Company has also implemented a Disciplinary, Grievance and Gender Equality Committee and a Sexual Harassment Prevention Committee that looks into concerns and grievances raised by the staff.

In 2019, the Company has also put in place a "Raise Your Concern" facility that is directly passed to the Managing Director.

1.33. Annual General Meeting

The decision-making rights of shareholders are exercised at the General Meetings. The Annual General Meeting of STO is held during the first half of the year.

Extraordinary General Meetings (EGM) may be held at the discretion of the Board or, if requested by the auditors or by the shareholders who owns at least 10% of all shares in the Company.

Participation in decision-making requires the shareholder's presence either personally or through a proxy. In addition, the shareholder must be registered in

the share register by a stipulated date prior to the meeting and must register for the meeting in the manner prescribed.

Decisions at the meeting are usually taken on the basis of simple majority.

The 2018 Annual General Meeting was held at Dharubaaruge on 16th May 2019. A total of 504 shareholders representing a total of 83.3% of the share capital were represented at the Annual General Meeting.

Major decisions made at the Annual General Meeting 2018 include;

- Dividend payment of MVR58 per share
- Election of Directors to the Board
- Approval of Annual Report and Balance Sheet
- Appointment of KPMG as External Auditors for a fee of USD 49,820.00

1.34. Remote E-Voting and Ballot Voting at The Annual General Meeting

To allow the shareholders to vote on the resolutions proposed at the Annual General Meeting, the Company has developed and arranged for an e-voting facility. This facility has made managing the meetings easier and quicker. This facility was developed by STO ICT Department staff and the Company has used the facility in the past 2 Annual General Meetings successfully.

1.35. Dividend

STO's target for the dividend to correspond to at least 10% of profit for the period. However, for a number of years, the divided level has been considerably higher.

In accordance with the Dividend Policy of the Company, the Board has declared MVR 58 per share for shareholder's approval in the upcoming Annual General Meeting 2019.

1.36. Details of Non-Compliance

No penalty has been imposed by the Maldives Stock Exchange, CMDA or the Registrar of Companies, nor has there been any instance of non-compliance with any legal requirements, or on matters relating to the capital market in the past year.

1.37. Going Concern Declaration and Future Outlook

The Board is confident that it has the right mix to provide the necessary support to the management to implement the strategic and business objectives of the Company. Hence, the Board is highly optimistic on what the future holds for this Company. There is no doubt that the Board will continue to strive to pursue the long-term vision of the Company. Thereby, we confirm that the Company can carry on its activities, implement its proposed plans and achieve its forecast results, satisfactorily.

On behalf of the Board of Directors:



Hamid Nasheed Mohamed

Chairman



Husen Amru Mohamed Rashad

Managing Director

Audit and Risk Committee Report

Following the changes that came to the Board of Directors on 16th May 2019, the members of the Committee were changed.

Committee members up until 16th May 2019

<i>Name</i>	<i>No. of Meetings attended / No. of Meetings held</i>
Amir Mansoor (Chairman)	4/4
Aishath Fazeena	4/4
Aishath Rafiyya	2/2
Mariyam Zaahiya	2/4

Committee members from 16th May 2019 onwards

<i>Name</i>	<i>No. of Meetings attended / No. of Meetings held</i>
Shimad Ibrahim (Chairman)	8/8
Ismail Zumayl Rasheed	8/8
Aminath Rushma	8/8

The Committee previously comprised of 4 Non-Executive, Independent Directors, however from 16th May 2019 onwards, the Committee comprises of 3 Non-Executive, Independent Directors. The Audit and Risk Committee held 12 meetings during 2019.

The Committee assists the Board in overseeing the quality and integrity of the accounting, reporting, information dissemination, internal control practices and the management of key risks as well as the frameworks, guidelines, policies and processes for identifying, monitoring and mitigating risks of the Company. The Committee also ensures compliance with legal and regulatory requirements, the qualifications, performance and independence of the External Auditor and the performance of the Internal Audit function.

The Committee has the authority to take independent professional advice on matters covered by its terms of reference at the Company's expense. The Committee Charter is reviewed biennially. The Committee Chairman regularly reports the outcomes of the meetings to the Board. The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

Key Duties

- Monitoring the integrity of the Annual and Interim Financial Statements, accompanying reports to shareholders and Corporate Governance Statements
- Reviewing and monitoring the effectiveness of the Company's internal controls to ensure that adequate measures are taken to safeguard the Company's assets
- Overseeing the Company's relations with the External Auditors
- Making recommendation to Board on the appointment, retention and removal of the External Auditors
- Ensure the independence and credentials of the Independent Auditors
- Review the performance of the Internal Audit function and Independent Auditors
- Approving the Internal Audit Plan and reviewing regular reports on the effectiveness of the internal control systems
- Ensuring compliance to statutory requirements and ethical standards
- Reviewing and discussing with management, the Company's risk governance structure, risk assessment and risk management practices and the frameworks, guidelines, policies and processes for risk assessment and risk management
- Monitoring the Risk Management Policy implementation in the Group
- Reviewing disclosures regarding risks contained in the Company's Annual Report
- Review reports on selected risk topics as the Committee deems appropriate from time to time

Major Activities of 2019

- Strengthened the risk function of the Company
- Appointment of External Auditors for the year 2019
- Approved the Financials of 2018 for publication
- Reviewed the Internal Audit Charter, Audit Committee Charter and Risk Committee Charter
- Decided to conduct a Governance Audit of the Subsidiaries
- Approved the Supplementary Budget for 2019
- Set deadlines for implementation with management, on the issues identified by the External Auditors during the Interim Audit
- Set deadline with the Group Company management, on issues identified in the Management Letters of the Group Companies
- Discussed in detail the internal audit and risk reports issued by the Chief Internal Auditor and the Chief Risk Officer
- Presented, discussed and where required investigated further or took appropriate actions on the issues identified through the Whistle Blowing messages received
- Presented and discussed the External Auditor's Report presented to the Audit Committee
- Approved the Budget for 2020

Conclusion

The Committee is satisfied with the activities carried out during the year. On behalf of the Audit and Risk Committee;



Shimad Ibrahim
Chairman

Risk Report

During the year 2017, the Board of Directors of STO committed to implement an effective Risk Management Policy to the STO Group. In order to overcome the risks which may affect the Group's ability, damage core values, preserve assets, also to uphold the business reputation and goodwill among the society. Risk Management is supervised by the Audit and Risk Committee as it plays a vital role in implementing policies and procedures in line with Corporate Governance and strategy development to protect the Group. Overall, the Board policies are communicated to the management and to the STO Group for implementation through a formal Risk Management Policy of the Board. Hence, the Board of STO believes that it is important to identify each risk which may affect the business and to conduct a risk assessment and identify how to mitigate the risks which may affect the future business. It is also important to ensure that all the future risks and uncertainties are properly prepared for, as far as practical.

Policy and Framework

The Risk Management Policy and Framework are in line with the ISO 31000:2009 ERM (Enterprise Risk Management). The purpose of the Risk Management Framework is to assist the organization in integrating Risk Management into significant activities and functions. The Policy and Framework outlines the principles, governance, roles and responsibilities, and approach within a coherent framework that addresses and prioritizes risks that are material and relevant to the Group's corporate goals. It also encompasses integrating, designing, implementing, evaluating and improving risk management across the Organization. The Framework also helped to evaluate existing risk management practices and processes by evaluating the gaps and address those gaps.

The Risk Management Department supports our comprehensive Group risk management processes and facilitates risk workshops. The Chief Risk Officer reviews our risk management processes and ensures compliance with the relevant standards. Major business risks are identified and assessed, including appropriate control measures and implementation of mitigating measures through risk registers, which are subsequently monitored and reviewed by the Risk Management Committee and the Board.

Risk Management In 2019

During the year 2019, four projects - risk reports were done, and one department's risk review has been updated. The outcomes of all the risk analyses are included in the risk registers. Our initial focus is on the major

risks that may impact the achievement of our business objectives over the next five years and beyond. Our risks are classified into eight categories that could threaten the business model and include the sustainability, future performance, solvency or liquidity of the Group. These major risks are related to its strategy, financial, operational, market, and physical security, cyber security, political challenges, as well as compliance and control risks. Many of the described risks could have a positive or negative impact on the Group.

Financial Risks

Core to our management of financial risks is our comprehensive system of planning, budgeting, and management reporting for both capital expenditure and annual operations. The Group's financial risks are regulated by the number of policies and procedures, including Credit Policy, Bad Debt Policy, Cash Handling Policy, etc. that has been adopted by the Board of Directors. The Group also has policies and processes in place to manage and monitor its exposure to liquidity risk in both Rufiyaa and foreign currencies and capital management risks. Management of these risks are centralized to the Finance Department of STO.

Operational Risks and Management System

In the normal course of business, the Group is subject to many diverse risks relating to its activities, such as the products it deals in, counter-party relationships, and possible shortcomings or failures in the systems or employees. These operational risks that the Group is exposed to are managed through a number of management frameworks and processes within the Group. The Company's management systems, structures, processes, standards and codes of conduct together forms a system of internal control that governs how it conducts the business and manages associated risks. These processes and controls are contained in standard operating procedures and wherever possible, appropriate risk management techniques are embedded into internal control systems and standard operating procedures.

Market and Supply Risks

As a diverse trading company, STO's business is increasingly concerned about the impact of volatility, intensified competition and international market developments. The Group is exposed to fluctuations in the price of commodities and products including fuel, gas, and consumables and related risks such as interest rates, currency rates, insurance costs, and freight rates. The Company minimizes these risks by monitoring fluctuations and by entering into long-term supply arrangements, where appropriate. The ownership of an own fuel tanker provides a partial cushion against increases in fuel freight costs. The Company continually evaluates its supplier base, logistics, and supply chain while implementing

improvements on service development, system, team members, and process improvements

Political Challenges

The diverse locations of Group operations around the country and the international nature of its supply chain exposes STO Group to a wide range of geopolitical developments and consequent changes to the economic and operating environment. The Group seeks to manage this risk actively through the development and maintenance of relationships with key stakeholders, both in the country and in each region.

Physical Security

In common with all the other establishments, the business is open to physical calamities, such as natural disasters, fires, storms, and accidents. It is also at risk of hostile acts, such as terrorism or piracy, which could harm our employees, disrupt our operations, and destroy our assets. Hence, the Company monitors emerging threats and vulnerabilities to manage its physical security. Physical security threats tend to vary geographically and by type of business.

The Emergency Health and Safety

The Committee, together with the Regional Sales team of STO, provides guidance and support for conduct assurance with respect to the management of security risks affecting the people and operations. The Company also maintains Disaster Recovery, Crisis, and Business Continuity Management Plans in the Subsidiaries.

Cyber Security

The threats to the security of the Group's digital infrastructure continue to evolve and, like many other global organizations, its reliance on computers and network technology is increasing. Cyber risk appears in many forms, all of which can represent major threats to the business. A cyber security breach could have significant impact on business operation. STO seeks to manage this risk by adhering to cyber security's best standards, ongoing monitoring of threats, close cooperation with authorities, and employee awareness initiatives throughout the Group. The Company also maintains ICT Disaster Recovery Management Plans.

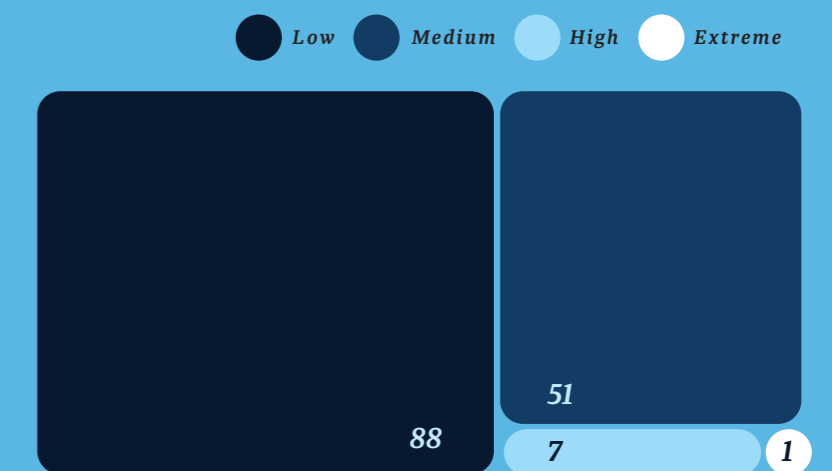
Compliance and Control Risks

Ethical misconduct and legal or regulatory non-compliance or breaches of applicable laws or regulations could damage the Company's reputation and adversely affect operational results and shareholder value. Compliance is assured by the Company's effective legal team. The Company keeps abreast of new regulations and legislations and plans adequate responses to them. Special attention is paid to risks within Corporate Governance. Various policies

and procedures have been adopted with defined authority for effective compliance and controls such as the Fraud Response Policy, Whistleblower Policy, and Group Companies Code of Conduct. Further, employees are provided with a range of compliance training and monitoring programs. STO Group is open to feedback and listens to its employees, contractors, and other stakeholders closely.

Risk Assessment Brief

147 risks in total have been identified within the whole of STO Group. Most of our risks are at medium level and a few are being identified as high risks.



Year 2020

Risk Management Department has planned to conduct follow-up sessions with the significant departments and update their risk reports. Minimum two department's risk reports are planned to be reviewed quarterly. To build a risk awareness culture among STO staff, risk awareness session is planned for each department. Also, to make the newcomers aware of the risk management, basic knowledge sharing sessions are being planned for all the staffs.

Mohamed Murad
Chief Risk Officer

Corporate Governance and Compliance Committee Report

Following the changes that came to the Board of Directors on 16th May 2019, the members of the Committee were changed.

Committee members up until 16th May 2019

<i>Name</i>	<i>No. of Meetings attended / No. of Meetings held</i>
Aishath Fazeena (Chairperson)	3/3
Mariyam Zaahiya	3/3
Aishath Rafiyya	2/3

Committee members, 16th May 2019 onwards

<i>Name</i>	<i>No. of Meetings attended / No. of Meetings held</i>
Aminath Rushma (Chairperson)	1/1
Shimad Ibrahim	1/1
Gais Ismail	1/1

The Committee comprises of 3 Non-Executive, Independent Directors and the Corporate Governance and Compliance Committee held 4 meetings during 2019.

This Committee is responsible to monitor and review the Company's overall approach to Corporate Governance issues and implement, administer and continue to develop a system of governance within the Company.

The Committee has the authority to take independent professional advice on matters covered by its terms of reference at the Company's expense. The Committee Charter is annually reviewed and signed by the members. The Committee Chairman reports the outcomes of the meetings to the Board, regularly. The Committees' effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

Key Duties

- Undertaking an annual review of Corporate Governance issues and practices for the Company and making recommendations for improvements where necessary
- Advising the Board or any of its Committees on corporate governance issues
- Developing and implementing an orientation and educational program for new recruits to the Board
- Developing a process for assessing the effectiveness of the Company, Board, individual Directors and its Committees and ensure that the Board conducts these evaluations annually
- Ensuring that an appropriate Code of Ethics is established and reviewed necessarily for the Company
- Ensuring that appropriate methods are being established for the stakeholders to submit their recommendations and inquiries to the necessary established regulatory bodies in the Company

Major Activities of 2019

- Reviewed Committee Charter
- Reviewed Corporate Governance Code for STO Group Companies
- Reviewed Board Training and Induction Guideline
- Reviewed Guideline on appointment of Directors to STO Group Companies
- Reviewed Board Evaluation Procedure and Questionnaire

Conclusion

The Committee is satisfied with the activities carried out during the year. On behalf of the Corporate Governance and Compliance Committee;



Aminath Rushma
Chairperson

Nomination and Remuneration Committee Report

Following the changes that came to the Board of Directors on 16th May 2019, the members of the Committee were changed.

Committee members up until 16th May 2019

<i>Name</i>	<i>No. of Meetings attended / No. of Meetings held</i>
Mariyam Zaahiya (Chairperson)	2/2
Amir Mansoor	2/2

Committee members from 16th May 2019

<i>Name</i>	<i>No. of Meetings attended / No. of Meetings held</i>
Ismail Zumayl Rasheed (Chairman)	2/2
Shimad Ibrahim	2/2
Gais Ismail	2/2

The Committee previously comprised of 2 Non-Executive, Independent Directors, however from 16th May 2019 onwards the Committee comprises of 3 Non-Executive, Independent Directors. The Nomination and Remuneration Committee held 4 meetings during 2019.

The Committee has the authority to take independent professional advice on matters covered by its terms of reference at the Company's expense. The Committee Charter is reviewed annually. The Committee Chairman reports the outcomes of the meetings to the Board, regularly. The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

Key Duties

- Developing policies on employee remuneration and fixing the structure and the amount of remuneration packages of individual Directors and key employees of the Company
- Approving the design of and determining targets for any performance related pay schemes
- Determining the policy for and scope of pension arrangements for the Company as required by law
- Oversee any major changes in employee benefit structures throughout the Company
- Regularly review the structure, size and composition (including the skills, knowledge experience and diversity) of the Board and make recommendations to the Board and shareholders regarding any changes
- Be responsible for identifying and nominating appropriate candidates for the approval of the Board

Major Activities of 2019 Conclusion

- Reviewed Committee Charter
- Reviewed the adequacy of the composition of the Board in terms of number of members, qualification, diversity and experience. The Committee found the composition of the Board, adequate for functioning
- Evaluated, interviewed and made recommendations on Public Directorship candidates to the Board
- Reviewed Board Evaluation Form
- Reviewed Welfare Aid Policy
- Reviewed Redundancy Policy
- Reviewed Bonus and Sales Incentive Policy

The Committee is satisfied with the activities carried out during the year. On behalf of the Nomination & Remuneration Committee;



Ismail Zumayl Rasheed
Chairman

Remuneration Report

We believe that our strategic objectives can only be delivered with the dedication and hard work of our employees. The Nomination and Remuneration Committee assists the Board by formulating a remuneration strategy that ensures a balance in attracting, motivating and retaining human capital through competitive remuneration practices, while creating shareholder value. This Policy gives effect to the remuneration strategy, supports the business objectives and offers a balance in the remuneration mix to align it with our goals.

Taking Care of Our Employees

We try to maximize our employee value proposition. We are committed to provide a competitive pay to all employees and operate various wellness programs.

Pay-for-Performance

We focus on pay-for-performance in the design of our variable pay structure, particularly for sales segments.

Gender Diversity and Equality

We support main-streaming diversity in the workplace and develop more robust employment equality plans and targets.

Training and Developing Talent

We invest in the development and skills of our employees to maximize learning potential with study assistance, performance management and career development opportunities based on our talent management strategy.

The remuneration policies for employees and Board Directors are separately stated in this Policy.

1.1. Employee Remuneration and Other Incentives

The employee remuneration principles include;

- A systematic role of evaluation shall be developed for each employee to identify their appropriate level of remuneration and placement within the structure
- The remuneration shall comprise of fixed and performance-based components
- The evaluation must be performed annually, and the review must assess the degree to which the employee is satisfying the requirement of his/her role and the degree to which established performance objectives have been achieved
- Fixed remuneration must align with that of comparable industry positions
- Employees are entitled to performance-based incentives including bonuses and other relative allowances
- Employees can trade in Securities of the Company, in accordance with the Trading in Securities Guideline of the Company
- The Company abides by the Regulations of the Maldives Pension Administration Office for pension provision of employees, where the employee provides 7% of his/her basic salary as pension, and the Company provides the same.
- Employees are further entitled to retirement, termination and severance payments where applicable
- Employees are also eligible for loans provided by the Company

1.2. Board Director's Remuneration and Other Incentives

The remuneration provided to the Board Directors for serving on the Board are determined and approved by the shareholders at the Annual General Meeting. While the Executive Members of the Board are paid the same and an additional remuneration for their position in the Company. This information is further disclosed below and in the Audited Financial Statements.

The remuneration of the Executive Directors is set in accordance with the principles of employee's remuneration and incentives, inspected by the Nomination and Remuneration Committee and approved by the Board of Directors.

The remuneration of the members of the Board consists of the following elements;

- Monthly remuneration
- A fee for attendance per meeting
- A chairman allowance for the Chairman of the Board

The principles for board director remuneration include;

- Non-Executive Director's shall be remunerated by way of fees paid in recognition of their membership on the Board and its Sub-Committees
- The Executive Directors should be paid the same fee as that received by the Non-Executive Directors for their Board membership
- Executive Directors shall also receive variable salaries in addition to the Board membership fees. This salary must be a market median of companies comparable in market segment, business complexity and international scope. The Executive's performance must also consider fulfilment of various improvement targets and attainment of certain financial objectives
- The Company's Remuneration Policy must be formulated to attract and retain high calibre executives and motivate them to develop and implement the Company's business strategy to optimize long-term shareholder value creation

1.3. Summary on Remuneration Provided for Executive Directors

Base Salary

Policy

- Benchmarked against market practices in Maldives with companies that are comparable in size, business and complexity
- Generally reflects market median levels based on the role and individual skills and experience

Implementation in 2019

- Paid monthly
- Increments were given as per company policies

Pension Fund

Policy

- Provided as per Maldives Pension Administration Office regulations for pension provision

Implementation in 2019

- Paid to Maldives Pension Administration monthly
- 7% of basic salary contributed from employee's salary
- 7% of basic salary contributed from STO

Health Insurance

Policy

- Allied Insurance Gold package subscribed for Executive Directors

Implementation in 2019

- Paid to Allied Insurance yearly
- Cost is borne by the Company
- Covers 1 spouse and 2 children of below 18 years of age
- Cost depends on the age of Director and the dependent
- Director has to bear any insurance for additional dependents

Life Insurance

Policy

- Allied Insurance Life Insurance package subscribed for Executive Directors

Implementation in 2019

- Paid MVR180.00 per person per year

Annual and Deferred Bonus

Policy

- Bonus calculations are made between 1 to 5 % of net profit, as approved by the Board
- Bonus is given yearly
- Annual bonus is distributed equally to all Corporate and Staple Foods Department staff
- Employee must have served a minimum of 30 days over the bonus review period
- 50% marks is taken from performance appraisal
- 50% marks is concluded from attendance and disciplinary actions
- As such, points are deducted for disciplinary actions, late and sick leaves
- Overall 49 mark and below don't receive a bonus, 50 mark to 79 mark receive 80% of eligible bonus and 80 mark to 100 mark receive 100% of eligible bonus

Implementation in 2019

- Bonus of the year 2018 was paid in 2019
- Board approved to pay 3% of net profit to all the eligible employees
- Both Executive Directors received above 80% marks and hence were paid 100% of the eligible amount received
- There was no deferred bonus paid to any of the Executive Directors in 2019

Sales and Performance Incentive

Policy

- Incentive calculations are made based on monthly and annual targets on gross profit and net profit
- This policy applies to all staff of business segments, excluding Staple Foods
- Targets are approved by the strategic committee
- Amount of incentive reward is maintained between 1 and 10 % of target profit for the month
- Above target incentives are also provided as per Incentive and Performance Policy
- 20% of incentive and an administrative change of 3% is withheld by the Company
- Incentive for each month is paid in the preceding month

Implementation in 2019

- Board Directors are not eligible for sales and performance incentives

Service Contract, Notice Period and Severance Fee

Implementation in 2019

- All Directors are appointed for a term of one year (i.e. from one Annual General Meeting to another)
- The Non-Executive Directors were last appointed to the Board on 16th May 2019
- All Directors have signed the Board Charter
- This Charter indicates the term, roles and responsibilities of the Board and its Directors
- The Chief Executive Officer and Managing Director, along with the Chief Financial officer have signed service contracts with the Company for the position they hold in the Company
- There was no notice period given to any of the Directors

Share Options and Trading in Securities

Implementation in 2019

- No share options were provided to any Non-Executive Directors
- Trading in Securities are implemented according to the Trading in Securities Guideline of the Company

Other Benefits

Implementation in 2019

- Directors are provided additional benefits such as authority to use certain Company vehicles, accept gifts from Company on certain occasions and discount benefits as per the benefits list and policies approved by the Board

1.4. Summary on Remuneration Provided for Non- Executive Directors

Remuneration and Allowances

Policy

- Approved at the Annual General Meeting by Shareholders
- Benchmarked against market practices in Maldives with companies that are comparable in size, business and complexity
- Generally, reflects market median levels based on the role and individual skills and experience

Implementation in 2019

- Paid monthly
- No increase or decrease was granted
- Includes a monthly fee of MVR10,000.00 and an attendance fee of MVR500.00 per meeting
- Chairman was provided an additional fee of MVR10,000.00 and a phone allowance of MVR1,000.00 per month
- No additional remuneration is provided to committee members or its chairpersons

Pension Fund

Policy

- Provided as per Maldives Pension Administration Office regulations for pension provision
- Board Directors are not eligible for this fund

Implementation in 2019

- No pension provisions provided for or from non-executive directors

Health Insurance

Policy

- Allied Insurance Gold package subscribed for executive directors

Implementation in 2019

- Paid to Allied Insurance yearly
- Cost borne by Company
- Covers 1 spouse and 2 children of below 18 years of age
- Cost depends on age of director and dependent
- Director must bear any insurance for additional dependents

Life Insurance

Policy

- Allied Insurance life insurance package subscribed for executive directors

Implementation in 2019

- Paid MVR180.00 per person a year

Annual and Deferred Bonus

Policy

- Bonus calculations are made between 1 to 5 % of net profit, as approved by the Board
- Bonus is given yearly
- Annual bonus is distributed equally to all corporate and staple department staff
- Employee must have served a minimum of 30 days over the bonus review period
- 50% marks is taken from performance appraisal
- 50% marks is concluded from attendance and disciplinary actions
- As such, points are deducted for disciplinary actions, late and sick leaves
- Overall 49 mark and below don't receive a bonus, 50 mark to 79 mark receive 80% of eligible bonus and 80 mark to 100 mark receive 100% of eligible bonus

Implementation in 2019

- Board Directors are not eligible for any types of bonus or incentive plans

Sales and Performance Incentive

Policy

- Incentive calculations are made based on monthly and annual targets on gross profit and net profit
- This policy applies to all staff of business segments, excluding staple foods
- Targets are approved by the strategic committee
- Amount of incentive reward is maintained between 1 and 10 % of target profit for the month
- Above target incentives are also provided as per incentive and performance policy
- 20% of incentive and an administrative change of 3% is withheld by the Company
- Incentive for each month is paid in the preceding month

Implementation in 2019

- Board Directors are not eligible for for sales and performance incentives

Service Contract, Notice Period and Severance Fee

Implementation in 2019

- All Directors are appointed for a term of one year (i.e. from one annual general meeting to another)
- The Non-Executive Directors were last appointed to Board on 16th May 2019
- All Directors have signed the board charter
- This charter indicates the term, roles and responsibilities of Board and its Directors

Share Options and Trading in Securities

Implementation in 2019

- No share options were provided to any Non-Executive Directors
- Trading in Securities are implemented according to the Trading in Securities Guideline of the Company

Other Benefits

Implementation in 2019

- Non-Executive Directors are provided additional benefits such as authority to use certain company vehicles, accept gifts from Company on certain occasions and discount benefits as per the benefits list and policies approved by the Board

1.5. Paid Remuneration to Board Members

In 2019, a sum of MVR948,417 was paid to the Board of Directors as remuneration in the Board, while MVR2.01 million was paid to the Executive Directors as remuneration for their executive position in the Company. A total of MVR7.11 was paid to the top management, excluding the Executive Directors, as basic salary and allowances.

Name	Position in the Board	Total Remuneration received for the position in the Board (in MVR)
Hamid Nasheed Mohamed	Chairman	162,338.71
Husen Amru Mohamed Rashad	Managing Director	129,000.00
Mohamed Mihad	Director	128,500.00
Shimad Ibrahim	Board Director	84,661.29
Aminath Rushma	Board Director	84,661.29
Gais Ismail	Board Director	81,661.29
Ismail Zumayl Rasheed	Board Director	84,161.29
Hussain Salim Mohamed	Former Chairman	18,774.19
Amir Mansoor	Former Director	51,838.71
Aishath Rafiyya	Former Director	17,642.86
Mariyam Zaahiya	Former Director	52,338.71
Aishath Fazeena	Former Director	52,838.71

1.6. Paid Remuneration to Top Management

Due to salary disparities in the employment market, the Board of Directors have chosen not to disclose the individual remuneration package of top management and Executive Directors. The table above indicates the remuneration paid to individual Board of Directors for the year 2019.

No notice periods, severance fees or stock options were provided to the members of the top management. Members of the top management and their profile will be available on page 103.

1.7. Director's Shareholding in the Company

The Directors have the right to subscribe for Securities in the Company, in accordance with the Trading in Securities Guideline of the Company. However, they do not have the right to subscribe for Securities in the Subsidiaries.

Name	Direct Shares	Indirect Shares
Hamid Nasheed Mohamed	-	-
Husen Amru Mohamed Rashad	-	-
Mohamed Mihad	-	-
Shimad Ibrahim	55	-
Aminath Rushma	1	-
Gais Ismail	-	-
Ismail Zumayl Rasheed	-	-
Hussain Salim Mohamed	-	-
Amir Mansoor	-	-
Aishath Rafiyya	-	-
Mariyam Zaahiya	-	-
Aishath Fazeena	1	-

*Indirect shares are represented by shares held by immediate family members of Board Directors.

1.8. Director's Membership on Other Boards

According to the Subsidiaries and Major Commercial Activities Policy of the Company, the Executive Directors along with the senior management staff can sit on the Boards of Subsidiary Companies.

According to the Code of CMDA, no Director is permitted to sit in the Board

of 3 or more Public Listed Companies.

As such, below table includes any additional remuneration received from their representations in other Boards of STO Group or another Public Listed Company in 2019.

Name	Other Directorships held	Policy on Remuneration	Remarks
Husen Amru Mohamed Rashad	Chairman of Maldives Industrial Fisheries Company Ltd	Monthly MVR5000 and sitting fee of MVR300 per meeting	
	Chairman of Lafarge Maldives Cement Pvt Ltd	Monthly MVR5000 and sitting fee of MVR250 per meeting	
Mohamed Mihad	Board of Director of Addu International Airport Pvt Ltd	MVR5000 per meeting	Member of the Board until STO transferred shares held in the Company to the Government in January 2020
	Former Chairman of FSM	Monthly MVR5000 and sitting fee of MVR300 per meeting	Chairman until 18th February 2019
	Board Director of Maldives Industrial Fisheries Company Ltd	Monthly MVR5000 and sitting fee of MVR300 per meeting	

Declaration

This Remuneration Report was approved by the Board and signed on its behalf by the Chairman of Nomination and Remuneration Committee.



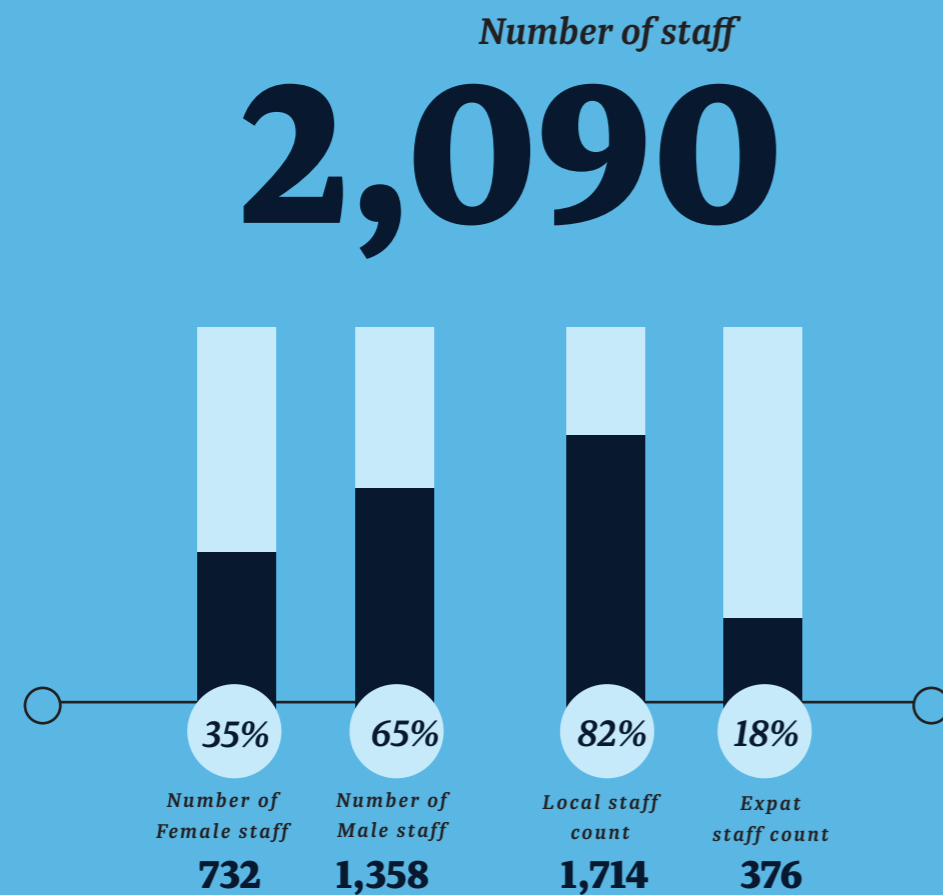
Ismail Zumayl Rasheed

Team STO

05



Our dedicated staff and professionals are the most important part in accomplishing our strategy transformation. This vision of human resources has been determined on the basis of the value standards defined by the management principles. The driving force behind our success is our committed and talented people, the staff have always been the main factor behind the Company's growth targets.



In **TEAMSTO**, we ensured that each of our employees exercised their full potential in line with the business strategy of their respective business units and **STO Group's** overall management principles. Our initiatives for our Team support the United Nations Sustainable Development Goals on Good Health and Well-being (SDG3), Decent Work and Economic Growth (SDG 8) and Industry, Innovation and Infrastructure (SDG9).

In developing a vision of human resources for the future, we promoted the necessary qualities, actions, and abilities of our Team on reviewing and designing people processes from our employees' perspective. To achieve this strategic goal we used the expertise, experience and commitment of our employees, themselves.

Talent Acquisition

We select the best talent from the market in consideration of qualifications, skills, expertise, experience, personality traits, attitude, etc. We focus on workforce planning, staffing, training, organizational development, performance management and employee retention. We have in place a simple induction program to brief our vision, mission, policies, procedures and guideline for new recruits. In addition to that, we give them an overview of our Group operations in different sectors to enable their quick on-board to the Company.

Staff Training

We have continuously invested over the years to enhance the skills, talents, attitude, personality and professionalism of our team. In this on-going process, due consideration was given to align employee's aspiration with corporate goals of the Group.

During the year, we sponsored long-term study programs to expedite development of a better work force for the future and to smooth out succession planning when it arises. Meanwhile, various in-house training programs were also conducted. Some of the trainings included customer care trainings, management trainings, Dhivehi language workshops, inventory trainings, technical trainings, etc. Similarly, staffs were sent abroad to attend seminars, workshops and short-term trainings to strengthen much needed skills and knowledge from technical areas.

**Sustainability
Report**

06



Our focus on sustainable business practices stems from our founding principles and organizational values that embody national interest and social responsibility. We believe business success comes through ethical values, human dignity and sustainable development.

2019 marked a decade of our commitment to the ten principles of the UN Global Compact that are based on human rights, labour standards, environmental protection and anti-corruption. We have also endorsed the UN's Sustainable Development Goals (SDGs) that aims to take on the economic, social and environmental issues faced by communities around the globe. We remain committed to reduce the negative impact of our actions on the ecosystems and communities we engage in.

Food Security

Ensuring non-stop availability of essential goods at affordable prices in the market is part of STO's mission statement. This involves staples and basic food items, where STO continues to play the role of price regulator, especially during peak demand periods and crises. In 2019 STO successfully implemented 'Kaadu Agent' project to harmonize price and availability of staple foods across all inhabited islands in the nation. 'Grown in Maldives' is another important project we have underway, which is geared to empower local farmers in order to significantly increase and promote local produce.

Healthcare

In the recent years, Maldives has made immense progress in healthcare and throughout this development, STO has been at the forefront, especially in bridging the gap for island communities. In 2019, we did a record number of equipment installations in remote healthcare facilities including mammography machines and CT scanners. Other national firsts include introduction of biosimilars and oncology products (reducing overseas treatment costs for cancer patients), and the establishment of pre- and neonatal screening facilities. We continue to strengthen our wide network of pharmacies (one on each inhabited island) and its ability to support patients and healthcare facilities in remote areas. STO remains a key responder to disease outbreaks.

Health & fitness sponsors in 2019: MVR

1.7
in million

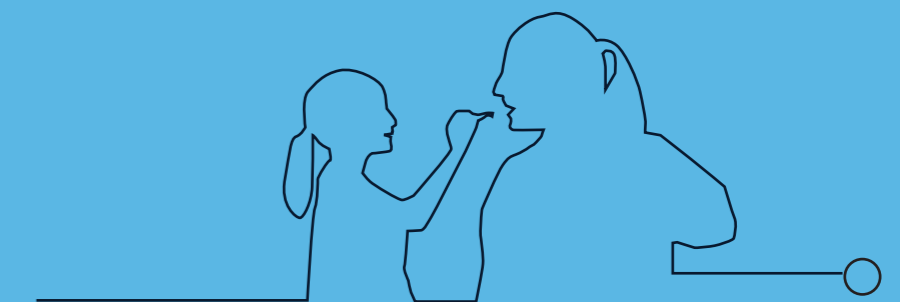
Quality Education

Our national progress in education within the past few decades is remarkable. However, access to quality early childhood education and lifelong learning opportunities still vary greatly across island communities.

Education-related sponsors in 2019: MVR

1.5
in million

One of the ways we support education is through our assistance to smaller schools and private or community establishments in the atolls with their resource needs and integrating technology. We helped launch the Government's new school breakfast program in 2019 (and continue to support it) and, for the tenth consecutive year, honoured the top-achieving students who completed secondary education.



Gender Equality

Total Staff

35% Female **65%** Male

We stand firmly against gender-based discrimination. We do not tolerate differentiation in employee benefits and opportunities such as training, promotion, travel or decision making based on their gender.

Donations for gender equality and women empowerment in 2019: MVR

423,000

Reduced Inequalities

STO works to reduce the gap in the availability of essentials such as medicine and staple food for the island communities. We operate a network of pharmacies covering all inhabited islands and maintain price uniformity across all 187 of them. Similarly, we ensure nationwide availability and price uniformity of staple foods through our outlets and 'Kaadu Agents'.

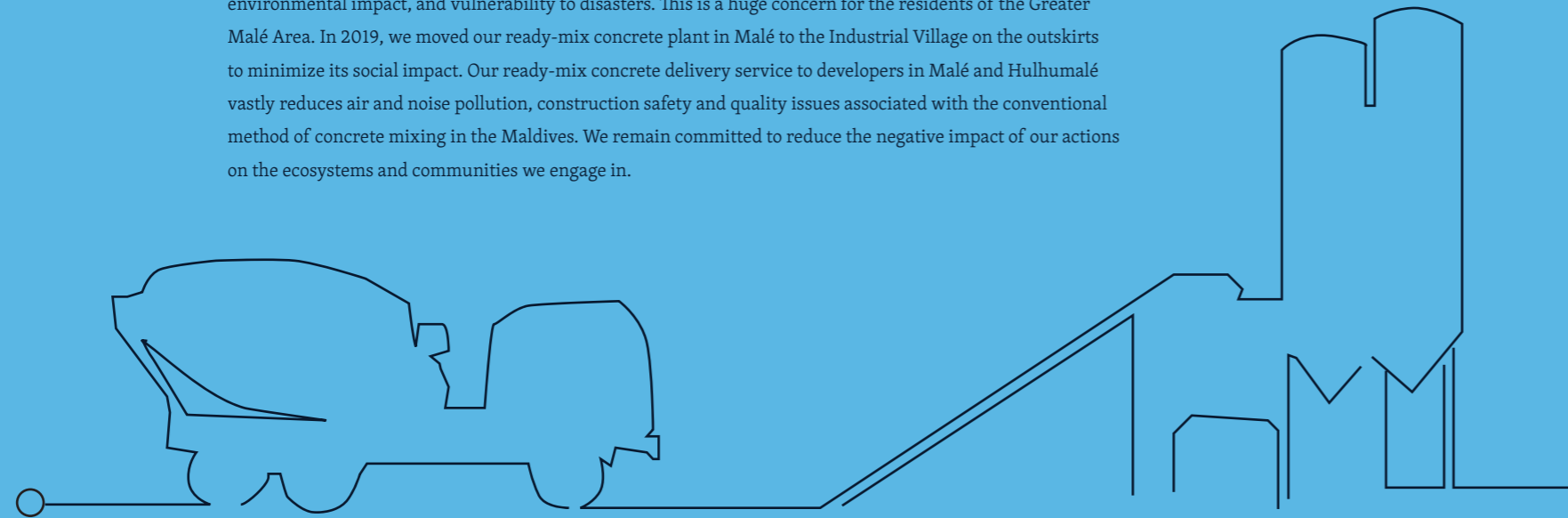
We work with Government agencies and NGOs in assisting special needs groups such as the elderly. Our sponsorship of technical staff and facilities at Fiyavathi orphanage aims to brighten the future for these children.

Aid provided to special needs and orphanages in 2019: MVR

454,000

Sustainable Cities and Communities

Urbanization and population concentration raise the issues of adequate housing and infrastructure, socio-environmental impact, and vulnerability to disasters. This is a huge concern for the residents of the Greater Malé Area. In 2019, we moved our ready-mix concrete plant in Malé to the Industrial Village on the outskirts to minimize its social impact. Our ready-mix concrete delivery service to developers in Malé and Hulhumalé vastly reduces air and noise pollution, construction safety and quality issues associated with the conventional method of concrete mixing in the Maldives. We remain committed to reduce the negative impact of our actions on the ecosystems and communities we engage in.



In 2019, we introduced a new range of building blocks, plaster and mortar that together provides substantial socio-environmental, health, safety and cost benefits.

Strong Institutions

Over the years, new and revised policies and procedures have continued to be designed and implemented in order to increase transparency. It has resulted in improvements to our systems to raise concerns and geared to strongly discourage misuse and corruption.

Policies being drafted for implementation over the coming year include anti-bribery and anti-corruption policy, gift acceptance policy, and anti-blacklisting policy. Planned changes to the whistleblower policy and conflict of interest policy will open our reporting systems for outsiders, and enable directors to raise their concerns.

“Emmenge” STO

While we are committed to the UN Global Compact and the Sustainable Development Goals, our caring relationship with our communities go well beyond.

Area	Amount in Thousands (MVR)
Education	1,464
Fitness, Sports & Youth	1,230
Business	960
Arts & Culture	525
Health	503
Women	288
Special Needs	204
Government	217
Religion	139
Children	75
Total	5,606

As with recent years, we spent a significant portion of our 2019 marketing budget on efforts that promote sustainability. Similar contributions from our subsidiaries make STO Group a top corporate contributor to sustainable causes in the country. When crises arise, we work at the forefront to safeguard the essential needs of those who are affected or exposed.

***Independent Auditor's
Report & Financial
Statement***

07





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Independent Auditor's Report To the Shareholders of State Trading Organization PLC

Opinion

We have audited the accompanying separate financial statements of State Trading organization PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 52 to 101.

In our opinion, the accompanying separate and consolidated financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements and the Consolidated financial statements of the current Period. These matters were addressed in the context of our audit of the separate financial statements and the Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Recognition of revenue from trading business**

(Refer to the significant accounting policies in Note 3.3 and Note 7 to the financial statements).

Risk Description

Our Response

The Company and the Group have recorded MVR.9,319,256,401/- and MVR.10,905,884,280/- respectively as revenue for the year ended 31st December 2019.

Revenue is an important measure to evaluate the performance of the Group and the Company

Given the significance of the total value, the number of transactions, geographical locations and the dependence on IT systems over recognition of revenue from trading sector of the Company and the Group, the recognition of revenue from the trading sector was considered as a key audit matter that requires our significant attention.

Our audit procedures included;

Assessing the design, implementation and operating effectiveness of key controls over revenue recognition.

Evaluating the integrity of general IT control and Testing operating effectiveness of IT application controls over revenue recognition with the assistance of KPMG Information Risk Management specialist.

Performing substantive analytical procedures such as trend analysis using historical sales patterns, internal benchmarks and predictive analysis.

Testing of invoices raised to customers on a sample basis, to ensure revenue is recognised and measured in accordance with the contractual terms of the contracts and the Group's accounting policies.

**Independent Auditor's Report
To the Shareholders of State Trading Organization PLC (Continued)**

• **Recognition of provision for impairment on investment property**

(Refer to the significant accounting policies in Note 3.8 (II) and Note 14 to the financial statements).

Risk Description	Our Response
Due to the impairment indications existed, the Company assessed the recoverable value of the Investment property under construction and estimated a provision for impairment amounting to MVR 159,209,712/- for the year ended 31st December 2019.	Our audit procedures included; Evaluating the appropriateness of the application of the accounting policies in line with the International Financial Reporting Standard 36.
The impairment of the investment properties is a significant estimation area as it is underpinned by a number of key assumptions used in the impairment assessment as disclosed in note 14 to the financial statements.	Assessing the reasonableness of management's key assumptions, including verifying the estimates relating to the assessment with external corroborative evidences.
Considering the level of judgments and assumptions used in the estimate of impairment provision, this was considered as a matter that requires our significant audit attention	Checking the mathematical accuracy of the computation of provision for impairment. Evaluating the appropriateness of the disclosures made in the financial statements

• **Recognition of Insurance Claim Liabilities**

(Refer to the significant accounting policies in Note 3.11 and Note 34 the financial statements).

Risk Description	Our Response
The Group has recognized non-life Insurance contract liabilities of MVR.375,215,672/- life contract liabilities of MVR.68,615,604/- and Takaful insurance contract liabilities of MVR.34,075,005/- as at 31st December 2019.	Our audit procedures included; Evaluating the governance around the overall Company's reserving process including the security applies by the Company level actuarial reviews.
Non-life, life and takaful insurance contract liabilities have been accounted for in the consolidated financial statement using significant estimates and judgments which are sensitive to various factors and uncertainties. Significant management judgement was applied in setting these assumptions.	Testing the relevant controls over the submission of data for estimating the insurance contract liabilities.
Changes in such significant estimates and judgments used in the valuation of the insurance contract liabilities directly impact the consolidated statement of profit and loss. Given the subjectivity of the assumptions involved in the valuation, we considered this to be a Key Audit Matter.	Assessing the capabilities and objectivities of the management external actuarial expert involved in the liability's valuation. Assessing the reasonableness of the assumptions by using analytical procedures, trend analysis and benchmarking to market data. For changes in the methodology or key assumptions, we have assessed level of prudence applied and compared this to prior periods and whether these changes are reasonable based on changes in the industry and the Group's historical claims experience. Engaging internal experts to assess the reasonableness of the assumptions used in the valuation of the insurance contract liabilities. Verifying provision for pending claims with surveyor reports and recalculating the claim recoverable from reinsurers. Assessing the adequacy of the disclosures in the financial

**Independent Auditor’s Report
To the Shareholders of State Trading Organization PLC (Continued)**

• **IFRS 16 – Leases (Transition adjustment)**

(Refer to the significant accounting policies in Note 4 to the financial statements).

Risk Description	Our Response
<p>IFRS 16 – Leases’ became effective for annual reporting beginning on or after 1st January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees.</p> <p>The initial application of this standard gave to a right of use asset of MVR 537,662,374/-, and a corresponding lease liability of MVR 448,138,837/- as at 1st January 2019.</p> <p>The Group applied the modified retrospective approach for the transition accounting.</p> <p>Impact assessment of IFRS 16 is significant to our audit, as the balances recognized in separate and consolidated financial statements are material, policy election required for the new accounting policy, the implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability and lease liability is based on assumptions such as discount rates (incremental borrowing rate) and the lease terms, including termination and renewal options.</p> <p>The adjustments arising from applying IFRS 16 are material to the Group, and related disclosure of impact is a key focus area in our audit</p>	<p>Our audit procedures included;</p> <p>Reviewing a sample of contracts to assess whether leases have been appropriately identified as per the SLFRS 16 requirements.</p> <p>Evaluating management’s process for identifying lease contracts to be assessed based on the selected transition approach and any practical expedients applied.</p> <p>Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 16 and transition approach.</p> <p>Assessing whether transition gave rise to any indicators of management bias by evaluating the reasonableness of management’s key judgements and estimates made in preparing the transition adjustments.</p> <p>Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments as of 1st January 2019.</p> <p>Assessing the adequacy of the Group’s disclosures of the impact of the new standard in Note 4(c) to the consolidated financial statements.</p>

Other Information

The Board of Directors (the “Board”) is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after the date of this auditors’ report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

Responsibilities of the Board of Directors for the Financial Statements

The Board is responsible for the preparation and fair presentation of these separate and consolidated in accordance with IFRSs, and for such internal control as the Board determines is necessary to enable the preparation of separate and consolidated statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, the Board is responsible for assessing the Group’s and Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report To the Shareholders of State Trading Organization PLC (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is R.W.M.O.W Duminda.B. Rathnadiwakara.

Chartered Accountants

15th August 2020

Male'

STATE TRADING ORGANIZATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

		Group		Company	
		2019	2018	2019	2018
FOR THE YEAR ENDED 31ST DECEMBER 2019	Note	MVR	MVR	MVR	MVR
Revenue	7	10,905,884,280	10,873,171,406	9,319,256,401	9,404,114,486
Cost of sales		(8,955,671,614)	(9,363,864,105)	(7,974,146,698)	(8,214,418,971)
Gross profit		1,950,212,666	1,509,307,301	1,345,109,703	1,189,695,515
Other Income	8	95,016,761	80,609,020	70,712,195	64,459,838
Administrative Expenses		(696,591,828)	(638,587,234)	(365,062,487)	(351,858,543)
Selling and marketing expenses		(592,601,708)	(600,968,288)	(498,259,043)	(482,241,488)
Impairment reversal / (loss) on trade, other and related party receivable		105,769,285	(65,818,485)	132,860,941	(24,042,049)
Other operating expenses		(20,112,579)	(37,795,950)	(1,946,349)	(15,541,247)
Operating profit		841,692,597	246,746,364	683,414,960	380,472,026
Finance income		24,667,725	26,032,162	69,132,043	48,697,141
Finance costs		(240,663,736)	(203,677,100)	(189,389,339)	(177,707,737)
Net finance costs	9	(215,996,011)	(177,644,938)	(120,257,296)	(129,010,596)
Share of profit of equity accounted investees - net of tax	18	9,499,747	11,024,686	-	-
Profit before tax and impairment of investment in hulhumale hotel		635,196,333	80,126,112	563,157,664	251,461,430
Impairment of investment in hulhumale hotel	14.2	(159,209,712)	(209,894,959)	(159,209,712)	(209,894,959)
Profit / (Loss) before tax	10	475,986,621	(129,768,847)	403,947,952	41,566,471
Income tax expense	11	(92,525,547)	(50,534,409)	(100,919,508)	(27,154,607)
Profit / (Loss) after tax		383,461,074	(180,303,256)	303,028,444	14,411,864
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	31	(7,200,941)	(2,439,950)	(6,583,891)	(3,285,558)
Equity Investment at FVOCI - Net change in fair value	19	1,545,774	(6,920,774)	(2,579,226)	(7,920,774)
Related tax	11.3	304,399	1,381,931	1,374,467	1,680,950
Total other comprehensive income - net of tax		(5,350,768)	(7,978,793)	(7,788,650)	(9,525,382)
Total comprehensive income for the year		378,110,306	(188,282,049)	295,239,794	4,886,482
Profit / (Loss) attributable to:					
Owners of the Company		378,946,199	(182,148,062)	303,028,444	14,411,864
Non - controlling interests		4,514,875	1,844,806	-	-
		383,461,074	(180,303,256)	303,028,444	14,411,864
Total comprehensive income attributable to:					
Owners of the Company		373,489,794	(190,130,624)	295,239,794	4,886,482
Non - controlling interests		4,620,512	1,848,575	-	-
		378,110,306	(188,282,049)	295,239,794	4,886,482
Basic and diluted earnings per share	12	336.27	(161.63)	268.90	12.79

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 57 to 101. The Report of the Independent Auditors is given on pages 48 to 51.

STATE TRADING ORGANIZATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT	Note	Group		Company	
		2019 MVR	2018 MVR	2019 MVR	2018 MVR
ASSETS					
Non-current assets					
Property, plant and equipment	13	2,124,549,574	2,115,982,973	1,475,542,163	1,466,154,666
Investment property	14	347,504,634	509,645,180	347,504,634	509,645,180
Intangible assets	15	16,953,798	17,122,437	-	-
Prepaid lease rent	16	26,810,112	139,719,977	26,810,112	29,124,654
Investment in subsidiaries	17	-	-	104,944,380	112,288,081
Equity accounted investees	18	32,798,912	31,299,165	15,267,267	15,267,267
Equity securities at FVOCI	19	51,365,800	49,820,026	2,240,800	4,820,026
Amounts due from related parties	23	-	36,666,667	-	36,666,667
Right-of-use Assets	20	524,308,647	-	154,232,501	-
Deferred tax assets	11	113,807,996	103,255,872	80,207,242	115,928,722
Total non-current assets		3,238,099,473	3,003,512,297	2,206,749,099	2,289,895,263
Current assets					
Inventories	21	1,207,060,916	1,084,152,217	918,072,341	755,060,533
Trade and other receivables	22	677,477,689	757,407,072	303,601,765	383,711,270
Prepaid lease rent	16	2,314,542	4,667,634	2,314,542	2,314,542
Amounts due from related parties	23	1,903,655,493	2,045,640,884	2,725,009,529	2,778,275,204
Reinsurance contracts	24	308,484,814	269,446,132	-	-
Other Financial Investments	25	208,747,816	197,713,454	-	-
Cash and cash equivalents	26	359,420,383	334,021,785	114,932,561	131,689,080
Total current assets		4,667,161,653	4,693,049,178	4,063,930,738	4,051,050,629
Total assets		7,905,261,126	7,696,561,475	6,270,679,837	6,340,945,892
EQUITY AND LIABILITIES					
Equity					
Share capital	27	56,345,500	56,345,500	56,345,500	56,345,500
Share premium	27	27,814,500	27,814,500	27,814,500	27,814,500
Claim equalization reserve	27	51,709,518	42,720,880	-	-
Currency translation reserve	27	334,411	334,411	-	-
General reserve	27	752,045,994	691,440,305	742,764,184	682,158,495
Fair value reserve	27	(7,977,898)	(9,291,806)	(15,734,149)	(13,541,806)
Retained earnings		1,443,576,159	1,206,355,380	1,408,822,122	1,237,356,454
Equity attributable to owners of the Company		2,323,848,184	2,015,719,170	2,220,012,157	1,990,133,143
Non-controlling interests	28	23,222,547	19,713,146	-	-
Total equity		2,347,070,731	2,035,432,316	2,220,012,157	1,990,133,143

AS AT	Note	Group		Company	
		2019 MVR	2018 MVR	2019 MVR	2018 MVR
LIABILITIES					
Non-current liabilities					
Loans and borrowings	29	388,664,858	537,386,287	284,332,964	382,018,412
Deferred income	33	38,647,813	38,737,260	49,737,506	51,668,360
Deferred tax liability	11	1,097,534	1,278,575	-	-
Lease liabilities	30	420,184,235	-	137,490,910	-
Defined Benefit Obligation	31	66,670,383	45,900,671	41,897,966	32,462,393
Total non-current liabilities		915,264,823	623,302,793	513,459,346	466,149,165
Current liabilities					
Loans and borrowings	29	2,261,220,825	1,790,183,648	1,799,804,708	1,363,598,745
Trade and other payables	32	1,396,674,742	2,427,726,479	1,227,702,937	2,165,927,352
Lease liabilities	30	43,943,474	-	21,596,892	-
Deferred income	33	8,503,607	8,467,181	1,930,854	1,930,854
Insurance contracts	34	477,906,281	477,819,571	-	-
Current tax liabilities	35	64,752,038	29,403,793	43,075,864	22,653,351
Amounts due to related parties	36	112,026,956	84,055,993	227,713,820	189,681,397
Bank overdrafts	26	277,897,649	220,169,701	215,383,259	140,871,885
Total current liabilities		4,642,925,572	5,037,826,366	3,537,208,334	3,884,663,584
Total liabilities		5,558,190,395	5,661,129,159	4,050,667,680	4,350,812,749
Total equity and liabilities		7,905,261,126	7,696,561,475	6,270,679,837	6,340,945,892

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 57 to 101. The Report of the Independent Auditors is given on pages 48 to 51.

These consolidated and separate financial statements were approved by the Board of Directors and signed on its behalf by;

				
Mohamed Mihad Chief Financial Officer	Husen Amru Mohamed Rashad CEO & MD	Shimad Ibrahim Audit & Risk Committee Chairman	Hamid Nasheed Mohamed Board Chairman	Aminath Rushma Director Representing Public Shareholders

15th August 2020

**STATE TRADING ORGANIZATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31ST DECEMBER

GROUP	Attributable to owners of the Company									
	Share capital	Share premium	Claim equalization reserve	Currency translation reserve	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Balance at 1st January 2018	56,345,500	27,814,500	41,780,914	334,411	688,557,932	(3,409,148)	1,456,405,735	2,267,829,844	18,420,127	2,286,249,971
Profit for the year	-	-	-	-	-	-	(182,148,062)	(182,148,062)	1,844,806	(180,303,256)
Net change in fair value of Equity Investments at FVOCI - net of tax	-	-	-	-	-	(5,882,658)	-	(5,882,658)	-	(5,882,658)
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(2,099,904)	(2,099,904)	3,769	(2,096,135)
Total comprehensive income for the year	-	-	-	-	-	(5,882,658)	(184,247,966)	(190,130,624)	1,848,575	(188,282,049)
Transfer to / (from) during the year										
- general reserve (Note 27.4)	-	-	-	-	2,882,373	-	(2,882,373)	-	-	-
- claim equalization reserve (Note 27.6)	-	-	939,966	-	-	-	(939,966)	-	-	-
Transactions with owners of the Company										
- Dividends (Note 27.3)	-	-	-	-	-	-	(61,980,050)	(61,980,050)	(555,556)	(62,535,606)
Total transaction with owners of the Company	-	-	-	-	-	-	(61,980,050)	(61,980,050)	(555,556)	(62,535,606)
As at 31st December 2018	56,345,500	27,814,500	42,720,880	334,411	691,440,305	(9,291,806)	1,206,355,380	2,015,719,170	19,713,146	2,035,432,316
Balance at 1st January 2019	56,345,500	27,814,500	42,720,880	334,411	691,440,305	(9,291,806)	1,206,355,380	2,015,719,170	19,713,146	2,035,432,316
Profit for the year	-	-	-	-	-	-	378,946,199	378,946,199	4,514,875	383,461,074
Other comprehensive income										
Net change in fair value of Equity Investments at FVOCI - net of tax	-	-	-	-	-	1,313,908	-	1,313,908	-	1,313,908
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(6,770,313)	(6,770,313)	105,637	(6,664,676)
Total comprehensive income for the year	-	-	-	-	-	1,313,908	372,175,886	373,489,794	4,620,512	378,110,306
Transfer to / (from) during the year										
- general reserve	-	-	-	-	60,605,689	-	(60,605,689)	-	-	-
- claim equalization reserve	-	-	8,988,638	-	-	-	(8,988,638)	-	-	-
Transactions with owners of the Company										
- Dividends (Note 27.3)	-	-	-	-	-	-	(65,360,780)	(65,360,780)	(1,111,111)	(66,471,891)
Total transaction with owners of the Company	-	-	-	-	-	-	(65,360,780)	(65,360,780)	(1,111,111)	(66,471,891)
As at 31st December 2019	56,345,500	27,814,500	51,709,518	334,411	752,045,994	(7,977,898)	1,443,576,159	2,323,848,184	23,222,547	2,347,070,731

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 57 to 101. The Report of the Independent Auditors is given on pages 48 to 51.

STATE TRADING ORGANIZATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER

COMPANY	Share capital	Share premium	General reserve	Fair Value reserve	Retained earnings	Total
	MVR	MVR	MVR	MVR	MVR	MVR
Balances at 1st January 2018	56,345,500	27,814,500	679,276,122	(6,809,148)	1,290,599,737	2,047,226,711
Profit for the year	-	-	-	-	14,411,864	14,411,864
Other comprehensive income, net of tax	-	-	-	(6,732,658)	(2,792,724)	(9,525,382)
Total comprehensive income for the year	-	-	-	(6,732,658)	11,619,140	4,886,482
Transfer to / (from) during the year						
- general reserve	-	-	2,882,373	-	(2,882,373)	-
Transactions with owners of the Company						
- Dividends (Note 27.3)	-	-	-	-	(61,980,050)	(61,980,050)
Total transaction with owners of the Company	-	-	-	-	(61,980,050)	(61,980,050)
As at 31st December 2018	56,345,500	27,814,500	682,158,495	(13,541,806)	1,237,356,454	1,990,133,143
Balance at 1st January 2019	56,345,500	27,814,500	682,158,495	(13,541,806)	1,237,356,454	1,990,133,143
Profit for the year	-	-	-	-	303,028,444	303,028,444
Other comprehensive income, net of tax	-	-	-	(2,192,343)	(5,596,307)	(7,788,650)
Total comprehensive income for the year	-	-	-	(2,192,343)	297,432,137	295,239,794
Transfer to / (from) during the year						
- general reserve	-	-	60,605,689	-	(60,605,689)	-
Transactions with owners of the Company						
- Dividends (Note 27.3)	-	-	-	-	(65,360,780)	(65,360,780)
Total transaction with owners of the Company	-	-	-	-	(65,360,780)	(65,360,780)
As at 31st December 2019	56,345,500	27,814,500	742,764,184	(15,734,149)	1,408,822,122	2,220,012,157

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 57 to 101. The Report of the Independent Auditors is given on pages 48 to 51.

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER

	Note	Group		Company	
		2019 MVR	2018 MVR	2019 MVR	2018 MVR
Cash flows from operating activities					
Profit / (Loss) before tax		475,986,621	(129,768,847)	403,947,952	41,566,471
Adjustments for:					
Depreciation on property, plant and equipment	13	198,806,125	170,039,808	122,446,007	102,594,296
Depreciation on investment properties	14	6,164,365	2,886,104	6,164,365	2,886,104
Amortization on right-of-use assets	10	30,029,494	-	13,357,346	-
Interest on lease liabilities	9	33,340,533	-	10,799,594	-
Amortization of intangible assets	15	5,557,801	4,768,708	-	1,878,444
Capital working progress written off	13	878,431	445,501	-	445,499
Gain on disposal of property, plant and equipment	8	(198,613)	(3,252,068)	(73,563)	(3,252,068)
Loss on disposal of intangible assets	15	90,000	24,563	-	-
Provision for impairment of investment in subsidiaries	10	-	-	7,343,701	4,961,754
Provision for impairment of investment in hulhumale hotel	14	159,209,712	209,894,959	159,209,712	209,894,959
(Reversal) / Provision for impairment of trade, other and related party receivable	10	(105,769,285)	65,818,485	(132,860,941)	24,042,049
Provision / (reversal) of impairment for slow moving inventories	21.1	4,434,143	(7,981,640)	603,198	(6,126,086)
Provision for defined benefit obligation	31	13,568,771	3,228,421	2,851,682	746,260
Receivable written off	10	-	4,764,390	-	3,780,430
Share of profit of equity - accounted investees, net of tax	18	(9,499,747)	(11,024,686)	-	-
Interest expense	9	206,076,519	201,294,757	177,350,785	175,647,721
Interest income	9	(7,168,208)	(6,880,559)	(4,272,355)	(5,587,308)
Dividend income	9	(5,547,290)	(4,968,185)	(64,859,688)	(43,109,833)
Operating profit before working capital changes		1,005,959,372	499,289,711	702,007,795	510,368,692
Working capital changes					
Change in inventories		(127,342,842)	(93,667,191)	(163,615,006)	(83,804,805)
Change in trade and other receivables		185,698,668	(342,460,194)	76,637,947	(97,682,659)
Change in amount due from related parties		178,652,058	96,082,770	226,264,835	(417,893,410)
Changes in reinsurance contracts		(39,038,682)	(36,011,184)	-	-
Changes in deferred revenue		(53,021)	2,722,949	(1,930,854)	(1,930,854)
Change in amount due to related parties		27,970,963	25,233,715	38,032,423	(86,893,644)
Change in trade and other payables		(832,945,321)	(166,547,877)	(764,383,122)	(42,372,018)
Changes in insurance contracts		86,710	51,709,029	-	-
Cash generated from / (used in) operating activities		398,987,905	36,351,728	113,014,018	(220,208,698)
Interest paid		(206,076,519)	(201,294,757)	(177,350,785)	(175,647,721)
Income tax paid	35	(67,606,067)	(52,866,689)	(43,401,048)	(35,253,604)
Net cash generated from / (used in) operating activities		125,305,319	(217,809,718)	(107,737,815)	(431,110,023)

	Note	Group		Company	
		2019 MVR	2018 MVR	2019 MVR	2018 MVR
Cash flows from investing activities					
Purchase and construction of property, plant and equipment	13	(210,872,509)	(328,120,108)	(134,326,585)	(159,486,432)
Purchase and construction of investment properties	14.1	(918,989)	(49,323,573)	(918,989)	(51,676,665)
Purchase of intangible assets	15	(5,479,162)	(6,053,732)	-	-
Proceeds from sales of property, plant and equipment		3,385,463	16,550,167	3,132,142	16,342,086
Purchase of other financial instruments	25	(364,488,290)	(590,964,071)	-	-
Proceeds from sales of other financial instruments	25	353,453,928	544,790,439	-	-
Interest received		7,168,208	6,880,559	4,272,355	5,587,308
Dividend received		13,547,290	17,968,185	64,859,688	43,109,833
Net cash used in investing activities		(204,204,061)	(388,272,134)	(62,981,389)	(146,123,870)
Cash flows from financing activities					
Loans and borrowings obtained	29	6,236,303	103,786,116	4,402,865	34,376,218
Repayments of borrowings	29	(186,646,748)	(215,062,644)	(168,608,543)	(189,237,038)
Loans and borrowings obtained for working capital	29	6,352,813,257	4,141,844,676	6,352,813,257	4,141,844,676
Lease payments		(35,433,172)	-	(19,867,131)	-
Repayments of working capital loans and borrowings	29	(5,850,087,064)	(3,459,373,651)	(5,850,087,064)	(3,459,373,651)
Dividend paid		(240,313,184)	(10,888,326)	(239,202,073)	(10,332,770)
Net cash generated from financing activities		46,569,392	560,306,171	79,451,311	517,277,435
Net decrease in cash and cash equivalents		(32,329,350)	(45,775,681)	(91,267,893)	(59,956,458)
Cash and cash equivalents at beginning of the year		113,852,084	159,627,765	(9,182,805)	50,773,653
Cash and cash equivalents at end of the year	26	81,522,734	113,852,084	(100,450,698)	(9,182,805)

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 57 to 101. The Report of the Independent Auditors is given on pages 48 to 51.

**STATE TRADING ORGANIZATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

1. REPORTING ENTITY

1.1 Corporate Information

State Trading Organization PLC (the "Company") is a company incorporated and domiciled in the Republic of Maldives as a public limited liability company since 2001 and presently governed under the Companies' Act No.10 of 1996 with its registered office at Boduthakurufaanu Magu, Maafannu, Male' 20345, Republic of Maldives.

1.2 Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st December 2019 include the company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its joint venture. The financial statements of all companies in the Group have a common financial year which ends on December 31st.State Trading Organization PLC is the ultimate parent of the Group.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

1.3 Principal Activities and Nature of Operations

Entity	Principal business activities
State Trading Organization PLC ("STO")	The Company is involved in the business of local and foreign trading.
Fuel Supplies Maldives Private Limited ("FSM")	FSM is in the business of supplying oil, gasoline and kerosene in Maldives.
Lafarge Maldives Cement Private Limited ("LAFARGE")	LAFARGE imports cement and distributes in Maldives
Maldives National Oil Company Private Limited ("MNOC")	MNOC is directly responsible for the development of oil and gas industry processes in the Maldives and overseas.
STO Hotels & Resorts Private Limited ("STOHR")	STOHR is involved in the business of Hotel and Leisure sector, however the Company has not commenced commercial operations as at 31st December 2019
Allied Insurance Company of the Maldives Private Limited ("ALLIED")	ALLIED is involved in the business of providing Insurance services in Maldives.
STO Maldives (Singapore) Private Limited ("STOS")	The company's line of business includes the wholesale distribution of petroleum and petroleum products.
Maldives Structural Products Private Limited ("MSSP")	MSSP's main objective is producing steel roofing products and related accessories and supply to the Maldives market.
Maldives Gas Private Limited ("MGPL")	MGPL delivers cooking gas, supplies liquefied petroleum bottles gas cylinders and sells a range of products from gas stoves to regulators and other LPG equipment's.
Maldives Industrial Fisheries Company Limited ("MIFCO")	MIFCO's main activity is centered on the purchase, process and value addition of tuna and the subsequent sale and exporting of tuna, tuna products, reef fish and other fishery products.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The Group / Company initially applied IFRS 16 Leases from 1st January 2019. A number of other new standards are also effective from 1st January 2019 but they do not have a material effect on the Group / Company financial statements.

The Group / Company applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at 1st January 2019. Accordingly comparative information presented for 2018 is not restated

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following item, which is measured on an alternative basis on each reporting date.

Item	Measurement basis
Equity Securities at FVOCI	Fair Value

2.5 Functional and presentation currency

These consolidated and separate financial statements are presented in Maldivian Rufiyaa, which is the functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa.

2.4 Use of estimates and judgements

The preparation of consolidated and separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate financial statements are included in the respective notes.

2.5 Basis of consolidation

(i) Business combinations

The Group accounts for business combination is prepared using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities

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2 BASIS OF PREPARATION (CONTINUED)

(i) Business combinations (Continued)

The consideration transferred does not include amounts related to the settlement of pre – existing relationship. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases.

(iii) Interests in equity accounted investees

The Group's interest in equity accounted investees comprise interests in associates and joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in the associates and the joint venture are accounted for using the equity method. It is recognized initially at cost, which include transaction costs. Subsequently to initial recognition, the consolidated financial statement include the Group's share of the profit or loss and other comprehensive income (OCI) of equity accounted investees, until the date on which significant influence or joint venture ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(v) Non-controlling interest

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

(vi) Common control transactions

A business combination involving entities or business under Common Control is a business combination in which all the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination and control is not transitional. Acquisitions under common control transactions in the Group are accounted applying book value accounting on the basis that the investment simply has been moved from one party of the Group to another.

(vii) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, by the Group / the Company.

3.1 Foreign currency

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the profit or loss.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Maldivian Rufiyaa at the exchange rate ruling at the reporting date. The income and expenses of foreign operations are translated into Maldivian Rufiyaa at the average exchange rate.

Foreign currency differences are recognised in other comprehensive income (OCI) and accumulated in the translation reserve, except to the extent that the translation differences is allocated to non-controlling income (NCI).

When a foreign operation is disposed of in it's entirely or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Foreign currency (Continued)

(iii) Foreign operations (Continued)

If the Group / Company disposes of part of its interest in a subsidiary but retain control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group / Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item from part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the translation reserve.

3.2 Financial instruments

(i) Financial assets (non-derivatives other than insurance receivables)

Recognition and initial measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group/Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction cost that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comprehensive Income (“FVOCI”) – Debt investment, FVOCI – equity investment or FVTPL. Financial assets are not classified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. In which case all affected financial assets are classified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group / the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

Business Model Assessment

The Group / Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the management. Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group’s / Company’s continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether the Cash flows are Solely Payment of Principal and Interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(i) Financial assets (non-derivatives other than insurance receivables (Continued))

Subsequent measurement (Continued)

- The Group / the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- The Group / the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group / the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

De-recognition

The Group / Company de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group / Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

(ii) Financial assets (insurance receivables)

Premium receivables

Premium receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. Premium receivables are derecognized when the de-recognition criteria for financial assets have been met.

Reinsurance receivables

Reinsurance assets represent balances due from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract

The Group / Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group / Company becomes a party to the contractual provisions of the instrument. The Group / Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group / Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group / Company non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties and trade and other payables. Such financial liabilities are recognized initially

(iii) Financial liabilities (non-derivative other than reinsurance liabilities)

At fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

A financial liability is derecognized when its contractual obligations are discharged or cancelled, or expire. The Group / Company also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Reinsurance Liabilities

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire.

3.3 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(i) Recognition and measurement (Continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it's probable that the future economic benefits embodied with the item will flow to the Group/ Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group / Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold buildings - Over the lease period or 20 years, whichever is lower.

All the assets except leasehold buildings are depreciated over the following estimated useful live

Freehold buildings	5 - 20	Years
Vessels and fleet	5 - 15	Years
Motor vehicles	4 - 5	Years
Plant and machinery	3 - 20	Years
Air conditioners	3 - 4	Years
Office equipment	3 - 5	Years
Furniture and fixtures	3 - 5	Years
Other Assets	3 - 5	Years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The charge for the depreciation commences from the month in which the property, plant and equipment is commissioned for commercial operation.

(iv) Capital work- in -progress

Capital work- in- progress is stated at cost and includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalized. Capital work in progress is not depreciated until its completion of construction, and the asset is put into use upon which the cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

3.5 Investment property

Investment property are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently cost less accumulated depreciation. However, if there is an impairment in value, other than of a temporary nature, the carrying amount is reduced to recognize the decline.

Depreciation on investment properties is recognized on a straight line basis over the following estimated useful lives.

Leasehold buildings and structures 20 to 25 years

On the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

Capital work- in- progress is stated at cost and includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalized. Capital work in progress is not depreciated until its completion of construction and the asset is put into use upon which the cost of completed construction works is transferred to the appropriate category of investment property.

3.6 Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group / Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Group / Company are recognized as intangible assets. Expenditures that enhance and extend the benefits of computer software program beyond their original specifications and lives are recognized as a capital improvement and added to the original cost of the software.

(ii) Subsequent expenditure

Subsequent expenditure is only capitalized if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group / Company has sufficient resources to complete development and to use the asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Intangible assets (Continued)

(iii) Amortization

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software 3 to 10 Years

(iv) Capital work in progress

Capital work- in- progress is stated at cost and includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalized. Capital work in progress is not amortized until its completion of development and the asset is put into use upon which the cost of completed construction works is transferred to intangible assets.

3.7 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventory item is based on the weighted average method except in Maldives Gas Private Limited, which is on a first- in-first-out method. Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Impairment

(i) Financial assets (including insurance receivables)

The Group / Company accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, the Group / Company recognises a loss allowance for expected credit losses on:

01. Debt investments measured subsequently at amortised cost or at FVTOCI;
02. Trade receivables;
03. Cash and bank balances; and
04. Contract assets;
05. Amounts Due from Related Parties

In particular, the Group /Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group / Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. The Group / Company applies a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and contract assets. The Group / Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group / Company considers a financial asset to be in default when,

- The borrower is unlikely to pay its credit obligations to the Group / Company in full
- The financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are presented by deducting from the gross carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group / Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial Assets

The carrying amounts of the Group's / Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized

3.9 Insurance and investment contracts

IFRS 4 – Insurance contracts, require contracts written by insurer to be classified as either “Insurance” or “Investment” depending on the level of insurance risk transferred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Insurance and investment contracts (Continued)

Product classification

Insurance contracts

Insurance contracts are contracts under which the Group (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits. Insurance contracts can also transfer financial risk. The classification of Contracts identifies both the insurance contracts that the Group issues and reinsurance contracts that the Group holds. Insurance contracts can also transfer financial risk.

Subsequent classification

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Product portfolio of the Group

All insurance product sold by the Group are insurance contracts and therefore, classified as insurance contracts thus the Group does not have any investment contract within its portfolio as at the reporting date.

3.10 Liabilities and provision

A provision is recognized in the reporting date when the Group / Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11 Insurance contract liabilities

(i) Insurance contract liabilities - life insurance

Measurement / de - recognition

Life insurance liabilities are recognized when contracts are entered into and premiums are charged. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The minimum mandated amounts, which are to be paid to policyholders plus any declared/ undeclared additional benefits, are recorded in liabilities. The liability is derecognized when the contract expires, is discharged or is cancelled.

Liability adequacy test (LAT)

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under IFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including

Related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

(ii) Insurance contract liabilities - Non life insurance

Measurement

Non-life insurance contract liabilities include the outstanding claims provision (reserve for gross outstanding and incurred but not reported, and incurred but not enough reported - IBNR / IBNER) and the provision for unearned premium and the provision for premium deficiency.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS.

(iii) Reserve for unearned premiums (UPR)

The reserve for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Provision for unearned premium is calculated on a 1 /24 basis except for marine / cargo class which is subject to 1/6 basis.

3.12 Leases

The Group / Company applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group / Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group / Company uses the definition of lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group / Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group / Company has elected not to separate non-lease component and account for the lease and non-lease component as a single lease component.

(a) Recognition and initial measurement of right-to-use asset

The Group / Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(b) Subsequent measurement

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlining asset to the Group / Company by the end of lease term or the cost of the right-of-use asset reflects that the Group / Company will exercise a purchase option. In that case the right-to-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those property and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any and adjusted for certain re-measurement of the lease liability.

(c) Recognition and initial measurement of lease liability

The lease liability is initially measured at present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group / Company incremental borrowing rate. Generally, the Group / Company uses its incremental borrowing rate as the discount rate.

(d) Short-term leases and leases of low-value assets

The Group / Company has elected not to recognize right-to-use asset and lease liabilities for leases of low-value asset and short-term leases, including IT equipment. The Group / Company recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a Lessor

At the inception or on modification of a contract that contains a lease component, the Group / Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group / Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group / Company makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group / Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group / Company an intermediate lessor, it account for accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-to-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group / Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If the arrangement contains lease and non-lease components, then Group / Company applies IFRS 15 to allocate the consideration in the contract.

The Group / Company applies the de-recognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group / Company further regularly reviews estimated unguaranteed residual value used in calculating the gross investment in the lease.

The Group / Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Policy applicable before 1 January 2019

(i) As a lessee

In the comparative period, as lessee the Group / Company classified leases that transferred substantially all of the risk and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payment. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases were classified as operating leases and were not recognized in the Group / Company statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense. Over the term of the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

(ii) As a lessee

When the Group / Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group / Company made an overall assessment of whether the lease transferred substantially all of the risk and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group / Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.13 Revenue

3.12.1 Sale of goods and rendering of services (other than insurance)

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Sale of Goods	The performance obligation is satisfied when the goods are handed over to customers. The Group has average credit periods varying from 30 - 90 days depending on the contract.	Revenue from the sale of goods is recognized when the Company satisfies its performance obligation towards the customer.
Services Rendered	The performance obligation relating to the rendering of services is satisfied when the services are consumed by the customer.	Revenue from the services rendered is recognized with reference to the tome of services rendered.

3.13.2 Gross written premium (GWP)

(i) Non - life insurance GWP

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy commences. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium.

(ii) Unearned premium reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24 basis except for the marine and title policies which are computed on a 1/6 basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under Insurance contract liabilities - Non life.

(iv) Life insurance GWP

Gross recurring premiums on life are recognized as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

(v) Reinsurance premium

Gross reinsurance premiums on life are recognized as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross reinsurance premiums written for non-life comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

(vi) Unearned reinsurance premium

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts. Unearned reinsurance premiums are calculated on the 1/24 basis except for the marine policies which are computed on a 1/6 basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under Insurance contract liabilities - Non life.

(vii) Fees and commission income

Reinsurance commission income on outwards reinsurance contracts are recognized as revenue when receivable. Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortized on the 1/24 basis except for the marine policies which are computed on a 1/6 basis.

(viii) Investment income

Interest income is recognized in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Benefits, claims and expenses recognitionPolicy applicable from 1 January 2019 (Continued)

3.14.1 Gross benefits and claims

(a) Non - life insurance

Gross claims expense include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR). The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly

(b) Life insurance

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and surrenders payments are recorded when due.

3.14.2 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

3.15 Acquisition cost

Commission on acquisition of insurance contracts are recognized as an expense when incurred.

3.16 Operating expenses

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the revenue in arriving at profit or loss for the year.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.17 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss.

Finance cost comprises interest expense on borrowings and foreign exchange losses. Foreign currency gains and losses are reported on a net basis.

3.18 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the construction of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

3.19 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Tax loss

A deferred tax assets is recognized for unused tax losses, tax credits deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided. Transfers of tax losses between group companies for no payments are eliminated in the Consolidated and separate financial statements.

3.20 Deferred expenses

(i) Deferred acquisition costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

DAC is amortized over the period in which the related revenues are earned. The re-insurers share of deferred acquisition costs is amortized in the same manner as the unearned premium reserve is amortized.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Deferred expenses (Continued) 3.14.1 Gross benefits and claims

Deferred acquisition costs (DAC) (Continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of income.

DAC are derecognized when the related contracts are either settled or disposed.

(ii) Reinsurance commissions - unearned commission Reserve (UCR)

Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

3.21 Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company contributes 10% of members' salary into the scheme with an additional, minimum, 4% of salary being contributed by the members.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed by the Company / Group internally using the projected unit credit method.

(c) Short-term benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.22 Events occurring after the reporting date

The materiality of the events occurring after the reporting date has been considered and provisions have been made in the separate financial statements where necessary

3.23 DETERMINATION OF FAIR VALUES

A number of the Group's / Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Financial liabilities (non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group / Company initially applied IFRS 16 Leases from 1st January 2019. A number of other new standards are also effective from 1st January 2019 but they do not have a material effect on the Group / Company financial statements.

The Group / Company applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at 1st January 2019. Accordingly comparative information presented for 2019 is not restated.

(a) As a lessee

As a lessee, the Group / Company leases many assets including the property, production equipment and IT equipment, The Group / Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group / Company. Under IFRS 16, the Group / Company recognizes right-of-use assets and lease liabilities for most of the leases.

At commencement or on modification of a contract that contains a lease component, the Group / Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for the leases of property the Group / Company has selected not to separate non-lease components and account for the lease and associated non-lease components as single lease component.

(i) Leases classified as operating leases under IAS 17

Previously, the Group / Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group / Company incremental borrowing rate as at 1st January 2019 (see Note 5(D) (i)). Right-of-use assets are measured at either:

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Deferred expenses (Continued) 3.14.1 Gross benefits and claims

(i) Leases classified as operating leases under IAS 17 (Continued)

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group / Company incremental borrowing rate at the date of initial application: the Group / Company applied this approach to its largest property lease ; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group / Company applied this approach to all other leases.

The Group / Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group / Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group / Company:

- Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- Did not recognize right-of-use assets and liabilities for leases of low value assets.
- Excluded initial direct costs from measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term

(ii) Lease classifies as the finance leases under IAS 17

The Group / Company leases a number of items of production equipment. These leases were classified as the finance leases under IAS 17. For those finance leases, the carrying amount of the right-of-use asset and the liability at 1st January 2019 were determined at the carrying amount of the lease asset and the lease liability under IAS 17 immediately before that date.

(b) As a lessor

The Group / Company leases out its investment property, including own property and the right-of-use assets. The Group / Company has classified these leases as operating leases.

The Group / Company is not required to make any adjustments on transition to IFRS 16 for leases in which it act as a lessor, except for a sub-lease.

The Group / Company sub-leases some of its properties. Under IAS 17, the head lease and the sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognized from the head leases are presented in investment property, and measured at fair value at that date. The Group / Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Group / Company has also entered into a sub-lease during 2019, which has been classified as a finance lease. The Group / Company has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(c) Impact on transition

On transition to IFRS 16, the Group / Company recognized additional right-of-use assets, including investment property, and additional lease liabilities, recognizing the difference in retained earnings. The impact of transition is summarized below.

Description	1st January 2019	1st January 2019
	MVR	MVR
	Group	Company
Right-of-use assets	537,662,374	154,482,710
Prepaid Lease Rent	112,948,415	-
Lease equalization reserve	(29,606,400)	
Lease liabilities	448,138,837	154,482,710

When measuring lease liabilities for the leases that were classified as operating leases, the Group / Company discounted lease payments using its incremental borrowing at 1st January 2019. The weighted average rates applied 7.5% to 8%.

Description	1st January 2019	1st January 2019
	MVR	MVR
	Group	Company
Operating lease commitments at 31st December 2018	1,523,833,181	239,988,239
Discounted using the incremental borrowing rate at 1st January 2019	448,138,837	154,482,710
- Recognition exemption for leases of low value assets	-	-
- Recognition exemption for leases with less than 12 months of Lease term at transition	-	-
Lease liabilities recognized at 1st January 2019	448,138,837	154,482,710

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impact on transition (Continued)

Amounts recognised in profit or loss in relating to Leases under IFRS 16 (in 2019) and under IAS 17 (in 2018) are given in the following table.

Description	Group		Company	
	2019	2019	2019	2019
	MVR	MVR	MVR	MVR
Lease rental expense	3,216,556	35,094,835	3,707,966	17,745,596
Interest on lease liabilities	33,340,532	-	10,799,594	-
Depreciation on right of use assets	30,029,494	-	13,357,346	-
Total	66,586,582	35,094,835	27,864,906	17,745,596

Amounts recognised in statement of cash flows are given in the following table.

Description	Group	Company
	2019	2019
	MVR	MVR
Cash flows from financing activities – lease payments made during the year	35,433,172	19,867,131

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new standards and amendments are effective for annual periods beginning after 1st January 2019 and early application is permitted. However, except as mentioned below the Group / Company has not early adopted the following new or amended standards in preparing these financial statements.

(i) International Financial Reporting Standard 9 - “Financial Instruments”

Temporary Exemption from IFRS 9 for Subsidiary, Allied Insurance Company of Maldives Private Limited

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1st January 2019. However, for an insurer that meets the criteria in paragraph 20B of IFRS 4 it provides a temporary exemption that permits, but does not require, the insurer to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1st January 2021.

An insurer may apply the temporary exemption from IFRS 9 if, and only if:

- it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7 – 5.7.9, 7.2.14 and B5.7.5 – B5.7.20 of IFRS 9; and
- its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date as specified in paragraph 20G of IFRS 4.

Since Allied Insurance Company of Maldives Private Limited predominantly connected with Insurance activities, having considering the above criteria, the Company has elected to continue to apply IAS 39 rather than IFRS 9 up to annual periods beginning before 1st January 2021. However, the financial statements of Allied Insurance Company of Maldives Private Limited has been prepared in line with IFRS 9 for the preparation of consolidated financial statements of the Group.

(ii) Other standards

The following amended standards are not expected to have a significant impact on the Group’s / Company’s financial statements.

- IFRIC 23 Uncertainty over Tax Treatment.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long – term interest in Associates and Joint Venture (Amendments to IAS 28)
- Plan Amendment, Curtailment or settlement (Amendments to IAS 19)
- Annual Improvement to IFRS Standards 2015 –2017 Cycle – various standards.
- Amendments to reference to conceptual Framework in IFRS Standards

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6 OPERATING SEGMENTS

FOR THE YEAR ENDED 31 ST DECEMBER 2019

A. Basis of segmentation

The Group has the following five strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they are subject to risk and returns that are different from those of other business segments.

The following summary describe the operations of each reportable segment.

Reportable Segment	Operations
Trading	Buying and selling of consumable goods, construction material, home improvement, electronic goods and medical related supplies
Gas	Buying and selling of liquefied petroleum gas (LPG) and medical and industrial oxygen production
Insurance service	Providing general & life insurance services
Fuel, lubricant & crude oil	Importing & selling of petroleum products
Fishery	Buying & selling of fish and fish related products

The Group's managing director reviews the internal management reports of each division at least quarterly.

Other operations include the development and operation of a tourist hotel, tourism related and other services. This segments does not meet the quantitative thresholds for a reportable segment in 2019 and 2018.

There are varying level of integration between insurance service, fuel and lubricant & gas segment. This integration include providing insurance and other inter-connected services. Inter segment pricing is determined on an arm's length basis.

B. Information about reportable segments

Information related to each reportable segment is set out below. A segment's profit before tax is used to measure performance because management believe that this information is the most relevant in evaluating the result of the respective segments relative to other entities that operate in the same industries.

	Reportable segments							Total MVR
	Trading MVR	Gas MVR	Insurance service MVR	Fuel, lubricant & crude Oil MVR	Fishery MVR	Total reportable segments MVR	Other segments MVR	
Gross revenue	2,655,877,345	230,999,801	252,097,604	10,584,314,055	1,367,617,540	15,090,906,346	20,029,295	15,110,935,641
Inter-segment revenue	(9,625,635)	(12,155,587)	(42,016,528)	(4,126,562,045)	(9,109,602)	(4,199,469,398)	(5,581,963)	(4,205,051,361)
Segment revenue	2,646,251,710	218,844,214	210,081,076	6,457,752,010	1,358,507,938	10,891,436,948	14,447,332	10,905,884,280
Segment profit before tax	149,616,729	52,902,456	97,295,049	457,231,039	(115,544,802)	641,500,471	(6,304,138)	635,196,333
Interest income	4,272,355	-	11,913,150	-	-	16,185,505	-	16,185,505
Interest expense	(7,039,739)	(265,483)	-	(147,203,947)	(30,876,130)	(185,385,299)	(23,107,098)	(208,492,397)
Depreciation & amortization	(87,068,031)	(18,106,044)	(9,678,253)	(58,173,329)	(37,502,634)	(210,528,291)	-	(210,528,291)
Share of loss of associate	(530,209)	-	-	-	-	(530,209)	-	(530,209)
Share of profit of joint venture	10,029,956	-	-	-	-	10,029,956	-	10,029,956
Segment assets	1,244,565,888	322,815,977	778,557,532	4,165,122,315	802,625,400	7,313,687,112	558,775,102	7,872,462,214
Equity accounted investees	32,798,912	-	-	-	-	32,798,912	-	32,798,912
Capital expenditure	123,893,960	29,471,324	5,657,097	26,940,524	30,954,264	216,917,169	3,233,531	220,150,700
Segment liabilities	(1,149,727,472)	(85,965,829)	(559,566,368)	(2,689,211,479)	(766,155,024)	(5,250,626,172)	(307,564,223)	(5,558,190,395)

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6 OPERATING SEGMENTS (CONTINUED)

B. Information about reportable segments (continued)

FOR THE YEAR ENDED 31 ST DECEMBER 2018

	Reportable segments							
	Trading MVR	Gas MVR	Insurance service MVR	Fuel, lubricant & crude Oil MVR	Fishery MVR	Total reportable segments MVR	Other segments MVR	Total MVR
Gross revenue	2,684,075,605	232,528,697	281,335,365	10,331,951,241	1,358,287,601	14,888,178,509	25,291,980	14,913,470,489
Inter-segment revenue	(22,386,404)	(9,914,740)	(36,080,813)	(3,951,046,645)	(15,868,720)	(4,035,297,322)	(5,001,761)	(4,040,299,083)
Segment revenue	2,661,689,201	222,613,957	245,254,552	6,380,904,596	1,342,418,881	10,852,881,187	20,290,219	10,873,171,406
Segment profit / (loss) before tax	(26,036,074)	22,498,785	105,995,117	200,851,645	(198,595,681)	104,713,792	(24,587,679)	80,126,113
Interest income	5,587,308	-	9,998,495	-	-	15,585,803	-	15,585,803
Interest expense	(6,891,664)	(673,842)	-	(168,756,057)	(28,980,679)	(205,302,242)	-	(205,302,242)
Depreciation & amortization	(65,278,183)	(17,225,405)	(9,808,257)	(58,024,917)	(27,262,219)	(177,598,981)	-	(177,598,981)
Share of profit of associate	1,081,713	-	-	-	-	1,081,713	-	1,081,713
Share of profit of joint venture	9,942,973	-	-	-	-	9,942,973	-	9,942,973
Segment assets	1,259,889,520	242,880,198	740,484,717	4,134,013,734	729,065,854	7,106,334,023	558,928,284	7,665,262,307
Equity accounted investees	31,299,165	-	-	-	-	31,299,165	-	31,299,165
Capital expenditure	127,757,509	30,245,782	6,295,667	84,626,009	113,721,538	362,646,505	25,518,542	388,165,047
Segment liabilities	(1,082,251,123)	(47,267,505)	(567,159,526)	(3,055,422,231)	(781,442,522)	(5,533,542,907)	(127,586,249)	(5,661,129,156)

C. Reconciliations of information on reportable segment to IFRS measures

	2019 MVR	2018 MVR
i Revenue		
Total revenue for reportable segments	15,090,906,346	14,888,178,509
Revenue for other segments	20,029,295	25,291,980
Elimination of inter - segment revenue	(4,205,051,361)	(4,040,299,083)
Consolidated revenue	10,905,884,280	10,873,171,406
ii Profit before tax		
Total profit before tax for reportable segments	641,500,471	104,713,792
Profit / (loss) before tax for other segments	(6,304,138)	(24,587,679)
Elimination of inter-segment profit	(1,499,747)	1,975,314
Dividend received from joint venture	(8,000,000)	(13,000,000)
Share of profit of equity - accounted investees	9,499,747	11,024,686
Consolidated profit before tax from continuing operations	635,196,333	80,126,113
iii Assets		
Total assets for reportable segment	7,313,687,112	7,106,334,023
Assets for other segments	558,775,102	558,928,284
Equity -accounted investees	32,798,912	31,299,165
Consolidated total assets	7,905,261,126	7,696,561,472
iv Liabilities		
Total liabilities for reportable segment	5,250,626,172	5,533,542,907
Liabilities for other segments	307,564,223	127,586,249
Consolidated total liabilities	5,558,190,395	5,661,129,156

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6 OPERATING SEGMENTS (CONTINUED)

C . Reconciliations of information on reportable segment to IFRS measures (Continued)

v. Other material items

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	Reportable segment totals	Adjustment	Consolidated total
	MVR	MVR	MVR
Interest income	16,185,505	(2,415,878)	13,769,627
Interest expense	(185,385,299)	2,415,878	(182,969,421)
Capital expenditure	216,917,169	-	216,917,169
Depreciation and amortization	(210,528,291)	-	(210,528,291)
	(162,810,916)	-	(162,810,916)

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Interest income	15,585,803	(2,536,926)	13,048,877
Interest expense	(205,302,242)	4,007,485	(201,294,757)
Capital expenditure	362,646,505	-	362,646,505
Depreciation and amortization	(177,598,981)	-	(177,598,981)
	(4,668,915)	1,470,559	(3,198,356)

D. Geographic information

The trading, gas, insurance segments are operated in Male & other Islands of Maldives. Fuel, lubricant and crude oil segment is operated in Male, other islands of Maldives and Singapore.

The geographic information below analyzes the Group's revenue and non-current assets by the Group's different operating geographical areas. In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	2019	2018
	MVR	MVR
i. Revenue		
Male	9,861,756,741	9,772,814,465
Thilafushi	666,924,419	502,560,232
Hulhumale'	197,311,256	209,899,433
Other Islands	3,460,928,083	3,287,926,498
Overseas	924,015,141	1,140,269,861
Less : Inter-company transactions	(4,205,051,360)	(4,040,299,082)
	10,905,884,280	10,873,171,407

	2019	2018
	MVR	MVR
ii. Non - current assets		
Male	2,561,139,418	1,705,413,552
Thilafushi	116,773,661	120,131,865
Hulhumale'	17,425,461	533,811,737
Other Islands	542,760,933	644,126,013
Overseas	-	29,128
	3,238,099,473	3,003,512,295

E. Major customer

Revenue from one customer of the Fuel, lubricant and crude oil segment represented approximately MVR 1,721,046,372 (2018: MVR 1,544,239,434) of the Group's total revenues.

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7 REVENUE

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Retail and wholesale	2,646,251,710	2,661,689,201	2,621,057,572	2,635,875,265
Insurance	210,081,076	245,254,552	-	-
Gas	218,844,214	222,613,957	-	-
Fuel and lubricants	6,457,752,010	6,380,904,596	6,690,732,713	6,755,244,250
Fishery	1,358,507,938	1,342,418,881	-	-
Other services	14,447,332	20,290,219	7,466,116	12,994,971
	<u>10,905,884,280</u>	<u>10,873,171,406</u>	<u>9,319,256,401</u>	<u>9,404,114,486</u>

8 OTHER INCOME

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Profit on disposal of property, plant and equipment	198,613	3,252,068	73,563	3,252,068
Income from vessels and fleets	2,080,171	4,690,401	1,997,571	4,670,116
Fines and claims received	10,932,860	10,139,483	9,850,313	8,133,761
Rental income	37,624,415	30,827,447	46,302,985	36,269,754
Discounts received	903,970	242,749	903,970	242,749
Reversal of provision for slow moving inventories	-	7,981,640	-	6,126,085
Agency fee	145,334	3,193,367	145,334	1,304,175
Reversal of accrued lease rent	14,802,345	-	-	-
Miscellaneous income	28,329,053	20,281,865	11,438,459	4,461,130
	<u>95,016,761</u>	<u>80,609,020</u>	<u>70,712,195</u>	<u>64,459,838</u>

9 NET FINANCE

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Finance income				
Interest income on loans granted	2,895,853	1,293,251	-	-
Interest income on credit scheme sales	4,272,355	5,587,308	4,272,355	5,587,308
Foreign exchange gain	219,831	1,491,218	-	-
Dividend income	5,547,290	4,968,185	64,859,688	43,109,833
Discounts on treasury bills	6,601,419	6,168,318	-	-
Other Finance income	5,130,977	6,523,882	-	-
	<u>24,667,725</u>	<u>26,032,162</u>	<u>69,132,043</u>	<u>48,697,141</u>
Finance costs				
Interest on bank borrowings	(38,859,602)	(39,096,935)	(16,746,809)	(23,146,777)
Interest on bank overdrafts	(26,586,216)	(27,132,362)	(17,557,396)	(13,427,999)
Interest on lease liabilities	(33,340,532)	-	(10,799,594)	-
Interest on other borrowings	(140,630,701)	(135,065,460)	(143,046,580)	(139,072,945)
Foreign exchange loss	(1,246,685)	(2,382,343)	(1,238,960)	(2,060,016)
	<u>(240,663,736)</u>	<u>(203,677,100)</u>	<u>(189,389,339)</u>	<u>(177,707,737)</u>
Net finance costs	<u>(215,996,011)</u>	<u>(177,644,938)</u>	<u>(120,257,296)</u>	<u>(129,010,596)</u>

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10 PROFIT BEFORE TAX

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Profit / (Loss) before tax is stated after charging all the expenses including the following:				
Depreciation on property, plant and equipment	198,806,125	170,039,808	122,446,007	102,594,296
Depreciation on investment properties	6,164,365	2,886,104	6,164,365	2,886,104
Amortization of right-of-use assets	30,029,494	-	13,357,346	-
Amortization of intangible assets	5,557,801	4,768,708	-	1,878,444
Rental expenses	3,216,556	35,094,835	3,707,966	17,745,596
Directors' remuneration	7,425,958	8,512,041	1,025,917	1,151,656
Transportation	54,738,203	60,041,575	27,420,119	37,906,232
Audit fees	2,048,131	2,133,523	736,305	701,610
Receivable write off	-	4,764,390	-	3,780,430
Provision for Impairment of investment in hulhumale hotel	159,209,712	209,894,959	159,209,712	209,894,959
Provision for impairment of investment in subsidiaries	-	-	7,343,701	4,961,754
Provision for impairment of trade, other and related party receivable	57,027,366	65,818,485	29,935,710	24,042,049
Reversal of provision for impairment of trade, other and related party receivable (Note 10.1)	(162,796,651)	-	(162,796,651)	-
Bank charges	34,817,553	22,981,038	29,824,897	19,822,773
Repair and maintenance	121,465,013	96,125,155	58,911,156	42,202,963
Advertisement and sales promotion expenses	22,186,545	56,707,178	13,484,019	26,945,332
Utilities	48,035,036	43,266,067	34,425,396	31,045,035
Personnel costs (Note 10.2)	768,664,405	718,039,617	371,882,250	357,661,050

10.1 During the year 2019, the Company set off the receivable from Addu International Airport against the dividend payable to the government, resulting in a reversal of the provision created in previous years of MVR 162,796,652/-

10.2 Personnel costs

Salaries and wages	384,629,257	353,337,523	126,431,513	122,989,001
Staff welfare	63,016,767	63,440,289	22,114,450	19,688,853
Employer's contribution to government pension fund	15,516,680	15,182,749	7,570,201	7,479,954
Bonus, overtime and allowances	266,667,704	265,332,050	197,555,745	194,684,380
Employee retirement benefits	17,620,210	5,622,395	4,640,104	3,011,030
Staff training expenses	10,222,317	7,958,379	7,967,914	4,801,743
Other staff related expenses	10,991,469	7,166,232	5,602,323	5,006,089
	768,664,404	718,039,617	371,882,250	357,661,050

11 INCOME TAX EXPENSE

Items recognized in profit or loss	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
11.1 Current tax expense				
Current tax expense (Note 11.2)	102,310,934	60,992,044	63,079,298	39,316,856
Under provision in respect of prior years	643,379	5,507,428	744,263	5,507,428
	102,954,313	66,499,472	63,823,561	44,824,284
Deferred tax expense / (Reversal)				
Deferred tax asset reversed / (recognized) (Note 11.3)	(10,247,725)	(15,649,139)	37,095,947	(17,669,677)
Deferred tax liability reversed (Note 11.4)	(181,041)	(315,924)	-	-
	(10,428,766)	(15,965,063)	37,095,947	(17,669,677)
Income tax expense	92,525,547	50,534,409	100,919,508	27,154,607

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
11.2 Reconciliation between accounting profit and taxable income:				
Profit / (loss) before tax	475,986,621	(129,768,847)	403,947,952	41,566,471
Loss of subsidiary which is not subject to tax	122,838,090	228,249,370	-	-
Results of associate reported net of tax	530,209	(1,081,713)	-	-
Results of joint venture reported net of tax	(10,029,956)	(9,942,973)	-	-
Aggregate disallowable items	645,558,483	730,481,604	513,779,405	551,177,103
Aggregate allowable items	(552,533,764)	(411,047,029)	(497,136,207)	(330,568,698)
Tax free allowance	(276,787)	(276,787)	(62,500)	(62,500)
Total taxable income	682,072,896	406,613,625	420,528,650	262,112,376
Income Tax @ 15%	102,310,934	60,992,044	63,079,298	39,316,856

In accordance with the provisions of the Business Profit Tax Act No. 5 of 2011 and subsequent amendments and regulations thereto, the Group / the Company is liable for income tax on its taxable profits at the rate of 15%.

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
11.3 Deferred tax asset				
As at 1st January	103,255,872	55,704,943	115,928,722	60,325,618
Adjustment due to Initial Application of IFRS 9	-	30,519,859	-	36,252,477
Deferred tax asset recognized / (reversed) during the year	10,247,725	15,649,139	(37,095,947)	17,669,677
Deferred tax asset recognized in other comprehensive income	304,399	1,381,931	1,374,467	1,680,950
As at 31st December	113,807,996	103,255,872	80,207,242	115,928,722

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11 TAX EXPENSE (CONTINUED)

11.4 Deferred tax liability	Group		Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	MVR	MVR	MVR	MVR
As at 1st January	1,278,575	1,594,499	-	-
Deferred tax liability reversed during the year (Note 11.7)	(181,041)	(315,924)	-	-
As at 31st December	1,097,534	1,278,575	-	-

11.5 The Recognized Deferred tax asset is attributable to the following:	Group			
	31/12/2019		31/12/2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	348,421,515	52,263,227	296,172,745	44,425,912
Intangible assets	(2,969,361)	(445,404)	(2,653,193)	(397,979)
Leases	6,281,284	942,193	-	-
Fair value reserve	1,375,000	206,250	2,920,774	438,116
Defined benefit obligation	55,342,035	8,301,305	40,174,012	6,026,102
Provisions on trade, other and related party receivable	350,269,503	52,540,425	351,758,142	52,763,721
	758,719,976	113,807,996	688,372,480	103,255,872

Company	31/12/2019		31/12/2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	294,045,096	44,106,764	264,060,719	39,609,108
Leases	4,289,809	643,471	-	-
Fair value reserve	10,500,000	1,575,000	7,920,774	1,188,116
Defined Benefit Obligation	41,897,966	6,284,695	32,462,393	4,869,359
Provisions on trade, other and related party receivable	183,982,079	27,597,312	468,414,259	70,262,139
	534,714,950	80,207,242	772,858,145	115,928,722

11.6 Un-Recognized Deferred Tax Asset

The Group has the following unrecognized deferred tax assets attributable to the subsidiaries.

11.6.1 Maldives Industrial Fisheries Company Limited

	31/12/2019		31/12/2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, Plant and Equipment	39,777,549	5,966,632	56,828,946	8,524,342
Intangible Assets	(236,480)	(35,472)	-	-
Accumulated Tax Losses	633,270,195	94,990,529	204,854,454	30,728,168
Defined Benefit Obligation	11,328,348	1,699,252	5,726,659	858,999
Right of Use Assets	(49,188,679)	(7,378,302)	-	-
Lease Liabilities	50,533,266	7,579,990	-	-
	685,484,199	102,822,630	267,410,059	40,111,509

11.6.2 Fuel Supplies Maldives Private Limited

	31/12/2019		31/12/2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Provisions on trade, other and related party receivable	-	-	103,311,109	15,496,666

The above deferred tax asset was not recognized since the management was not certain whether the Company would have sufficient taxable profits in the future against which these benefits could be claimed in previous years. However, the management has identified the entire deferred tax asset as at 31st December 2019 based on the assessment of current and future taxable profit.

11.7 The Recognized Deferred tax asset is attributable to the following:

	Group			
	31/12/2019		31/12/2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	7,316,893	1,097,534	8,523,834	1,278,575

12 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit for the year attributable to the ordinary shareholders and weighted number of ordinary shares outstanding during the year and calculated as follows.

	Group		Company	
	2019	2018	2019	2018
Profit for the year attributable to the ordinary shareholders - MVR	378,946,199	(182,148,062)	303,028,444	14,411,864
Weighted average number of ordinary shares	1,126,910	1,126,910	1,126,910	1,126,910
Basic and diluted earnings per share - MVR	336.27	(161.63)	268.90	12.79

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13 PROPERTY, PLANT AND EQUIPMENT	13.1 Group	Freehold	Freehold	Leasehold	Plant and	Vessels	Motor	Air	Office	Furniture	Other	Total	Total
		land	buildings	buildings	machinery	and fleet	vehicles	conditioners	equipment	and fixtures	assets	31/12/2019	31/12/2018
		MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost													
	As at 1 st January	774,186,753	826,750,612	91,552,533	740,758,449	949,840,630	197,092,187	17,359,664	151,169,362	20,563,075	130,731,084	3,900,004,349	3,232,468,557
	Additions during the year	-	3,455,286	-	20,541,244	10,457,435	17,649,349	1,295,714	8,839,229	940,901	10,580,638	73,759,796	148,913,499
	Disposal during the year	-	(4,039,020)	-	(14,050)	-	(888,356)	(104,089)	(989,800)	(155,895)	(3,153,346)	(9,344,556)	(21,026,756)
	Transferred from capital work in progress	-	73,737,342	7,176,809	68,286,530	9,729,271	4,013,208	147,971	3,512,082	380,688	189,517	167,173,418	539,649,049
	As at 31 st December	774,186,753	899,904,220	98,729,342	829,572,173	970,027,336	217,866,388	18,699,260	162,530,873	21,728,769	138,347,893	4,131,593,007	3,900,004,349
Accumulated depreciation													
	As at 1 st January	-	590,538,441	41,078,744	424,097,152	577,185,705	130,734,495	10,184,192	129,875,676	14,086,831	61,638,622	1,979,419,858	1,817,013,069
	Charge for the year	-	41,255,480	6,411,641	38,084,156	51,834,831	26,913,970	3,024,262	10,735,772	1,656,818	18,889,195	198,806,125	170,039,808
	Disposals during the year	-	(1,009,755)	-	(8,759)	-	(888,356)	(104,086)	(892,970)	(146,453)	(3,107,327)	(6,157,706)	(7,633,019)
	As at 31 st December	-	630,784,166	47,490,385	462,172,549	629,020,536	156,760,109	13,104,368	139,718,478	15,597,196	77,420,490	2,172,068,277	1,979,419,858
Net carrying value													
	As at 31st December 2019	774,186,753	269,120,054	51,238,957	367,399,624	341,006,800	61,106,279	5,594,892	22,812,395	6,131,573	60,927,403	1,959,524,730	
	As at 31st December 2018	774,186,753	236,212,171	50,473,789	316,661,297	372,654,925	66,357,692	7,175,472	21,293,686	6,476,244	69,092,462		1,920,584,491
	Capital work in progress (Note 13.1.1)											165,024,844	195,398,482
	Total											2,124,549,574	2,115,982,973
13.1.1 Capital work in progress													
	As at 1 st January											195,398,482	556,286,423
	Additions during the year											137,678,211	179,206,609
	Transferred to property, plant and equipment											(167,173,418)	(539,649,049)
	Write-off during the Year											(878,431)	(445,501)
	As at 31 st December											165,024,844	195,398,482

13.1.2 Borrowings from Nations Trust Bank Plc, Bank of Maldives Plc and Habib Bank Limited are secured on STO Trade Center building, super market warehouse and home improvement land & building of the Company, respectively.

13.1.3 Borrowings of MIFCO from Bank of Maldives Plc and Habib Bank Limited are secured on leasehold right of land & commercial plot, buildings, plant, machineries and equipments at fisheries complex and vessels of MIFCO.

13.1.4 In 2018, the group has capitalised borrowing costs amounting to MVR 10,611,323 on qualifying assets. Borrowing costs were capitalised at the rate of 5.25% - 8.5%.

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

13.2 Company	Freehold land MVR	Buildings MVR	Plant and machinery MVR	Vessels and fleet MVR	Motor vehicles MVR	Air conditioners MVR	Office equipment MVR	Furniture and fixtures MVR	Other assets MVR	Total 31/12/2019 MVR	Total 31/12/2018 MVR
Cost											
As at 1 st January	774,186,753	504,805,244	199,783,497	458,164,335	138,742,896	15,994,238	78,548,954	7,294,244	29,497,084	2,207,017,245	1,653,277,007
Additions during the year	-	1,546,510	17,158,946	-	14,613,988	1,255,890	4,117,970	56,598	3,060,805	41,810,707	93,478,331
Disposal during the year	-	(4,039,020)	-	-	(199,289)	-	(107,828)	-	(3,758)	(4,349,895)	(19,974,054)
Transferred from capital work in progress	-	543,814	-	-	-	147,971	304,977	26,738	20,162	1,043,662	480,235,961
As at 31 st December	774,186,753	502,856,548	216,942,443	458,164,335	153,157,595	17,398,099	82,864,073	7,377,580	32,574,293	2,245,521,719	2,207,017,245
Accumulated depreciation											
As at 1 st January	-	322,708,776	70,236,859	184,161,830	83,777,745	8,916,352	66,354,399	6,486,734	15,192,290	757,834,985	662,124,725
Charge for the year	-	31,496,082	15,545,222	37,120,438	22,771,935	2,968,059	5,421,104	467,851	6,655,316	122,446,007	102,594,296
Disposals during the year	-	(1,009,755)	-	-	(199,289)	-	(78,514)	-	(3,758)	(1,291,316)	(6,884,036)
As at 31 st December	-	353,195,103	85,782,081	221,282,268	106,350,391	11,884,411	71,696,989	6,954,585	21,843,848	878,989,676	757,834,985
Net carrying value											
As at 31st December 2019	774,186,753	149,661,445	131,160,362	236,882,067	46,807,204	5,513,688	11,167,084	422,995	10,730,445	1,366,532,043	
As at 31st December 2018	774,186,753	182,096,468	129,546,638	274,002,505	54,965,151	7,077,886	12,194,555	807,510	14,304,794		1,449,182,260
Capital work in progress (Note 13.2.1)										109,010,120	16,972,406
Total										1,475,542,163	1,466,154,666
13.2.1 Capital work in progress											
As at 1 st January										16,972,406	431,645,765
Additions during the year										93,081,376	66,008,101
Transferred to property, plant and equipment										(1,043,662)	(480,235,961)
Write-off during the Year										-	(445,499)
As at 31 st December										109,010,120	16,972,406

13.2.2 Borrowings from Nations Trust Bank Plc, Bank of Maldives Plc and Habib Bank Limited are secured on STO Trade Center building, super market warehouse and home improvement land & building of the Company, respectively.

12.2.3 In 2018, the company has capitalised borrowing costs amounting to MVR 7,973,676 on qualifying assets. Borrowing costs were capitalised at the rate of 5.25%.

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14 INVESTMENT PROPERTY

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Cost				
As at 1 st January	154,516,271	103,377,595	154,516,271	103,377,595
Transferred from capital work in progress	-	51,138,676	-	51,138,676
As at 31 st December	154,516,271	154,516,271	154,516,271	154,516,271
Accumulated depreciation				
As at 1 st January	59,281,756	56,395,652	59,281,756	56,395,652
Depreciation for the year	6,164,365	2,886,104	6,164,365	2,886,104
As at 31 st December	65,446,121	59,281,756	65,446,121	59,281,756
Net carrying amount	89,070,150	95,234,515	89,070,150	95,234,515
Capital work in progress (Note 14.1)	258,434,484	414,410,665	258,434,484	414,410,665
Total	347,504,634	509,645,180	347,504,634	509,645,180

14.1 Capital work in progress

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	624,305,624	688,285,008	624,305,624	688,285,008
Additions during the year	3,233,531	53,991,207	3,233,531	53,991,207
Transfers to Investment Property	-	(51,138,676)	-	(51,138,676)
Waive off of lease rent payable	-	(66,831,915)	-	(66,831,915)
	627,539,155	624,305,624	627,539,155	624,305,624
Provision for impairment of investment in hulhumale hotel	(369,104,671)	(209,894,959)	(369,104,671)	(209,894,959)
As at 31st December	258,434,484	414,410,665	258,434,484	414,410,665

14.2 Provision for impairment of investment in hulhumale hotel

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	209,894,959	-	209,894,959	-
Provision for the year	159,209,712	209,894,959	159,209,712	209,894,959
As at 31st December	369,104,671	209,894,959	369,104,671	209,894,959

Due to continuous delay in completing the construction of the hotel in Hulhumale, the Board of Directors of the Company has decided to test the property in progress for impairment and recognized an impairment loss of MVR 159,209,712/ as at 31st December 2019 (2018: MVR 209,894,959).

The recoverable value of this investment property was based on fair value less cost to disposal estimated using discounted cash flows. The discounted rate of 4.6% is used in the estimation of the recoverable amount. The fair value of the Investment Properties are derived based on the recent market data available and is estimated at MVR 206,597,118 (2018: MVR 132,382,623) and the fair value of the investment properties which are classified under capital work in progress is MVR.258,434,484/- as at 31st December 2019.(2018: MVR.414,410,665/-)

14.3 Hulhumale Development Corporation Limited has decided to waveoff a lease rental payable amounting to MVR 66,831,915/- on the land used to construct the hotel in Hulhumale. This amount is reversed during the year ended 31st December 2018.

14.4 Investment property comprises a number of commercial properties that are leased to third parties and proportion under the construction with the purpose of leasing to third parties.

14.5 Capital work in progress includes the construction of a tourist hotel in Hulhumale Island.

14.6 During the year, the company has not capitalized any borrowing costs on qualifying assets relating to investment property.

14.7 Income earned from Investment Property

The rental income from and direct expenses in relation to investment properties are as follows;

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Rent income	37,624,415	30,827,447	46,302,985	36,269,754
Direct expenses	(21,374,141)	(14,168,055)	(21,374,141)	(14,168,055)

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15 INTANGIBLE ASSETS

15.1 CROUPS

	Goodwill on Consolidation MVR	Computer software MVR	Total 2019 MVR	Total 2018 MVR
Cost				
As at 1st January	3,155,217	92,679,408	95,834,625	98,548,084
Additions during the year	-	-	-	3,158,232
Transferred from capital work In progress (Note 15.3)	-	10,417,415	10,417,415	640,156
Retirement during the year	-	(1,829,577)	(1,829,577)	(6,511,847)
As at 31st December	3,155,217	101,267,246	104,422,463	95,834,625
Accumulated amortization				
As at 1st January	-	84,355,385	84,355,385	86,073,961
Amortization during the year	-	5,557,801	5,557,801	4,768,708
Retirement during the year	-	(1,739,577)	(1,739,577)	(6,487,284)
As at 31st December	-	88,173,609	88,173,609	84,355,385
Net carrying value	3,155,217	13,093,637	16,248,854	11,479,240
Capital work in progress (Note 15.3)			704,944	5,643,197
Total			16,953,798	17,122,437

15.2 COMPANY

	Computer Software	
	2019 MVR	2018 MVR
Cost		
As at 1st January	64,883,467	64,883,467
As at 31st December	64,883,467	64,883,467
Accumulated amortization		
As at 1st January	64,883,467	63,005,023
Amortization for the year	-	1,878,444
As at 31st December	64,883,467	64,883,467
Net carrying value	-	-

15.3 Capital working progress

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
As at 1st January	5,643,197	3,387,853	-	-
Additions during the year	5,479,162	2,895,500	-	-
Transfers during the year	(10,417,415)	(640,156)	-	-
As at 31st December	704,944	5,643,197	-	-

15.4 Impairment test of goodwill

The recoverable amount of goodwill is determined based on the value - in - use calculation. The key assumptions used given below.

	2019	2018
Business growth	13.00%	16.14%
Inflation	0.22%	1.20%
Discount rate	10.00%	10.00%
Margin	7.94%	4.62%

16 PREPAID LEASE RENT

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
As at 1st January	144,387,611	149,055,245	31,439,196	33,753,738
Adjustment due to initial application of IFRS 16 (Note 4 (c))	(112,948,415)	-		
Amortization during the year	(2,314,542)	(4,667,634)	(2,314,542)	(2,314,542)
As at 31st December	29,124,654	144,387,611	29,124,654	31,439,196
Analysis of lease rent				
Current	2,314,542	4,667,634	2,314,542	2,314,542
Non-current	26,810,112	139,719,977	26,810,112	29,124,654
	29,124,654	144,387,611	29,124,654	31,439,196

The Group / the Company has entered in to an agreement on 31 July, 2007 with Hulhumale Development Corporation Ltd, to lease a land located at Hulhumale to construct a five hundred bed five star hotel. The Group / the Company has paid MVR 57,863,550 as advance lease rent as per the agreement which allows the advance payment to be deducted from each of the quarterly installments of lease payments due for the first ten years. However, as per the second amendment to the initial agreement made on 27 June 2011, the above advance lease rent had been considered as an acquisition fee and agreed that the amount should not be deducted from future lease payments. Accordingly, the above advanced lease payment has been amortized over the lease period upto 31st December 2018.

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17 INVESTMENT IN SUBSIDIARIES

	Company	
	31/12/2019 MVR	31/12/2018 MVR
Maldivian Gas Private Limited	61,200,000	61,200,000
Allied Insurance Company of the Maldives Private Limited	807,000	807,000
STO Maldives (Singapore) Private Limited	1,459,750	1,459,750
Fuel Supplies Maldives Private Limited	42,783,185	42,783,185
Maldives National Oil Company Limited	10,000,000	10,000,000
STO Hotels & Resorts Private Limited	999,900	999,900
Provision for impairment of investment in subsidiaries (Note 17.1)	(12,305,455)	(4,961,754)
	<u>104,944,380</u>	<u>112,288,081</u>

17.1 Provision for impairment of investment in subsidiaries

	Company	
	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	4,961,754	-
Provision for the year	7,343,701	4,961,754
As at 31st December	<u>12,305,455</u>	<u>4,961,754</u>

Due to the continuous losses incurred by the subsidiaries, Maldives National Oil Company Private Limited ("MNO") and STO Hotels and Resorts Private Limited ("STOHR"), the Board of Directors of the Company has assessed the recoverable value of the investment in those subsidiary Companies and recognized an impairment of MVR 7,343,701 (2018: MVR 4,961,774) as follows,

	SINGAPORE MVR	STOHR MVR	MNO MVR	Total MVR
Cost of the Investment in Subsidiary	1,459,750	999,900	10,000,000	12,459,650
Estimated Recoverable Value	-	-	(154,195)	(154,195)
Provision for Impairment	<u>1,459,750</u>	<u>999,900</u>	<u>9,845,805</u>	<u>12,305,455</u>

The recoverable value of these investments have been derived by calculating the estimated recovery of the investment without considering an improvement in the business of the subsidiaries.

17.2 During the year 2016, the group has acquired 100% control of Maldives Industrial Fisheries Company Limited (MIFCO) pursuant to the decision made by the cabinet of the Government of Maldives. The Government transferred the control of assets and management of MIFCO to the Group on 30th September 2016 without a consideration with a commitment from the Government of Maldives to inject a capital of MVR 333,632,560 in cash to MIFCO.

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18 EQUITY - ACCOUNTED INVESTEES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Interest in associates (Note 18.1)	8,907,818	9,438,027	10,567,267	10,567,267
Interest in joint venture (Note 18.3)	23,891,094	21,861,138	4,700,000	4,700,000
	<u>32,798,912</u>	<u>31,299,165</u>	<u>15,267,267</u>	<u>15,267,267</u>

18.1 Investment in Associates

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	9,438,027	8,356,314	10,567,267	10,567,267
Share of profit for the year (net of tax)	(530,209)	1,081,713	-	-
As at 31st December	<u>8,907,818</u>	<u>9,438,027</u>	<u>10,567,267</u>	<u>10,567,267</u>

Lafarge Maldives Cement Private Limited

State Trading Organization PLC has acquired 10,567,267/- shares, at the price of MVR 1/- each on 8 of January 2002 in Lafarge Maldives Cement Private Limited ("Associate") which represents 25% of the shareholding of that company. The principal activity of the associate is trading of cement.

18.2 The summarized financial information of the associate, which is incorporated in the Republic of Maldives and unlisted, is as follows.

	Lafarge Maldives Cement Private Limited	
	31/12/2019 MVR	31/12/2018 MVR
Percentage of ownership	25%	25%
Non current assets	46,548,755	19,499,716
Current assets	42,294,593	83,894,561
Non current Liabilities	(24,050,235)	-
Current liabilities	(29,161,841)	(65,642,169)
Net assets (100%)	35,631,272	37,752,108
Group's share of net assets	8,907,818	9,438,027
Carrying amount of interest in associates	8,907,818	9,438,027
Revenue	96,599,777	103,969,797
Profit and other comprehensive income	(2,120,836)	4,326,852
Group's share of profit and other comprehensive income	(530,209)	1,081,713

18.3 Investment in joint venture

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	21,861,138	24,918,165	4,700,000	4,700,000
Share of profit for the year (net of tax)	10,029,956	9,942,973	-	-
Dividend received	(8,000,000)	(13,000,000)	-	-
As at 31st December	<u>23,891,094</u>	<u>21,861,138</u>	<u>4,700,000</u>	<u>4,700,000</u>

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18 EQUITY - ACCOUNTED INVESTEEES (CONTINUED)

Maldives Structural Products Private Limited

State Trading Organization PLC has acquired 47,000 shares at the price of MVR 100/- each on 31 December 2001 in Maldives Structural Products Private Limited which represents 50% of the shareholding of the company. Maldives Structural Products Private Limited is engaged in the business of manufacturing and trading of structural products.

The summarized financial information of the joint venture, which is incorporated in Republic of Maldives and unlisted, is as follows.

	Maldives Structural Products Private Limited	
	31/12/2019 MVR	31/12/2018 MVR
18.3 Investment in joint venture		
Percentage of ownership	50%	50%
Non current assets	10,030,132	988,238
Current assets	60,742,419	66,676,019
Non current liabilities	(9,530,334)	-
Current liabilities	(13,460,030)	(23,941,982)
Net assets (100%)	47,782,187	43,722,275
Group's share of net assets	23,891,094	21,861,138
Carrying amount of interest in joint venture	23,891,094	21,861,138
Revenue	94,983,318	82,349,740
Depreciation and amortization	(165,012)	(161,828)
Interest expense	(2,443,322)	(1,265,129)
Income tax expense	(4,362,494)	(3,292,406)
Profit and other comprehensive income	20,059,913	19,885,945
Group's share of profit and other comprehensive income	10,029,956	9,942,973
Dividend received by the Group	(8,000,000)	(13,000,000)

19 INVESTMENT IN EQUITY INSTRUMENTS

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	49,820,026	56,740,800	4,820,026	12,740,800
Net change in fair value during the year	1,545,774	(6,920,774)	(2,579,226)	(7,920,774)
As at 31st December	51,365,800	49,820,026	2,240,800	4,820,026

Determining the fair value

Marketable equity securities are measured at fair value annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock exchange quoted bid prices. Other investments (unlisted securities) are measured at fair value based on the adjusted net assets of the investee company. Equity investments are classified as non-current assets, unless they are expected to be realized within twelve months of the reporting date or unless they are intended to be sold to raise operating capital.

19.1 Movement in investment in equity instruments

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Maldives Stock Exchange Company Private Limited (Note 20.3)	2,240,800	2,240,800	2,240,800	2,240,800
Dhivehi Raajjeyge Gulhun PLC (Note 20.5)	13,125,000	10,000,000	-	-
Ooredoo Maldives PLC (Note 20.5)	36,000,000	35,000,000	-	-
Addu International Airport Private Limited (Note 19.6)	-	2,579,226	-	2,579,226
	51,365,800	49,820,026	2,240,800	4,820,026
Provision for Impairment				
As at 1st January	-	6,809,148	-	6,809,148
Adjustment due to Initial Application of IFRS 9	-	(6,809,148)	-	(6,809,148)
As at 31st December	-	-	-	-

19.2 Cost and Fair Value Reconciliation

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Maldives Stock Exchange Company Private Limited (Note 19.3)	3,840,800	3,840,800	3,840,800	3,840,800
Madivaru Holdings Private Limited (Note 19.4)	709,148	709,148	709,148	709,148
Maldives Security Depository	500,000	500,000	500,000	500,000
Dhivehi Raajjeyge Gulhun PLC (Note 19.5)	10,000,000	10,000,000	-	-
Ooredoo Maldives PLC (Note 19.6)	30,000,000	30,000,000	-	-
Addu International Airport Private Limited	10,000,000	10,000,000	10,000,000	10,000,000
	59,549,948	59,549,948	19,549,948	19,549,948
Net change in fair value				
As at 1st January	(9,729,922)	4,000,000	(14,729,922)	-
Adjustment due to Initial Application of IFRS 9	-	(6,809,148)	-	(6,809,148)
Net change in fair value for the year	1,545,774	(6,920,774)	(2,579,226)	(7,920,774)
As at 31st December	(8,184,148)	(9,729,922)	(17,309,148)	(14,729,922)
Net Fair Value	51,365,800	49,820,026	2,240,800	4,820,026

19.3 The Company has purchased 8,000 no of shares of Maldives Stock Exchange Private Limited.

19.4 The Company has purchased 16,117 no of shares of Madivaru Holdings Private Limited.

19.5 The Company has purchased 125,000 no of shares of Dhivehi Raajjeyge Gulhun PLC.

19.6 The Group has purchased 1,000,000 no of shares of Ooredoo Maldives PLC.

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20 RIGHT-OF-USE ASSET

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Cost				
Adjustment due to initial application of IRSF 16 (Note 4(c))	537,662,374	-	154,482,710	-
Addition during the year	19,764,275	-	16,195,645	-
As at 31st December	557,426,649	-	170,678,355	-
Accumulated depreciation				
As at 1st January				
Charge for the year	33,118,002	-	16,445,854	-
As at 31st December	33,118,002	-	16,445,854	-
Net carrying value	524,308,647	-	154,232,501	-

The Company and the Group has recognised right of use asset in relation to the leasehold right of the Ekuhivaru island in Noonu Atoll pursuant to the settlement and lease agreement entered with Government of Maldives on 10th January 2017. As per the agreement, any extensions to the lease period has to be mutually agreed. Previously, this lease was classified as operating leases under IAS 17.

In addition to that the Company and the Group has recognized right of use assets relating to the leasehold right of retail outlets, offices and warehouses. Previously, these leases were classified as operating leases under IAS 17.

21 INVENTORIES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Food stock	79,425,566	75,067,506	79,425,566	75,067,506
Fuel and lubricants	292,998,776	198,711,878	232,695,524	132,007,861
Home improvement and electronics	48,474,365	53,905,434	46,762,361	52,421,870
Construction materials	48,778,492	72,515,676	48,778,492	72,515,676
Pharmaceuticals	252,348,173	225,655,064	252,348,173	225,655,064
Fish & processed fish products	168,323,371	134,264,867	-	-
Spare parts	106,894,879	115,947,076	11,997,044	15,207,483
Retail shops	70,034,113	67,430,245	65,504,528	66,057,190
Others	35,672,617	35,765,448	33,820,305	33,810,209
Goods in transit	184,132,818	180,477,134	184,016,876	118,991,004
Less: provision for slow and non moving inventories (Note - 20.1)	(80,022,254)	(75,588,111)	(37,276,528)	(36,673,330)
	1,207,060,916	1,084,152,217	918,072,341	755,060,533

21.1 Provision for slow moving and non moving inventories

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	75,588,111	83,569,751	36,673,330	42,799,416
Provision / (reversal) made during the year	4,434,143	(7,981,640)	603,198	(6,126,086)
As at 31st December	80,022,254	75,588,111	37,276,528	36,673,330

In 2019, inventories of MVR 7,969,558,333 (2018: MVR 8,204,144,154) were recognized as an expense during the period and included in 'cost of sales' of the Company.

In 2019, inventories of MVR 8,735,383,530 (2018: MVR 9,014,831,540) were recognized as an expense during the period and included in 'cost of sales' of the Group.

The Group recognized inventory provision of MVR 4,434,143/- during the year 2019. The Company recognized inventory provision of MVR 603,198/- during the year 2019. These amounts have been included in 'Cost of sales' in the statement of profit or loss.

The inventories of the Group and the Company are partly secured against to the loans obtained from Nations Trust Bank PLC and the Hongkong & Shanghai Banking Corporation - Maldives branch.

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22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Trade receivables	703,599,542	774,008,459	172,766,174	219,732,479
Due from policyholders	84,807,478	82,544,718	-	-
Less : provision for impairment loss (Note 22.1)	(493,576,703)	(445,737,414)	(103,850,036)	(102,396,183)
	294,830,317	410,815,763	68,916,138	117,336,296
Advances, prepayments and deposits	245,105,311	241,886,807	176,041,689	200,540,067
Government employee credit scheme	45,130,049	58,825,534	45,130,049	58,825,534
Staff advances and other loans	7,161,764	7,679,881	7,161,764	7,679,881
Advances paid for custom duty	9,648,493	5,163,828	9,648,493	5,163,828
Miscellaneous receivable	124,251,817	80,192,852	41,345,930	37,639,066
Less : unmatured interest	(1,655,323)	(2,504,126)	(1,655,323)	(2,504,126)
Less : provision for impairment loss (Note 22.2)	(46,994,739)	(44,653,467)	(42,986,975)	(40,969,276)
	382,647,372	346,591,309	234,685,627	266,374,974
Total trade and other receivable	677,477,689	757,407,072	303,601,765	383,711,270

22.1 Provision for impairment of trade receivables

As at 1st January	445,737,414	321,486,380	102,396,183	90,385,315
Adjustment due to Initial Application of IFRS 9	-	62,757,737	-	(9,414,819)
Provision made during the year	47,839,289	61,493,297	1,453,853	21,425,687
As at 31st December	493,576,703	445,737,414	103,850,036	102,396,183

22.2 Provision for impairment of other receivables

As at 1st January	44,653,467	57,674,850	40,969,276	56,237,911
Adjustment due to Initial Application of IFRS 9	-	(14,679,618)	-	(14,679,618)
Provision made / (reversed) during the year	2,341,272	1,658,235	2,017,699	(589,017)
As at 31st December	46,994,739	44,653,467	42,986,975	40,969,276

23 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
STO Maldives (Singapore) Private Limited	-	-	27,831,385	29,530,359
Maldiv Gas Private Limited	-	-	4,815,445	3,056,514
Fuel Supplies Maldives Private Limited	-	-	1,328,733,666	1,244,709,947
Allied Insurance Company of the Maldives Private Limited	-	-	13,834,355	481,140
Maldives National Oil Company Limited	-	-	10,224	10,224
Maldives Industrials Fisheries Company Limited	-	-	115,609,191	103,368,848
STO Hotels & Resorts Private Limited	-	-	205,684,029	203,001,212
Lafarge Maldives Cement Private Limited	67,618	2,798	63,222	-
Maldives Structural Product Private Limited	-	4,000,000	-	4,000,000
Ministry of Health	175,885,023	142,162,482	175,885,023	142,162,482
Ministry of Finance and Treasury	112,153,748	94,340,203	112,153,748	94,340,203
State Electric Company Limited (STELCO)	113,470,693	115,285,751	113,430,087	115,196,654
Feneka Corporation	732,995,224	748,025,278	55,260,341	89,439,223
Indira Gahandi Memorial Hospital	207,363,990	268,476,909	207,363,990	268,476,909
Maldives Road Development Corporation	38,571,571	62,850,523	37,969,674	62,248,626
Addu International Airport Private Limited	1,593,971	217,749,797	-	216,155,826
Aasandha Private Limited	132,491,417	192,416,025	132,491,417	192,416,025
Hulhumale Hospital	17,397,067	27,146,295	17,397,067	27,146,295
Maldives Airport Company Limited	121,837,346	54,233,628	121,837,346	54,233,628
Ministry of Housing and Infrastructure	103,105,608	103,166,559	103,105,608	103,166,559
G.Dh Atoll Rayyithunge Cooperative Society	831,492	831,492	831,492	831,492
Rainbow Enterprises Private Limited	1,893,743	616,410	1,893,743	616,410
Marine Maldives Products Private Limited	13,010,881	13,010,881	-	-
Ukulas Private Limited	1,056,179	1,056,179	-	-
Other Government entities	203,084,813	266,042,317	174,988,940	222,867,491
	1,976,810,384	2,311,413,527	2,951,189,993	3,177,456,067
Less : provision for impairment loss (Note 23.1)	(73,154,891)	(229,104,737)	(226,180,464)	(362,512,957)
Less : unmatured interest	-	(1,239)	-	(1,239)
Total amount due from related parties	1,903,655,493	2,082,307,551	2,725,009,529	2,814,941,871
Non - current	-	36,666,667	-	36,666,667
Current	1,903,655,493	2,045,640,884	2,725,009,529	2,778,275,204
	1,903,655,493	2,082,307,551	2,725,009,529	2,814,941,871

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**23 AMOUNTS DUE FROM RELATED PARTIES
(CONTINUED)**

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
23.1 Provision for impairment of amounts due from related parties				
As at 1st January	229,104,737	12,403,617	362,512,957	93,529,958
"Adjustment due to Initial Application of IFRS 9	-	214,034,167	-	265,777,620
Provision made / (reversed) during the year	(155,949,846)	2,666,953	(136,332,493)	3,205,379
As at 31st December	73,154,891	229,104,737	226,180,464	362,512,957

Receivables from Maldives Industrial Fisheries Company Limited includes loan receivable of MVR 34,460,148/- granted at an interest rate of 7.5% per annum

24 REINSURANCE CONTRACTS

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Reinsurers' share of insurance liabilities	166,240,467	147,541,346	-	-
Reinsurance share of paid claim and prepaid reinsurance	55,488,289	24,504,035	-	-
Reinsurance share of incurred but not reported claims	6,474,024	6,945,008	-	-
Unearned premium	89,263,711	99,437,420	-	-
Gross receivables from reinsurance	317,466,491	278,427,809	-	-
Less : Provision for Re-insurance Receivables (Note 24.1)	(8,981,677)	(8,981,677)	-	-
Net receivables from reinsurance	308,484,814	269,446,132	-	-

24.1 Provision for Re-insurance Receivables

As at 1st January	8,981,677	8,981,677	-	-
Provsion made during the year	-	-	-	-
As at 31st December	8,981,677	8,981,677	-	-

25 OTHER FINANCIAL INVESTMENTS

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Investment in treasury bills	81,818,443	132,488,652	-	-
Corporate bonds	110,646,794	42,412,050	-	-
Investment in term deposit	16,282,579	22,812,752	-	-
	208,747,816	197,713,454	-	-
As at 1st January	197,713,454	151,539,822	-	-
Purchased during the year	364,488,290	590,964,071	-	-
Matured during the year	(353,453,928)	(544,790,439)	-	-
As at 31st December	208,747,816	197,713,454	-	-

The Group has invested MVR 80,129,305 (2018: MVR 130,666,536) in treasury bills issued by the Maldives Monetary Authority for a maturity value of MVR 83,420,000 (2018: MVR 134,100,000) at the rate of interest ranging from 4.23% to 4.6% per annum (2018: 3.5% to 4.6% per annum) with the maturity period of 182 days to 364 days (2018: 30 days to 364 days).

During the year, the Group has made an investment of MVR 105,932,000 (2018: MVR 40,000,000) in the short term corporate bonds issued by Housing development finance corporation PLC at the interest rate of 6.5% - 7.0% (2018: 6.5% to 7.0%) per annum. The Group has also made an investment of MVR 16,000,000 (2018: MVR 22,000,000) in term deposit at a rate of interest 3.2% (2018: 4.6% - 4.7%) with a maturity period of 364 days (2018: 364 days).

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Favorable balances				
Cash in hand	22,136,946	23,458,795	6,306,609	13,116,856
Balances at banks	337,283,437	310,562,990	108,625,952	118,572,224
	359,420,383	334,021,785	114,932,561	131,689,080
Unfavorable balances				
Bank overdrafts	(277,897,649)	(220,169,701)	(215,383,259)	(140,871,885)
Cash and cash equivalents for the purpose of cash flow statement	81,522,734	113,852,084	(100,450,698)	(9,182,805)

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27 SHARE CAPITAL AND RESERVES

A SHARE CAPITAL AND SHARE PREMIUM

27.1 Authorized

The authorized share capital comprises 2,000,000 (2018: 2,000,000) ordinary shares of par value of MVR 50 per share.

Issued and fully paid

The issued and fully paid share capital comprises 1,126,910 (2018: 1,126,910) ordinary shares at a par value of MVR 50 per share (2018: MVR 50 per share). The above mentioned 1,126,910 shares include 26,040 shares issued at a premium of MVR 250 per share in year 2001 and 60,870 shares issued at a premium of MVR 350 in year 2003.

27.2 Dividends and voting rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Shareholders' meetings.

27.3 Dividends per share

At the Annual General Meeting held on 16th May 2019, a dividend in respect of 2018 of MVR 58 per share (2018: declared dividend MVR 55 per share in respect of 2017) amounting to a total of MVR 65,360,780 (2018: declared MVR 61,980,050) was declared and approved by the shareholders and accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2019.

B RESERVES

27.4 General reserve

General reserve balance will be utilized for any purpose decided by the Board of Directors.

27.5 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments until the assets are derecognized.

27.6 Claim equalization reserve

Reserve for claim equalization represents 12% of the operating profit of Allied Insurance Company of the Maldives Private Limited before taking into account other operating income of the current year. The reserve was created to meet abnormally high claims.

27.7 Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

28 NON CONTROLLING INTEREST

	Group	
	31/12/2019	31/12/2018
	MVR	MVR
As at 1st January	19,713,146	18,452,871
Adjustment due to Initial Application of IFRS 9	-	(32,745)
Share of profit of subsidiary	4,514,875	1,844,806
Share of profit of Other comprehensive income of subsidiary	105,637	3,769
Dividend paid to non controlling interest	(1,111,111)	(555,556)
As at 31st December	<u>23,222,547</u>	<u>19,713,146</u>

29 LOANS AND BORROWINGS

	Group		Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	MVR	MVR	MVR	MVR
As at 1st January	2,327,569,935	1,756,375,438	1,745,617,157	1,218,006,952
Loans obtained during the Year	6,359,049,560	4,245,630,792	6,357,216,122	4,176,220,894
Repayments during the year	(6,036,733,812)	(3,674,436,295)	(6,018,695,607)	(3,648,610,689)
As at 31st December	<u>2,649,885,683</u>	<u>2,327,569,935</u>	<u>2,084,137,672</u>	<u>1,745,617,157</u>
29.1 Sources of Finance				
Secured loans	1,918,713,758	1,486,134,756	1,497,327,411	1,034,867,773
Unsecured loans	374,361,664	400,685,795	230,000,000	270,000,000
Corporate bond (Note 29.7)	356,810,261	440,749,384	356,810,261	440,749,384
	<u>2,649,885,683</u>	<u>2,327,569,935</u>	<u>2,084,137,672</u>	<u>1,745,617,157</u>
29.2 Non - Current				
Bank borrowings	11,564,170	29,207,774	-	-
Other borrowings	108,723,872	151,368,249	15,956,148	25,208,148
Corporate bond	268,376,816	356,810,264	268,376,816	356,810,264
	<u>388,664,858</u>	<u>537,386,287</u>	<u>284,332,964</u>	<u>382,018,412</u>
29.3 Current				
Bank borrowings	1,494,019,724	1,025,891,670	1,472,119,261	1,000,407,622
Other borrowings	678,767,653	680,352,855	239,252,000	279,252,000
Corporate bond	88,433,448	83,939,123	88,433,447	83,939,123
	<u>2,261,220,825</u>	<u>1,790,183,648</u>	<u>1,799,804,708</u>	<u>1,363,598,745</u>

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29 LOANS AND BORROWINGS (CONTINUED)

29.4 Terms and repayment schedule

Source of finance	Nominal interest rate	Year of maturity	Security	Group		Company	
				Carrying value		Carrying value	
				31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Nation Trust Bank PLC	7.50%	Revolving	Trade center building	68,938,797	52,121,858	68,938,797	52,121,858
Hongkong & Shanghai Banking Corporation	5.25% + LIBOR	Revolving	Government guarantee	-	132,977,137	-	132,977,137
Bank of Maldives PLC	10.00%	2019	Backed by STO's assets	-	38,915,705	-	38,915,705
Habib Bank Limited	7.00%	2020	Backed by STO's assets	15,787,266	-	15,787,266	-
Ministry of Finance and treasury	Profit Share 65 : 35	2019	Un-secured.	130,000,000	150,000,000	130,000,000	150,000,000
Ministry of Finance and treasury	Profit Share 60 : 40	2019	Un-secured.	100,000,000	120,000,000	100,000,000	120,000,000
Ministry of Finance and treasury	7.50%	2023	MIFCO assets procured / constructed under the facility	38,863,014	34,460,148	38,863,014	34,460,148
Maldives Islamic Bank	8.5% mark-up on cost	2019	Assignment of receivables from a customer	-	5,753,716	-	5,753,716
International Islamic Trade finance corporation	3.1% + LIBOR	2019	Government guarantee	1,373,738,332	770,639,209	1,373,738,332	770,639,209
Listed corporate bond	5.25%	2023	Government guarantee	356,810,263	440,749,384	356,810,263	440,749,384
Ministry of Finance and treasury (IDB Tsunami)	6.00%	2020	Government guarantee	66,057,362	66,296,583	-	-
Ministry of Finance and treasury	6.00%	2023	Government guarantee	87,983,363	94,881,915	-	-
Ministry of Finance and treasury	6.00%	N/A	Government guarantee	243,617,218	235,396,663	-	-
Ministry of Finance and treasury	4.00%	2022	Un-secured.	52,792,569	50,000,000	-	-
Ministry of Finance and treasury	Interest free	Revolving	Un-secured.	63,332,439	52,155,792	-	-
Ministry of Fisheries and agriculture	Interest free	2028	Un-secured.	5,353,030	5,964,804	-	-
Ministry of Fisheries and agriculture	Interest free	2024	Un-secured.	3,528,563	12,395,709	-	-
Bank of Maldives PLC	8.00%	2020	USD lien, leasehold rights of commercial plots & MIFCO assets	11,474,702	24,478,190	-	-
Bank of Maldives PLC	8.00%	2023	Leasehold rights of commercial plots & MIFCO assets	8,408,180	9,562,984	-	-
Bank of Maldives PLC	9.75%	2021	MIFCO vessels and government guarantee	9,510,950	10,452,298	-	-
Habib Bank Limited	9.00%	N/A	MIFCO vessels	4,070,803	10,198,350	-	-
Loan received from World Wise	Interest free	3 years from shipment BL	Un-secured.	9,618,832	10,169,490	-	-
				2,649,885,683	2,327,569,935	2,084,137,672	1,745,617,157

29.5 Bank borrowings of the Group / Company will mature by September 2028 and bear an average interest rate of 6.00% annually (2018: 6.05% annually).

29.6 Bank borrowings of the Group / Company are secured by inventories, receivables, vessels, buildings, leasehold rights of commercial plots and guarantee from the Government of Maldives.

29.7 During the year 2015, the Company issued listed corporate bonds amounting to MVR 539,700,000 with a maturity period of 8 years, carrying interest of 5.25% per annum.

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30 LEASE LIABILITY

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
As at 1st January	-	-	-	-
Adjustment due to initial application of IFRS 16 (Note 4(c))	448,138,837	-	154,482,710	-
Additions during the year	20,604,528	-	16,195,645	-
Interest charge for the year	35,182,949	-	12,642,010	-
Payment made during the Year	(39,798,604)	-	(24,232,563)	-
As at 31st December	464,127,710	-	159,087,802	-
Non - Current Liabilities	420,184,235		137,490,910	
Current Liabilities	43,943,474		21,596,892	

31 DEFINED BENEFIT OBLIGATION

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	45,900,671	40,232,300	32,462,393	28,430,575
Current Service Cost	15,545,751	3,851,237	3,146,834	1,738,445
Interest Cost	2,074,459	1,771,159	1,493,270	1,272,585
Deficit for the Year	7,200,941	2,439,950	6,583,891	3,285,558
	70,721,822	48,294,646	43,686,388	34,727,163
Less: Payments During the Year	(4,051,439)	(2,393,975)	(1,788,422)	(2,264,770)
As at 31st December	66,670,383	45,900,671	41,897,966	32,462,393

31.1 Following amounts are recognized in profit or loss and Other comprehensive income during the year in respect of retirement benefit obligation

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Amount Recognized in Profit or Loss				
Current Service Cost	15,545,751	3,851,237	3,146,834	1,738,445
Interest Cost	2,074,459	1,771,159	1,493,270	1,272,585
	17,620,210	5,622,396	4,640,104	3,011,030
Amount Recognized in Other Comprehensive Income				
Deficit for the Year	7,200,941	2,439,950	6,583,891	3,285,558
	7,200,941	2,439,950	6,583,891	3,285,558

31.2 The Group / Company have engaged a qualified actuary to estimate the retirement benefit obligation. The projected unit credit method is used to determine the present value of the defined benefit obligation. Key assumptions used in the calculation are as follows,

	Group		Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Expected Salary Increment	1.88% - 8%	1.88% - 3.69%	4.22%	4.22%
Discount Rate	4% - 4.6%	4% - 4.6%	4.60%	4.60%
Staff Turnover Factor	1% - 24.09%	1% - 17.35%	13.73%	7.21%

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32 TRADE AND OTHER PAYABLES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Trade payables	1,029,511,897	1,800,963,851	925,616,825	1,698,376,035
Accrued expenses	53,632,598	42,846,795	41,916,454	30,983,926
Lease rent accrual	4,805,097	46,875,156	4,805,097	2,465,556
Dividend payable	125,924,874	299,766,167	123,274,874	297,116,167
Other payable	182,800,276	237,274,510	132,089,687	136,985,668
	<u>1,396,674,742</u>	<u>2,427,726,479</u>	<u>1,227,702,937</u>	<u>2,165,927,352</u>

32.1 LEASE RENT ACCRUAL

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	46,875,156	33,072,169	2,465,556	10,867,369
Adjustment due to initial application of IFRS 16	(29,606,400)	-	-	-
Reversal during the year	(14,803,199)			
Accrual for the year	2,339,541	13,802,987	2,339,541	(8,401,813)
As at 31st December	<u>4,805,098</u>	<u>46,875,156</u>	<u>4,805,097</u>	<u>2,465,556</u>

33 DEFERRED INCOME

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	47,204,440	44,481,492	53,599,214	55,530,068
Received during the year	9,122,147	11,480,241	-	-
Recognized during the year	(9,175,167)	(8,757,293)	(1,930,854)	(1,930,854)
	<u>47,151,420</u>	<u>47,204,440</u>	<u>51,668,360</u>	<u>53,599,214</u>
Analysis of deferred income				
Realization within one year	8,503,607	8,467,181	1,930,854	1,930,854
Realization After one year	38,647,813	38,737,260	49,737,506	51,668,360
	<u>47,151,420</u>	<u>47,204,441</u>	<u>51,668,360</u>	<u>53,599,214</u>

33.1 Deferred revenues related to the rent received in advance from tenants and registration fees received from customers for the initial purchase of gas cylinders. Rent advances are initially recognized in liabilities as deferred income and credited to profit or loss as revenue over the period to which rent advances are related to. On receipt of the registration fees, they are included in liabilities as deferred revenue and are credited to profit or loss as revenue on a straight line basis over 5 years.

34 INSURANCE CONTRACTS

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Claims reported and loss adjustment	259,313,535	240,052,242	-	-
Claim incurred but not reported (IBNR)	9,061,077	12,215,519	-	-
Provision for unearned premiums	161,015,892	180,308,904	-	-
Unappropriated policyholders fund	26,287,302	18,356,230	-	-
Provision for unearned reinsurance commission	22,228,475	26,886,676	-	-
Total insurance liabilities, gross	<u>477,906,281</u>	<u>477,819,571</u>	<u>-</u>	<u>-</u>

35 CURRENT TAX LIABILITIES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	29,403,793	15,771,010	22,653,351	13,082,671
Provision for the year	102,310,934	60,992,044	63,079,298	39,316,856
Tax paid during the year	(67,606,067)	(52,866,689)	(43,401,048)	(35,253,604)
Adjustment in respect of prior years	643,378	5,507,428	744,263	5,507,428
As at 31st December	<u>64,752,038</u>	<u>29,403,793</u>	<u>43,075,864</u>	<u>22,653,351</u>

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36 AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Fuel Supplies Maldives Private Limited	-	-	3,588,819	690,733
Allied Insurance Company of the Maldives Private Limited	-	-	113,618,514	105,536,078
Lafarge Maldives Cement Private Limited	9,295,742	31,188,044	9,295,742	31,188,044
Maldives Structural Product Private Limited	18,800,942	26,818,102	18,800,942	26,818,102
Addu International Airport Private Limited	-	24,904	-	24,904
Ministry of Housing and Infrastructure	4,541,932	329,932	4,541,932	329,932
Maldives Pension Administration Office	1,246,739	1,258,569	1,246,739	1,258,569
Fenaka Corporation Limited	2,838,110	4,303,483	2,838,110	4,303,483
Ministry of Finance and Treasury	44,000,000	-	44,000,000	-
Housing Development Corporation Limited	14,472,718	9,937,604	14,472,718	9,937,604
Rainbow Enterprises Private Limited	29,669	66,632	29,669	66,632
Champa Oil and Gas Company Private Limited	1,111,111	555,556	-	-
Other Government entities	15,689,993	9,573,167	15,280,635	9,527,316
	<u>112,026,956</u>	<u>84,055,993</u>	<u>227,713,820</u>	<u>189,681,397</u>

Payable to Allied Insurance Company of the Maldives Private Limited includes the demand loan of MVR 48,119,710 at an interest rate of 5% per annum.

The amount due to related parties are unsecured, interest free, and have no fixed repayment period. Accordingly, these amounts have been determined to be payable on demand and classified as a current liabilities.

37 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. Net debt is calculated as total borrowings (including borrowings, trade and other payables and current tax liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Total liabilities	5,558,190,395	5,661,129,159	4,050,667,680	4,350,812,749
Less: Cash and cash equivalent	(359,420,383)	(334,021,785)	(114,932,561)	(131,689,080)
Net debt	5,198,770,012	5,327,107,374	3,935,735,119	4,219,123,669
Total equity	2,347,070,731	2,035,432,316	2,220,012,157	1,990,133,143
Total capital employed	<u>7,545,840,743</u>	<u>7,362,539,690</u>	<u>6,155,747,276</u>	<u>6,209,256,812</u>
Gearing	68.90%	72.35%	63.94%	67.95%

The decrease in gearing ratio of the Group during 2019 is primarily due to decrease in net debt of the group as a result of decrease in liabilities of State Trading Organization PLC and increase in total equity from the profit generated during 2019.

38 COMMITMENTS

	Group		Company	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
38.1 Capital commitments				
Capital expenditure contracted as of the reporting date but not yet incurred	195,436,523	312,020,031	106,000,523	312,020,031
Shares subscribed as of the reporting date but not yet paid	10,000,000	10,000,000	10,000,000	10,000,000
	<u>205,436,523</u>	<u>322,020,031</u>	<u>116,000,523</u>	<u>322,020,031</u>

There were no other material capital commitments outstanding at the reporting date which require disclosure in the financial statements.

39 CONTINGENT LIABILITY

(i) State Trading Organization PLC has issued corporate guarantees to Bank of Maldives for the facilities obtained by Maldives Structural Products Private Limited.

	31/12/2019	31/12/2018
	MVR	MVR
Type of facilities		
- overdraft	3,855,000	3,855,000
- letter of credit	15,420,000	15,420,000
	<u>19,275,000</u>	<u>19,275,000</u>

(ii) Whiteline Private Limited has filed an Appeal of Civil Court Case in High Court claiming for invoice amount of MVR 113,035.64/- along with fine amount of MVR 47,475,000/-. The Civil Court of Maldives delivered a verdict in the said case against the claimant (in favor of STO) stating that the claimant has no sufficient evidence against STO to prove the case. This case is ongoing at High Court and in the event the High Court decides in favor of Whiteline Private Limited, the Group and the Company may need to recognize a liability in respect of this claim.

(iii) A customer named Ibrahim Yoosuf filed a suit in Civil Court claiming compensation for of MVR 3,149,792/- as damages, which was not accepted by State Trading Organization PLC. This case has been dismissed by Civil Court as Claimant failed to appear the Court on time repeatedly. The Claimant appealed the decision of Civil Court at High Court. In the event the High Court decides in favor of the Claimant, the Group and the Company may need to recognize a liability in respect of this claim.

(v) On 19 July 2020 Civil Court delivered a verdict in favour of Yacht Tours Maldives Private Limited in the case filed by Yacht Tours Maldives Private Limited against Allied Insurance Company of the Maldives Pvt Ltd, a subsidiary of STO Group and awarded the claimed amount of US\$ 22,784,838.59/- as insurance compensation for the damages suffered by Alidhoo Resort (owned by Yacht Tours Maldives Private Limited). Yacht Tours Maldives Private Limited claimed US\$ 22,784,838.59/- under the Insurance policy No. 101/2014/617 issued by Allied Insurance Company, a subsidiary of STO Group. Allied Insurance Company and Group lawyers are in the opinion that the insurance claim is not a covered peril under the insurance policy and is preparing to appeal the case at High Court of Maldives. Allied Insurance Company appealed the case to Supreme court of Maldives on 10th of August 2020. In the event, Supreme Court decides against Allied Insurance Company, the Group and the Company may need to recognize a liability in respect of this claim. In compliance with internal procedures, the subject insurance policy was reinsured by Allied Insurance Company of the Maldives.

There were no other material contingent liabilities which require disclosure in the consolidated and separate financial statements as at the reporting date other than those disclosed above.

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

A. Accounting Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy.

Group	Carrying amount					Fair value			
	FVTPL	FVOCI	Amortized	Financial	Total	Level 1	Level 2	Level 3	
	MVR	MVR	Cost	liabilities	MVR	MVR	MVR	MVR	
AS AT 31ST DECEMBER 2019									
Financial assets measured at fair value									
Investment in Equity Instruments	-	51,365,800	-	-	51,365,800	49,125,000	-	2,240,800	
	-	51,365,800	-	-	51,365,800	49,125,000	-	2,240,800	
Financial assets not measured at fair value									
Other financial investments	-	-	208,747,816	-	208,747,816	-	-	-	
Trade and other receivables	-	-	677,477,689	-	677,477,689	-	-	-	
Amounts due from related parties	-	-	1,903,655,493	-	1,903,655,493	-	-	-	
Reinsurance contracts	-	-	308,484,814	-	308,484,814	-	-	-	
Cash and cash equivalents	-	-	359,420,383	-	359,420,383	-	-	-	
	-	-	3,457,786,195	-	3,457,786,195	-	-	-	
Financial liabilities not measured at fair value									
Bank overdraft	-	-	-	277,897,649	277,897,649	-	277,897,649	-	
Loans and borrowings	-	-	-	2,649,885,683	2,649,885,683	-	2,649,885,683	-	
Lease liabilities	-	-	-	464,127,709	464,127,709	-	-	464,127,709	
Amounts due to related Parties	-	-	-	112,026,956	112,026,956	-	-	-	
Insurance contracts	-	-	-	477,906,281	477,906,281	-	-	-	
Trade and other payables	-	-	-	1,343,042,144	1,343,042,144	-	-	-	
	-	-	-	5,324,886,422	5,324,886,422	-	2,927,783,332	464,127,709	
AS AT 31ST DECEMBER 2018									
Group	Carrying amount					Fair value			
	Designated at fair value	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value									
Investment in Equity Instruments	-	-	49,820,026	-	-	49,820,026	46,000,000	-	3,820,026
	-	-	49,820,026	-	-	49,820,026	46,000,000	-	3,820,026
Financial assets not measured at fair value									
Other financial investments	-	-	-	197,713,454	-	197,713,454	-	-	-
Trade and other receivable	-	-	-	757,407,072	-	757,407,072	-	-	-
Amounts due from related parties	-	-	-	2,082,307,551	-	2,082,307,551	-	-	-
Reinsurance contracts	-	-	-	269,446,132	-	269,446,132	-	-	-
Cash and cash equivalents	-	-	-	334,021,785	-	334,021,785	-	-	-
	-	-	-	3,640,895,994	-	3,640,895,994	-	-	-
Financial liabilities not measured at fair value									
Bank overdraft	-	-	-	-	220,169,701	220,169,701	-	-	-
Loans and borrowings	-	-	-	-	2,327,569,935	2,327,569,935	-	-	-
Amounts due to related parties	-	-	-	-	84,055,993	84,055,993	-	-	-
Insurance contracts	-	-	-	-	477,819,571	477,819,571	-	-	-
Trade and other payables	-	-	-	-	2,427,726,479	2,427,726,479	-	-	-
	-	-	-	-	5,537,341,679	5,537,341,679	-	-	-

The Group has not disclosed the fair values for financial instruments when their carrying amounts are a reasonable approximation of fair value.

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

A. Accounting Classifications and fair values (Continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy.

AS AT 31ST DECEMBER 2019	Carrying amount					Fair value		
	Company		Amortized	financial	Total	Level 1	Level 2	Level 3
	Financial assets measured at fair value		Cost	liabilities				
	FVTPL	FVOCI	MVR	MVR	MVR	MVR	MVR	MVR
Investment in Equity Instruments	-	-	2,240,800	-	2,240,800	-	-	2,240,800
	-	-	2,240,800	-	2,240,800	-	-	2,240,800
Financial assets not measured at fair value								
Trade and other receivables	-	-	303,601,765	-	303,601,765	-	-	-
Amounts due from related parties	-	-	2,725,009,529	-	2,725,009,529	-	-	-
Cash and cash equivalents	-	-	114,932,561	-	114,932,561	-	-	-
	-	-	3,143,543,855	-	3,143,543,855	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	215,383,259	215,383,259	-	-	-
Loans and borrowings	-	-	-	2,084,137,672	2,084,137,672	-	-	-
Lease liabilities	-	-	-	159,087,802	159,087,802	-	-	159,087,802
Amounts due to related parties	-	-	-	227,713,820	227,713,820	-	-	-
Trade and other payables	-	-	-	1,185,786,483	1,185,786,483	-	-	-
	-	-	-	3,872,109,036	3,872,109,036	-	-	159,087,802

AS AT 31ST DECEMBER 2018	Carrying amount					Fair value		
	Company		Amortized	Financial	Total	Level 1	Level 2	Level 3
	Financial assets measured at fair value		Cost	liabilities				
	FVTPL	FVOCI	MVR	MVR	MVR	MVR	MVR	MVR
Investment in Equity Instruments	-	-	4,820,026	-	4,820,026	-	-	4,820,026
	-	-	4,820,026	-	4,820,026	-	-	4,820,026
Financial assets not measured at fair value								
Trade and other receivables	-	-	383,711,270	-	383,711,270	-	-	-
Amounts due from related parties	-	-	2,814,941,871	-	2,814,941,871	-	-	-
Cash and cash equivalents	-	-	131,689,080	-	131,689,080	-	-	-
	-	-	3,330,342,221	-	3,330,342,221	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	140,871,885	140,871,885	-	-	-
Loans and borrowings	-	-	-	1,745,617,157	1,745,617,157	-	-	-
Amounts due to related parties	-	-	-	189,681,397	189,681,397	-	-	-
Trade and other payables	-	-	-	2,165,927,352	2,165,927,352	-	-	-
	-	-	-	4,242,097,791	4,242,097,791	-	-	-

The Company has not disclosed the fair values for financial instruments when their carrying amounts are a reasonable approximation of fair value.

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

b. Measurement of fair value

i. Valuation techniques and significant unobservable input

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial Instruments measured at fair value

	Valuation Techniques	Significant unobservable input	Inter relationship between significant unobservable inputs and fair value measurement
Equity Investments	Adjusted net asset method	Investees financial data	N/A

C. Financial Risk Management

(i) Overview

The Group / the Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's / the Company's objectives, policies and processes for measuring and managing risk, and the Group's / the Company's management of capital. Further, quantitative disclosures are included throughout these group's / the Company's financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's / the Company's risk management framework.

(iii) Credit Risk

Credit risk is the risk of financial loss to the Group / the Company if a customer or counterparty to a financial instruments fails to meet its contractual obligations, and arises principally from the Group's / the Company's receivables from customers, investment in debt securities and deposits with banks.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group Carrying amount		Group Carrying amount	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Trade and other receivables (Net)	432,372,378	515,520,265	127,560,076	183,171,203
Amounts due from related party (Net)	1,903,655,493	2,082,307,551	2,725,009,529	2,814,941,871
Reinsurance contracts	308,484,814	269,446,132	-	-
Other financial investments	208,747,816	197,713,454	-	-
Balances with banks and short term deposits	337,283,437	310,562,990	108,625,952	118,572,224
	3,190,543,938	3,375,550,392	2,961,195,557	3,116,685,298

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Trade and other receivables

Expected credit loss assessment under IFRS 9

The Group/ Company uses an allowance matrix to measure the ECLs of trade, other receivables and related party receivables. Loss rates are based on actual credit loss experience over past years. These rates are multiplied by scalar factors to reflect difference between economic condition during the period over which historical data has been collected, current condition and company's view of economic condition of expected lives of the receivables.

Scalar factors are based on actual and forecast GDP growth rates and normalized average GDP use for ECL assessment.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

Probability of default (PD)

Loss given default (LGD)

Exposure at default (EAD)

The following table provides information about the exposure to credit risk and ECLs for trade, other receivables and related party receivables as at 31st December 2019.

	Group			Company		
	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR
31st December 2019						
Not past due or 1-30 days past due	2.3%	996,677,527	23,355,598	1%	1,450,621,836	14,688,678
31-90 days past due	2.8%	452,925,445	12,608,977	0.6%	757,680,375	4,640,748
91 - 180 days past due	5.3%	269,163,221	14,159,617	6.6%	104,574,545	6,923,721
181-365 days past due	4.6%	405,981,044	18,556,497	9%	112,081,268	10,077,973
Above 365 days past due	49.7%	1,044,440,118	519,373,484	34.5%	976,670,744	336,686,354
		<u>3,169,187,355</u>	<u>588,054,173</u>		<u>3,401,628,768</u>	<u>373,017,475</u>

	Group			Company		
	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR
31st December 2018						
Not past due or 1-30 days past due	2.2%	1,018,281,322	22,851,569	1%	1,505,079,877	17,718,966
31-90 days past due	2.7%	377,449,863	10,220,424	1%	606,378,975	5,043,525
91 - 180 days past due	9.1%	283,603,847	25,794,245	8%	100,674,270	7,676,796
181-365 days past due	9.6%	546,036,514	52,357,757	9%	275,721,445	23,502,734
Above 365 days past due	45.9%	1,325,652,016	608,271,623	37%	1,216,676,990	451,936,395
		<u>3,551,023,562</u>	<u>719,495,618</u>		<u>3,704,531,557</u>	<u>505,878,416</u>

Gross carrying amount and loss allowance comprise the trade, other receivables and related party receivables.

The Company believes that the unimpaired amounts are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that, apart from the above, no provision for impairment is necessary in respect of trade, other and related party receivables.

Other financial investments

The Group / the Company limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a good credit rating.

Guarantees

The Group / the Company policy is to provide financial guarantees only to subsidiaries, joint venture and associates. As at 31 December 2019, the Company has issued corporate guarantees to Bank of Maldives PLC for the facilities obtained by Maldives Structural Products Private Limited. The details of corporate guarantees are disclosed in note 39.

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk

Liquidity risk is the risk that the Group / the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's / the Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's / the Company's reputation.

The followings are the contractual maturities of financial liabilities as at the reporting date.

31st December 2019	Carrying Amount MVR	Contractual Cashflow MVR	0-12 months MVR	1-5 years MVR	More than 5 years MVR
Group					
Financial liabilities (Non- derivative)					
Trade and other payables	1,396,674,742	1,396,674,742	1,396,674,742	-	-
Loans and borrowings	2,649,885,683	2,649,885,683	2,261,220,825	388,664,858	-
Amounts due to related parties	112,026,956	112,026,956	112,026,956	-	-
Insurance contracts	477,906,281	477,906,281	477,906,281	-	-
Bank overdrafts	277,897,649	277,897,649	277,897,649	-	-
Total	4,914,391,311	4,914,391,311	4,525,726,453	388,664,858	-

31st December 2018	Carrying Amount MVR	0-12 months MVR	1-2 years MVR	2-5 years MVR	More than 5 years MVR
Group					
Financial liabilities (Non- derivative)					
Trade and other payables	2,427,726,479	2,427,726,479	-	-	-
Loans and borrowings	2,327,569,935	1,790,183,648	195,750,762	340,717,863	917,662
Amounts due to related parties	84,055,993	84,055,993	-	-	-
Insurance contracts	477,819,571	477,819,571	-	-	-
Bank overdrafts	220,169,701	220,169,701	-	-	-
Total	5,537,341,679	4,999,955,392	195,750,762	340,717,863	917,662

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31st December 2019	Carrying Amount MVR	Contractual Cashflow MVR	0-12 months MVR	1-5 years MVR	More than 5 years MVR
Company					
Financial liabilities (Non- derivative)					
Trade and other payables	1,227,702,937	1,227,702,937	1,227,702,937	-	-
Loans and borrowings	2,084,137,672	2,084,137,672	1,799,804,708	284,332,965	-
Amounts due to related parties	227,713,820	227,713,820	227,713,820	-	-
Bank overdrafts	215,383,259	215,383,259	215,383,259	-	-
Total	3,754,937,688	3,754,937,688	3,470,604,724	284,332,965	-

31st December 2018	Carrying Amount MVR	0-12 months MVR	1-2 years MVR	2-5 years MVR	More than 5 years MVR
Company					
Financial liabilities (Non- Derivative)					
Trade and other payables	2,165,927,352	2,165,927,352	-	-	-
Loans and borrowings	1,745,617,157	1,363,598,745	97,685,448	284,332,964	-
Amounts due to related parties	189,681,397	189,681,397	-	-	-
Bank overdrafts	140,871,885	140,871,885	-	-	-
Total	4,242,097,791	3,860,079,379	97,685,448	284,332,964	-

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(v) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates that affect the Group's / the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Interest rate risk

Profile

At the reporting date, the interest rate profile of the Group's / the Company's interest-bearing financial instruments were:

	Group Carrying amount		Company Carrying amount	
	31/12/2019 MVR	31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Variable rate instruments				
Financial Assets	46,666,667	80,000,000	46,666,667	80,000,000
Financial liabilities	(312,689,184)	(482,274,953)	(230,000,000)	(402,977,137)
	(266,022,517)	(402,274,953)	(183,333,333)	(322,977,137)
Fixed rate instruments				
Financial assets	252,222,542	254,034,862	82,337,740	90,781,556
Financial liabilities	(2,958,713,391)	(2,615,777,837)	(2,460,403,564)	(2,083,332,747)
	(2,706,490,849)	(2,361,742,975)	(2,378,065,824)	(1,992,551,191)

Cash flow sensitivity analysis for variable - rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

GROUP	Profit or loss		Equity net of tax		
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	
31 st December 2019					
Variable rate instruments	(2,660,225)	2,660,225	(2,261,191)	2,261,191	
31 st December 2018					
Variable rate instruments	(4,022,750)	4,022,750	(3,419,337)	3,419,337	
COMPANY					
	Profit or loss		Equity net of tax		
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	
31 st December 2019					
Variable rate instruments	(1,833,333)	1,833,333	(1,558,333)	1,558,333	
31 st December 2018					
Variable rate instruments	(3,229,771)	3,229,771	(2,745,306)	2,745,306	
(b) Currency Risk					
Exposure to currency risk					
Group					
The Group's exposure to foreign currency risk was as follows based on notional amounts:					
			31/12/2019		
			US\$	Euro	SGD
Cash and cash equivalents			8,651,131	5,037	-
Trade, amount due from related parties and other receivables			35,650,300	14,181	12,008
Reinsurance contracts			20,587,970	-	-
Trade, amount due to related parties and other payables			(82,558,100)	(142,227)	(478,584)
Loans and borrowings			(119,706,819)	-	-
Bank overdrafts			(16,981,392)	-	-
Net currency exposure			(154,356,910)	(123,009)	(466,576)

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(v) Market risk (Continued)

Exposure to currency risk (Continued)

Group	31/12/2018		
	US\$	Euro	SGD
The Group's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	6,200,961	3,583	36,225
Trade, amount due from related parties and other receivables	39,812,464	-	20,639
Reinsurance contracts	18,056,278	-	-
Trade, amount due to related parties and other payables	(108,592,526)	(105,860)	(888,495)
Loans and borrowings	(95,995,417)	-	-
Bank overdrafts	(13,062,774)	-	-
Net currency exposure	(153,581,013)	(102,277)	(831,631)

Company	31/12/2019		
	US\$	Euro	SGD
The Company's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	1,413,903	3,774	-
Trade, amount due from related parties and other receivables	22,317,303	232,480	71,171
Trade, amount due to related parties and other payables	(52,386,825)	(143,265)	(480,550)
Loans and borrowings	(117,722,092)	-	-
Bank overdrafts	(13,967,786)	-	-
Net currency exposure	(160,345,497)	92,989	(409,379)

Company	31/12/2018		
	US\$	Euro	SGD
The Company's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	1,014,651	3,583	-
Trade, amount due from related parties and other receivables	34,972,828	218,299	3,703
Trade, amount due to related parties and other payables	(105,521,078)	(105,889)	(857,906)
Loans and borrowings	(93,087,114)	-	-
Bank overdrafts	(9,135,661)	-	-
Net currency exposure	(171,756,373)	115,993	(854,203)

	Average Rate		Reporting date spot rate	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
The following significant exchange rate were applied during the year:				
1 US\$: MVR	15.42	15.42	15.42	15.42
1 Euro : MVR	17.49	18.01	17.34	17.65
1 SGD : MVR	11.37	11.40	11.45	11.29

Sensitivity analysis

A reasonably possible strengthening (weakening) of the USD, EURO, SGD against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

GROUP	Profit or Loss	
	Strengthening	Weakening
31 st December 2019		
USD 5% movement	(119,009,178)	119,009,178
EURO 5% movement	(106,649)	106,649
SGD 5% movement	(267,115)	267,115
	(119,382,942)	119,382,942
31 st December 2018		
USD 5% movement	(118,410,961)	118,410,961
EURO 5% movement	(342,490)	342,490
SGD 5% movement	(672,760)	672,760
	(119,426,211)	119,426,211
COMPANY		
31 st December 2019		
USD 5% movement	(123,626,378)	123,626,378
EURO 5% movement	80,622	(80,622)
SGD 5% movement	(234,369)	234,369
	(123,780,126)	123,780,126

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40 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(v) Market risk (Continued)

Sensitivity analysis (Continued)

COMPANY	Profit or Loss	
	Strengthening	Weakening
31 st December 2018		
USD 5% movement	(132,424,164)	132,424,164
EURO 5% movement	102,358	(102,358)
SGD 5% movement	(482,166)	482,166
	(132,803,971)	132,803,971

41 EVENTS AFTER THE REPORTING DATE

41.1 Dividend

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommends a First and Final dividend of MVR.58/- per Ordinary share for the year ended 31st December 2018. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting

41.2 Covid-19 Impact

The World Health Organization declared the Corona-virus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries now affected. With the increment of infected number of cases around the world, the Government of Maldives has taken some precautionary action such as travel restrictions and quarantine measures etc. However, it is not possible to estimate the potential impact of the outbreak to the Company / Group as of the reporting date.

Other than above, no circumstances have arisen since the reporting date which require adjustments to or disclosure in the consolidated / separate financial statements.

42 DIRECTOR'S RESPONSIBILITY

The Board of Directors of the Group / the Company is responsible for the preparation and presentation of these consolidated and separate financial statements.

43 INVESTMENT IN SUBSIDIARIES

The Company is the parent company for the following subsidiary companies

	Country of incorporation	No of shares		Shareholding	
		2019	2018	2019	2018
Maldive Gas Private Limited (Note 43.1)	Rep of Maldives	61,200	61,200	90.00%	90.00%
Allied Insurance Company of the Maldives Private Limited (43.2)	Rep of Maldives	299,998	299,998	99.99%	99.99%
STO Maldives (Singapore) Private Limited (Note 43.3)	Singapore	200,000	200,000	100.00%	100.00%
Fuel Supplies Maldives Private Limited (Note 43.4)	Rep of Maldives	15,299	15,299	99.99%	99.99%
Maldives National Oil Company Limited (Note 43.5)	Rep of Maldives	99,999	99,999	99.99%	99.99%
STO Hotels & Resorts Private Limited (Note 43.6)	Rep of Maldives	9,999	9,999	99.99%	99.99%
Maldives Industrial Fisheries Company Limited (MIFCO) (Note 43.7)	Rep of Maldives	1,439,725	1,439,725	99.99%	99.99%

43.1 Maldive Gas Private Limited

The main business activity of the company is distributing Liquid Petroleum Gas (LPG), Medical and Industrial oxygen production.

43.2 Allied Insurance Company of the Maldives Private Limited

The company's main business activity is providing the general & Life insurance service.

43.3 STO Maldives (Singapore) Private Limited

The main business activity of the company is trading Oil & Gas.

43.4 Fuel Supplies Maldives Private Limited

The main business activity of the company is distributing Oil products which are imported by STO.

43.5 Maldives National Oil Company Limited

The main business activity of the company is developing of Oil and Gas exploration processes and trading Oil related products.

43.6 STO Hotels & Resorts Private Limited

The company was engaged in the operation of an airport.

43.7 Maldives Industrial Fisheries Company Limited (MIFCO)

The principal activities are export of frozen fish, Canned tuna, Katsubishi, fish meal, retail sales in the local market by the name Fasmeeru products.

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44 RELATED PARTY TRANSACTIONS

44.1 GROUP

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
			MVR	MVR	MVR	MVR
Maldives Structural Product Private Limited	Joint venture	Sale of goods	64,830	64,830	(18,800,942)	(22,818,102)
		Purchase of goods	(63,395,647)	(57,150,129)		
		Dividend received	8,000,000	13,000,000		
		Payment received	(12,064,830)	(9,064,830)		
		Payment made	71,412,807	46,755,521		
Lafarge Maldives Cement Private Limited	Associate	Purchase of goods	(71,209,524)	(85,987,763)	(9,228,124)	(31,185,246)
		Payment made	95,787,014	99,266,619		
		Transportation charges paid	(2,685,189)	(3,909,818)		
		Rebate received	-	229,492		
		Expense Reimbursement	63,222			
		Sales of goods	370,864	316,140		
		Payment received	(607,376)	(1,071,377)		
		Rent received	238,111	-		
Ministry of Finance and Treasury	Majority Shareholder	Food subsidy income	352,583,491	294,066,756	68,153,748	94,340,203
		Fuel subsidy	489,032,352	548,457,805		
		Sale of goods	2,570,894	74,685		
		Advance received	(44,000,000)	-		
		Security Deposit	15,000	-		
		Payment received	(826,388,192)	(970,687,475)		
Ministry of Health	Affiliate Company	Sale of goods	301,991,971	213,620,111	175,885,023	142,162,482
		Payment received	(268,269,430)	(168,864,592)		
State Electric Company (STELCO)	Affiliate Company	Service obtained	(17,605,565)	(19,620,448)	113,470,693	115,285,751
		Payment made	17,682,763	19,351,683		
		Payment received	(1,113,261,980)	(1,048,266,611)		
		Sale of goods and fuel	1,111,369,724	1,026,209,154		
Indira Gandhi Memorial Hospital	Affiliate Company	Sale of goods	326,596,981	356,030,197	207,363,990	268,476,909
		Payment received	(387,709,900)	(267,763,169)		
Rainbow Enterprises Private Limited	Affiliate Company	Purchase of goods	(156,274)	(575,485)	1,864,074	549,778
		Sale of goods	3,373,280	2,781,725		
		Payment made	193,236	579,134		
		Interest	(607,670)	713,237		
		Payment received	(1,488,277)	(8,678,819)		
Maldives Road Development Corporation	Affiliate Company	Sale of goods	-	460,062	38,571,571	62,850,523
		Fine charged	725,000	-		
		Payment received	(25,003,952)	(19,760)		

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
			MVR	MVR	MVR	MVR
Hulhumale Hospital	Affiliate Company	Sale of goods	138,997	(62,920)	17,397,067	27,146,295
		Payment received	(9,888,224)	(218,850)		
Ministry of Housing and Infrastructure	Affiliate Company	Sale of goods	-	22,229,680	98,563,676	102,836,627
		Service obtained	(4,212,000)	(183,810)		
		Payment made	-	153,810		
		Payment received	(60,951)	(15,891,835)		
Fenaka Corporation Limited	Affiliate Company	Sale of goods and fuel	703,938,029	634,349,385	730,157,114	743,721,795
		Service obtained	(7,032,712)	(7,361,651)		
		Interest received	5,102,189	8,313,346		
		Payment made	8,498,086	3,614,325		
		Payment received	(724,070,272)	(423,249,090)		
Maldives Airport Company Limited	Affiliate Company	Sale of goods	12,948,699	906,406	121,837,346	54,233,628
		Sale of fuel	1,719,855,184	1,547,119,022		
		Payment received	(1,665,200,166)	(1,694,533,454)		
Addu International Airport Private Limited	Affiliate Company	Sale of goods	24,048,743	25,532,192	1,593,971	217,749,797
		Payment received	(240,204,569)	(5,794,687)		
Aasandha Private Limited	Affiliate Company	Sale of goods	331,471,753	326,413,727	132,491,417	192,416,025
		Services provided	-	101,927		
		Payment received	(391,396,361)	(366,711,365)		

42.1.1 Transactions with Key Management Personnel

The Board of Directors and Managing Director of the Group are the members of the key management personnel. Key management personnel compensation comprised the following.

	2019 MVR	2018 MVR
Short term employee benefits	8,310,085	10,690,377

42.1.2 Collectively, but not individually, significant transactions.

The Government of Maldives is the major shareholder of the parent Company. The Group has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Group has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

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44 RELATED PARTY TRANSACTIONS

44.1 COMPANY

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
			MVR	MVR	MVR	MVR
Allied Insurance Company of the Maldives Private Limited	Subsidiary	Sale of goods	2,591,073	184,972	(99,784,159)	(105,054,938)
		Service obtained	(33,768,362)	(29,786,377)		
		Advance received	-	(51,889,168)		
		Interest paid	(2,415,878)	(2,536,924)		
		Payment made	156,119,250	41,967,713		
		Claims received	1,477,998	3,701,527		
		Payment received	(37,754,101)	(47,120,260)		
		Rent received	1,059,616	1,087,354		
		Service Provided	89,795	-		
		Dollar Purchase	(66,306,000)	-		
		Dollar Sales	(62,682,300)	-		
		Dividend received	46,859,688	25,109,833		
Maldivian National Oil Company Limited	Subsidiary	Expense Reimbursement	-	29,787	10,224	10,224
Maldivian Gas Private Limited	Subsidiary	Sale of goods	550,575	1,694,402	4,815,445	3,056,514
		Purchase of goods	(10,681,324)	(8,516,028)		
		Dividend received	10,000,000	5,000,000		
		Rent received	1,683,626	1,632,672		
		Payment made	21,473,824	30,055,123		
		Service provided	350,176	-		
		Payment received	(21,617,946)	(25,238,894)		
Fuel Supplies Maldives Private Limited	Subsidiary	Sale of fuel	3,451,652,647	3,295,667,224	1,325,144,847	1,244,019,214
		Purchases of fuel	(465,987,315)	(455,151,052)		
		Payment made	663,034,772	699,044,693		
		Service obtained	-	(219,645)		
		Rent Income	6,379,768	3,818,709		
		Service provided	479,255	-		
		Rebate paid on fuel sales	(4,343,376)	(28,095,161)		
		Payment received	(3,374,487,951)	(2,872,852,056)		
		Government subsidy payable	(190,020,203)	(210,200,816)		
		Transportation charges paid	(5,581,963)	(5,001,761)		
STO Maldives (Singapore)		Purchases of goods	(1,145,872)	(7,704,699)	27,831,385	29,530,359
		Service provided	1,423,041	11,838,232		
		Payment made	742,403	118,929,144		
		Interest	(2,718,546)	(1,470,561)		
		Payments received	-	(12,819,985)		

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
			MVR	MVR	MVR	MVR
Maldives Industrial Fisheries Company Limited	Subsidiary	Sale of goods	5,338,116	12,802,331	115,609,191	103,368,848
		Government grant given	223,202,072	27,472,697		
		Purchase of goods	(8,319,316)	(14,334,084)		
		Capital commitment payable	(218,799,206)	129,860,466		
		Advance given	44,000,000	-		
		Service provided	265,787	-		
		Payment made	432,571,087	588,787,585		
		Payment received	(5,723,097)	(13,452,779)		
		Purchase of foreign currency	(460,295,100)	(642,242,999)		
STO Hotels & Resorts Private Limited	Subsidiary	Expense Reimbursement	2,682,818	346,432	205,684,029	203,001,212
Maldives Structural Product Private Limited	Joint venture	Purchase of goods	(63,395,647)	(57,150,129)	(18,800,942)	(22,818,102)
		Dividend received	8,000,000	13,000,000		
		Payment received	(12,000,000)	(9,000,000)		
		Payment made	71,412,807	46,755,521		
Lafarge Maldives Cement Private Limited	Associate	Purchase of goods	(71,209,524)	(85,987,763)	(9,232,520)	(31,188,044)
		Payment made	95,787,014	99,266,619		
		Transportation charges paid	(2,685,189)	(3,909,818)		
		Rebate received	-	229,492		
		Expense Reimbursement	63,222	-		
		Sales of goods	116,390	-		
		Payment received	(354,501)	(754,954)		
		Rent received	238,111	-		
Ministry of Finance and Treasury	Majority Shareholder	Food subsidy income	352,583,491	294,066,756	68,153,748	94,340,203
		Fuel subsidy	489,032,352	548,457,805		
		Sale of goods	2,570,894	74,685		
		Advance received	(44,000,000)	-		
		Security Deposit	15,000	-		
		Payment received	(826,388,192)	(881,143,291)		
Ministry of Health	Affiliate company	Sale of goods	301,991,971	213,620,111	175,885,023	142,162,482
		Payment received	(268,269,430)	(168,864,592)		
State Electric Company (STELCO)	Affiliate company	Service obtained	(17,605,565)	(17,723,642)	113,430,087	115,196,654
		Payment made	17,682,763	17,454,876		
		Payment received	(1,111,466,460)	(1,046,886,193)		
		Sale of goods and fuel	1,109,622,695	1,024,785,430		

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44 RELATED PARTY TRANSACTIONS (CONTINUED)

44.2 COMPANY (CONTINUED)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2019	2018	31/12/2019	31/12/2018
			MVR	MVR	MVR	MVR
Indira Gandhi Memorial Hospital	Affiliate company	Sale of goods	326,596,981	356,030,197	207,363,990	268,476,909
		Payment received	(387,709,900)	(267,763,169)		
Rainbow Enterprises Private Limited	Affiliate company	Purchase of goods	(156,274)	(575,485)	1,864,074	549,778
		Sale of goods	3,373,280	2,781,725		
		Payment made	193,236	579,134		
		Interest	(607,670)	713,237		
		Payment received	(1,488,277)	(8,678,819)		
Maldives Road Development Corporation	Affiliate company	Sale of goods	-	460,062	37,969,674	62,248,626
		Bid security	725,000	-		
		Payment received	(25,003,952)	-		
Hulhumale Hospital	Affiliate company	Sale of goods	138,997	(62,920)	17,397,067	27,146,295
		Payment received	(9,888,224)	(218,850)		
Fenaka Corporation Limited	Affiliate company	Sale of foreign currency	-	-	52,422,231	85,135,740
		Sale of goods	3,226,059	5,117,192		
		Service obtained	(7,032,712)	(9,358,162)		
		Receivables transferred	-	120,000,000		
		Interest received	5,102,189	-		
		Payment made	8,498,086	9,329,799		
		Payment received	(42,507,129)	(3,354,482)		
Maldives Airport Company Limited	Affiliate company	Sale of goods	12,948,699	906,406	121,837,346	54,233,628
		Sale of fuel	1,719,855,184	1,547,119,022		
		Payment received	(1,665,200,166)	(1,694,533,454)		
Addu International Airport Private Limited	Affiliate company	Sale of goods	23,700,517	25,183,966	-	216,155,826
		Transferred from Gan Airport				
		Payment received	(239,856,343)	(5,446,461)		

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2019	2018	31/12/2019	31/12/2018
			MVR	MVR	MVR	MVR
Ministry of Housing and Infrastructure	Affiliate company	Sale of goods	-	22,229,680	98,563,676	102,836,627
		Service obtained	(4,212,000)	(183,810)		
		Payment made	-	153,810		
		Payment received	(60,951)	(15,891,835)		
Aasandha Private Limited	Affiliate company	Sale of goods	331,471,753	326,413,727	132,491,417	192,416,025
		Payment received	(391,396,361)	(366,609,438)		

42.2.1 Transactions with Key Management Personnel

The Managing Director and a board of director of the Company are the members of the key management personnel. Key management personnel compensation comprised the following.

	2019 MVR	2018 MVR
Short term employee benefits	1,910,044	3,329,992

42.2.2 Collectively, but not individually, significant transactions.

The Government of Maldives is the major shareholder of the parent company. The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

**Executive
Team**

08





Husen Amru Mohamed Rashad

Husen Amru Mohamed Rashad took on the roles of Chief Executive Officer and Managing Director, on 30th November 2018.

He holds a Master of Business Administration from International Islamic University, Malaysia and has a Bachelor of Science in Computer Science from University of Sunderland, through Binary College Malaysia.

Amru has previously held the position of Chief Executive Officer of MTCC, from September 2010 till February 2012. He has also served as Deputy Under-Secretary heading the Economic Development Unit at the President's Office and was a member of the Privatization Committee formed by the President's Decree in 2018. He currently serves as the Chairman of Maldives Industrial Fisheries Company Ltd, Maldives National Oil Company Ltd and Lafarge Maldives Cement Pvt Ltd. Furthermore, he has represented STO in the Board of Directors of Addu International Airport Pvt Ltd until early January 2020 when STO transferred its shares to the Government.

Amru has also played an active role in the political sphere as a National Council member of the Maldivian Democratic Party. He has been instrumental in formulating manifestos of the party and current government as Chairperson of the Policy Committee, member of the Economic Committee and as the Chairperson of the 100 days Committee contributing immensely to compiling the 100 Days Action Plan during the transition period in 2018. Furthermore, he has been a successful entrepreneur engaged in the private sector for a number of years.

Amru's wide ranging interests include entrepreneurship, strategy, economics, politics and technology. His hobbies include playing tennis and squash, research, and experimenting with inventions.



Mohamed Mihad

Mohamed Mihad joined STO in 2009 as an accountant and was appointed as the Chief Financial Officer of the Company in 2014. Mihad is one of the youngest people to be appointed as a CFO in the Maldives. Furthermore, he was appointed to the Board of Directors of STO as an Executive Director in 2016. Mihad is a member of the Chartered Institute of Management Accountants and has experience in SAP ERP systems since he played a key role in the ERP implementation project of the Company. He was core team lead of the SAP ERP finance module in this project.

He is an easily approachable character with excellent communication skills. He has a passion for reading and trying out new cuisines. He is also an avid fan of Liverpool Football Club.



Ibrahim Mahfooz

Dr. Ibrahim Mahfooz joined STO in 1996 and worked in Accounting and Finance until 1999. From then on, he moved to Internal auditing and has been the Chief Internal Auditor of the company since July 2010.

Dr. Mahfooz is the longest serving Maldivian member of the Association of Certified fraud Examiners (CFE) USA, and also the longest serving Maldivian fellow of the Association of Chartered Certified Accountants (FCCA) UK. From mid-2003 to mid-2004, he worked at Ernst and Young on various assignments in the Maldives and Sri Lanka.

Dr. Mahfooz obtained his Doctorate in Business Administration from the University of Newcastle, Australia, Master of Business Administration from the Charles Stuart University, Australia and Bachelor of Arts with Honors in Accounting and Finance from the Oxford Brookes University, UK.

His current interests during space time includes swimming and reading. He has a friendly personality and has a refreshingly pleasant sense of humor. Dr. Mahfooz is also a Certified PADI Open Water Diver.



Ahmed Shifan

After serving the nation in the Maldives National Defense Force for almost 5 years, Shifan joined STO in 2003 as an Assistant Manager. His dedication and hard work have resulted in him being positioned as a Senior General Manager of the Company today. Currently, he is in-charge of STO Medicals, which today contributes the highest income to the company, apart from fuel Segment. Previously, he has also served STO, as the head of Supermart, Regional Sales, Home Improvement, Information Technology and Human Resources.

He represents STO in the Boards of Maldivian Gas as its Chairman, in STO Hotel and Resorts as its Managing Director and in Fuel Supplies Maldives as a Board Director. Furthermore he has served as a member of the Board of Advisors for the SAP Asia Pacific Japan Regional Services Board and as a Board Director of Maldives Structural Products Pvt Ltd.

With over 15 years of knowledge and experience in various fields such as management, strategic planning, human resources, sustainability, technology and

sales, he holds a Master of Business Administration with Honors from Auckland University of Technology (AUT), New Zealand and a Bachelor of Science with Joint Honors (First Class) in Business Information Systems and Business Studies from Middlesex University, UK. He is also a Fellow of the Global Academy of Finance and Management® (GAFM)®.

He has an open, down to earth personality. His socializing attitude allows him to engage well with people. He is a good sportsman, actively participating in sports such as futsal, volley, table tennis, badminton and cricket. Apart from sports, he is a Certified PADI Advanced Open Water Diver.



Aishath Shaffana Rasheed

Aishath Shaffana Rasheed joined STO in 2004. She serves as the Company Secretary of the Company since 2007. Shaffana is also the Head of Department for Company Secretariat and Legal Affairs. She has previously worked in STO Supermart and Marketing Department.

She holds a Master of Business from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University of Australia.

Shaffana is a sociable and fun character.



Ismail Mifrah

Ismail Mifrah joined STO in 2006 as a Technical Support Engineer. He later worked his way up to a Senior Information Systems Manager where he was responsible for creating organizational level ICT policies and best practices while also being in charge of business continuity & development. Mifrah resigned in October 2017 but later rejoined in May 2019 as the Chief Information Officer.

Mifrah also serves as a Board Director for Maldives Industrial Fisheries Company Limited and has previously served in the Board of Fuel Supplies Maldives Pvt Ltd.

Mifrah holds a master's degree in Technology Management from Asia Pacific Institute for Information Technology (APIIT), Malaysia and a Bachelor of Science in Information Technology from Edith Cowan University, Australia. He is also a Microsoft Certified Professional and SAP MM Associate Consultant.

Mifrah has a passion to read and dive. He is a calm character, initiative and innovative. He loves every kind of technology and is a huge fan of Arsenal Sports Club.



Mohamed Murad

It was in 1998 after his secondary studies, Murad decided to join STO. He has over 20 years of experience in STO and is a witness to many institutional memories of the Company. He mainly worked in STO Home Improvement and STO Electronics.

His experience and industrious mind have made him to be the Head of Risk Management today, where he oversees the overall risk management of the Company.

Murad is a Board Director of Maldives Structural Products Pvt Ltd and had previously served in the Board of Maldivian Gas Pvt Ltd.

Murad holds a BTEC Higher National Diploma in Spatial Design from the Academy of Design, Northumbria University, UK.

He is a fun and exciting character and his socializing attitude allows him to engage well with people. His main interest is football.



Mariyam Paruveen Abdul Faththah

Mariyam Paruveen Abdul Faththah is the Head of Department for Managing Directors Bureau. She is also in charge of the public relations and media of the Company.

She joined STO in the year 1998 after working in the Ministry of Construction and Public Works from 1995 till 1997. During her 20 years of service in STO, she has filled positions as also Officer in Administration and also worked as the Head of Department of STO Supermart.

Paruveen holds a Master's in Business from the University of Wales Trinity Saint David and a BA (Hons) in Business Administration from the University of Hertfordshire, UK. She is also a Board Director of Maldivian Gas Pvt Ltd.

Paruveen is admired for her fun and open personality. She has a creative mind, loves to draw and enjoys playing sports. She has an interest in playing volley, billiard and carrom particularly.



Mariyam Nuzla

Mariyam Nuzla has served STO since 1999. She worked her way from a Sales Officer to becoming the Head of Department for HR and Admin today. Her mandate is to oversee human resources, admin, projects, business development and the vehicle garage.

Nuzla has previously served as the Head of Corporate and Legal Affairs, the Head of Department of Procurement (General) and also as the Personal Assistant to the Managing Director.

She is a Board Director of Allied Insurance Company of the Maldives Pvt Ltd and Maldives Industrial Fisheries Company Ltd. She had previously served as a Board Member at Maldive Gas Pvt Ltd as well.

Nuzla holds a master's in business from Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University, Australia.

She is a friendly and approachable character whom people look up to for advice often. She enjoys travelling and cooking.



Hussain Sobah

Hussain Sobah joined STO right after his higher secondary education in 2003. He has over 15 years of experience in sales, where he worked in STO Construction, STO Regional Shops, STO Supermart and STO Home Improvement. He worked in STO Medicals for over 5 years and has been involved in many important projects such as the "All Island Pharmacy Project" in 2014 and the takeover of IGMH stock management in 2010.

Sobah currently works as the Head of Department for People's Choice, where his main responsibility is to oversee all business stores that relate to STO Home Improvement, STO Supermart, STO Regional Shops and STO Staple Foods.

He holds a bachelor's degree in Business (Marketing and Management) from Edith Cowan University, Australia.

Soba is a modest and diligent character who enjoys travelling, fishing (jigging), football, reading and spending quality time with his family.



Abdul Wahid Moosa

Abdul Wahid Moosa joined STO at the age of 25, just after completing his bachelor's degree in Business (specialized in Management and Marketing), a degree awarded by the Edith Cowan University, Australia .

He started off at STO with the transport team, working on managing company's fleet. His interests have always been to work in shipping, particularly in the field of technical & operational management of foreign-going ships.

He learned his field by working in one of successful ship management companies in Singapore called Thome Ship Management. He is the Company Security Officer and has been qualified to conduct industry related ship audits and inspections under ISM, ISPS and ISO 9001-2015.

Today, he heads the Transport team himself, while also being the Chairman of Maldives State Shipping Company Ltd, a Company envisioned to play a huge role in cargo and logistics management, linking Maldives with the rest of the world. He is also a board director representing STO in the board of Lafarge Maldives Cement.

With a passion for football, fishing and travelling, he is a joyful and friendly character with a rational mind.



Mohamed Nizam

Mohamed Nizam joined STO in the year 2010 and is currently the Head of Procurement Department. Prior to this, he has worked in key positions of the Company that include the Finance Manager, the Chief Risk Officer and as a Senior Information System Manager of the ICT department.

He is presently a Board Director of Allied Insurance Company of the Maldives Pvt Ltd and Maldives Industrial Fisheries Company Ltd. Nizam was also a former Director of Fuel Supplies Maldives Ltd and represented STO in the Board of the Maldives Stock Exchange and and the Maldives Securities Depository.

Nizam holds a master's degree in Business Administration, specialized in financial management from University of Ballarat, Australia and a Bachelor of Arts (Honors) degree in Finance and Accounting from University of East London, UK. He is a professional member of the Institute of Enterprise Risk Practitioners (IERP) and a certified Enterprise Risk Advisor (ERA). Nizam is also a certified associate consultant in SAP Finance and Controlling.

Nizam is a serene and helpful character. He is known for his crucial ability of critical

thinking and problem solving. He is extremely qualified in analyzing and visualizing data in MS Excel. Nizam has an interest in watching documentaries on astrophysics and technology.

**General
Information**

09



Name of company

State Trading Organization PLC.

Company registration number

C-186/2001

Legal form

A Public Listed Company with limited liability. Initially incorporated as a Government Company, Athireemaafannu Trading Account (ATA), on 20th December 1964. Renamed as State Trading Organization on 9th June 1979. Changed to a public listed company on 14th August 2001.

Stock exchange listing

Ordinary shares of the Company are listed at the Maldives Stock Exchange Company Pvt. Ltd.

Board of Directors

Hamid Nasheed Mohamed (Chairman)

Husen Amru Mohamed Rashad (Managing Director)

Mohamed Mihad (Executive Director / Chief Financial Officer)

Shimad Ibrahim (Non-Executive, Independent Director)

Gais Ismail (Non-Executive, Independent Director)

Ismail Zumayl Rasheed (Non-Executive, Independent Director)

Aminath Rushma (Non-Executive, Independent Director)

Audit & Risk Committee

Shimad Ibrahim (Chairman)

Ismail Zumayl Rasheed (Member)

Aminath Rushma (Member)

Corporate Governance & Compliance Committee

Aminath Rushma (Chairperson)

Gais Ismail (Member)

Shimad Ibrahim (Member)

Nomination & Remuneration Committee

Ismail Zumayl Rasheed (Chairman)

Shimad Ibrahim (Member)

Gais Ismail (Member)

Auditors

KPMG,
Mialani, 2nd Floor, Henveiru
Sosun Magu
Malé
Republic of Maldives

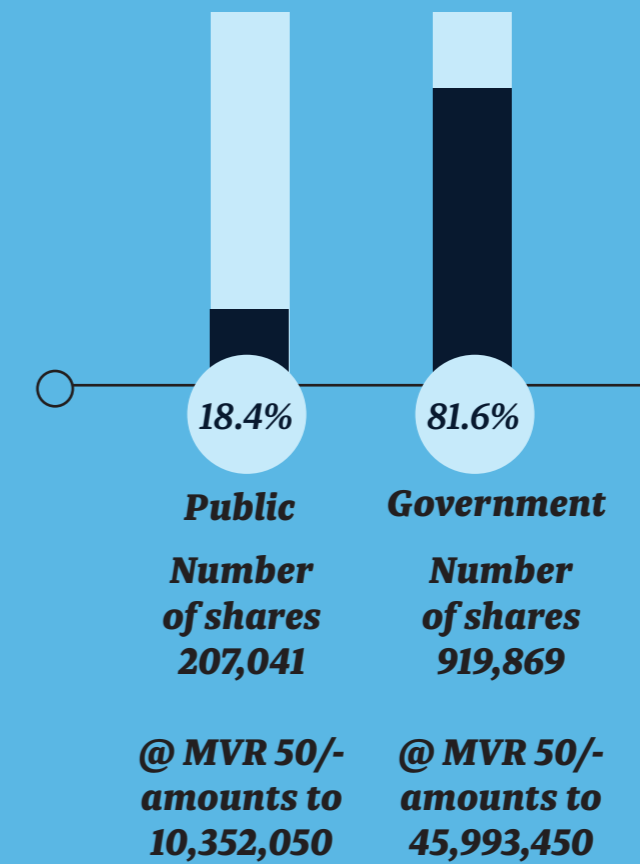
Bankers

Bank of Ceylon, Malé
Bank of Maldives plc, Malé
Habib Bank Limited, Malé
HSBC, Hong Kong
Maldives Islamic Bank, Malé
Nations Trust Bank, Colombo
State Bank of India, Malé
The Mauritius Commercial Bank (Maldives) Private Limited
International Islamic Trade Finance Corporation

Registered address

State Trading Organization plc.
Kan'baa Aisa Rani Hingun,
Maafannu,
Malé 20345
Republic of Maldives
Call Centre: +960334333
Fax: +9603344533
Email: info@stomaldives.net
Website: www.sto.mv

Share details



Authorized capital
100,000,000

Paid-up capital
56,345,500

Premium
27,814,500

Group of Companies as at 31st December 2019

1st November
1984

Name of company: Allied Insurance Company of Maldives
Area of business: Insurance
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
MGPL 0.01%

1st November
1993

Name of company: Maldives Industrial Fisheries Company Ltd.
Area of business: Fish canning and its by-product manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
Allied 0.01%

30th November
1997

Name of company: STO Maldives (Singapore) Pte. Ltd.
Area of business: Trading
Incorporated in: Singapore
Operated in: Singapore
Shareholders: STO 100%

3rd October
1999

Name of company: Maldivian Gas Pvt.Ltd.
Area of business: Gas distribution
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 90%
Champa Oil and Gas 10%

23rd October
2000

Name of company: Maldivian Structural Products Pvt.Ltd.
Area of business: Roofing materials manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 50%
Rainbow Investment 50%

18th December
2000

Name of company: Fuel Supplies Maldives Pvt.Ltd.
Area of business: Fuel distribution
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
MNOC 0.01%

7th January
2002

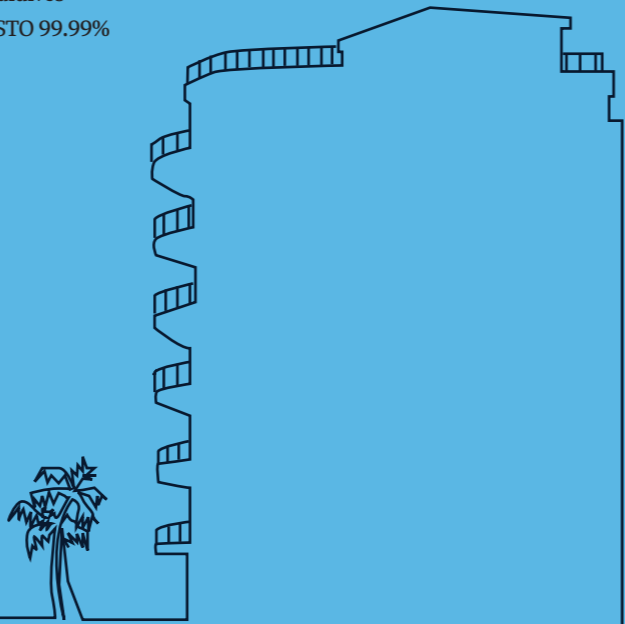
Name of company: Lafarge Maldives Cement Pvt.Ltd.
Area of business: Cement manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 25%
Lafarge(Zurich) 75%

6th October
2003

Name of company: Maldivian National Oil Company Ltd.
Area of business: Fuel trader
Incorporated in: Maldives
Operated in: Singapore
Shareholders: STO 99.99%
Allied 0.01%

7th February
2012

Name of company: STO Hotels & Resorts Pvt.Ltd.
Area of business: Tourism sector
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
FSM 0.01%





Allied Insurance Company of the Maldives Pvt. Ltd.

City Square, 3rd floor Chaandhanee Magu,
Malé 20156
Maldives
T: +960 334 1001
E: info@allied.mv
Website: www.allied.mv



Fuel Supplies Maldives Pvt Ltd

STO Aifaanu Building, Block A,
4th Floor,
Boduthakurufaanu Magu, Malé 20026,
Maldives
T: +960 3336655
E: info@fuelmaldives.net
Website: www.fuelmaldives.com



Maldive Gas Pvt. Ltd.

#02-21 STO Trade Centre, 2nd Floor,
Orchid Magu, Malé 20188,
Maldives
T: +960 333 5614
E: info@maldivegas.com
Website: www.maldivegas.com



Maldives National Oil Company Ltd.

STO Head Office Building, 7th Floor
Kan'baa Aisa Rani Hingun, Malé 20345,
Maldives
T: +960 3344300
E: info@mnoc.com.sg
Website: www.mnoc.com.mv



Maldives Structural Products Pvt. Ltd.

G. Marline Spike Building, 2/10
Alikilegefaanu Magu, Malé 20117
Maldives
T: +960 3337720
E: msroof@dhivehinet.net.mv



Maldives Industrial Fisheries Company Ltd.

MIFCO Head Office Building
Hilaalee Magu, Malé 389
Maldives
T: +960 3323923 +960 3323955
E: info@mifco.com.mv
Website: www.mifco.com.mv

STO Hotels & Resorts Pvt. Ltd.

STO Head Office Building, 6th Floor,
Kan'baa Aisa Rani Hingun, Malé 20345
Maldives
T: +960 3344388 +960 3344374
E: hotels@stomaldives.net

STO Maldives (Singapore) Pte. Ltd.

#39-10 International Plaza,
10 Anson Road 079903,
Singapore
T: (65) 6324 4668
E: stosing@stomaldives.com.sg

5 Year Group Financial Review

MVR, Millions	2019	2018	2017	2016	2015
Earnings					
Revenue	10,906	10,873	9,100	6,939	7,313
Gross Profit	1,950	1,509	1,435	1,375	1,505
Operating Profit	842	247	315	578	678
Profit before tax	476	(130)	211	490	520
Profit for the year	383	(180)	159	429	435
Share Data					
Price per share, at year end, MVR	500	400	350	500	500
Earnings per share, MVR	336	(162)	137	377	382
Dividend per share, MVR*	58	58	55	51	57
Net assets per share, MVR	2,083	1,806	2,234	2,145	1,946
No. of shares	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
Key Ratios					
Return on equity, %	17.5%	-7.9%	6.4%	18.6%	21.5%
Return on capital employed (ROCE)	11.2%	3.4%	4.3%	9.2%	13.5%
Equity/asset ratio, %	29.7%	26.4%	32.5%	34.3%	38.4%
Net debt/equity ratio	2.22	2.62	1.90	1.60	1.29
Interest coverage ratio	4.08	1.23	2.30	5.11	4.52
Dividend yield, at year end, %	11.6%	14.5%	15.7%	10.2%	11.4%
Financial Position and Cash Flow					
Total assets	7,905	7,697	7,738	7,053	5,715
Equity	2,347	2,035	2,518	2,417	2,193
Non-current liabilities	915	623	717	993	845
Trade, other and related party receivables	2,581	2,840	2,918	2,388	1,946
Inventories	1,207	1,084	983	1,034	706
Trade, other and related party payables	1,509	2,512	2,668	2,237	1,681
Net Operating cash flow	125	(218)	290	616	381

* Proposed dividend for 2019

