

# Annual Report 2009



**State Trading Organization PLC**

evolving with you

## Attention

This report (Annual 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, the Securities Act of Maldives Securities Depository 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, collectively. The term 'Company' refers to STO and/or its subsidiaries.

STO prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs).

References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2009. 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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# Financial Highlights

Key Financial Highlights (in millions Rufiyaa unless otherwise stated)

<b>GROUP</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Turnover (Rf m)	5,837	5,838	5,560	6,418	4,982
Net Profit (Rf m)	152	161	170	187	172
Gross Profit (Rf m)	375	404	435	577	621
Net Worth (Rf m)	701	793	910	991	1,051
EPS (Rf)	129	135	142	156	151
<b>STO PLC</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Shareholder Value					
EPS (Rf)	115	122	126	138	124
PE Ratio	7.78	5.54	5.28	4.08	5.16
Market Price Per Share					
Highest (Rf)	1210	899	770	775	760
Lowest (Rf)	740	430	500	450	600
Weighted Average (Rf)	892	673	663	564	640
Dividend per share (Rf)	55	82	70	65	n/a

## Performance

Turnover (Rf m)	5,283	5,556	5,157	5,927	3,845
Net Profit (Rf m)	129	137	142	156	140
Gross Profit (Rf m)	290	302	308	414	422

## Financial Position

Current Assets (Rf m)	717	835	1,339	1,404	1,767
Current Liabilities (Rf m)	467	411	932	913	1,333
Total Assets (Rf m)	1,115	1,215	1,755	1,780	2,243
Total Liabilities (Rf m)	496	522	968	938	1,341
Equity (Rf m)	619	693	787	842	902
No of Shares	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910

# People's Company

*Be a recognized trading leader in the region, creating enduring value for all stakeholders, positively influencing the lives of the communities we serve and be a catalyst of economic growth supporting economically and environmentally sustainable development.*



## Vision

Be a recognized trading leader in the region, creating enduring value for all stakeholders, positively influencing the lives of the communities we serve and be a catalyst of economic growth supporting economically and environmentally sustainable development.

## Mission

- Work towards achieving profitability not losing sight of the company's original founding purpose of ensuring supplies and stable prices of necessities and essentials.
- Offer a wide range of quality products and services targeted to the specific needs of consumers and businesses that cater to the changing demands of the market and maximize access to all corners of the country through an effective distribution network.
- Seek opportunities for investment abroad and engineer growth through expansion and diversification of our businesses, adapting to changing local and global business conditions.
- Contribute to the national economy through investing in local manufacturing, creating opportunities to help the development of local businesses by offering retail opportunities and strategic partnerships.
- Contribute to society through the development of and participation in social programs that directly contribute to the community.
- Ensuring good governance through strict compliance with the highest standards of corporate governance.

## Core Values

Nation first - National interest is number one priority  
Customer focus - Delight each and every customer  
Employee well-being - Pleasant workplace, learning and growth  
Leadership - Excel with reliability, integrity, honesty and transparency  
Social Responsibility - Care for the society and the environment

*«To bring Satisfaction to the  
lives of our customers»*

# Our Story



01-01-2001  
Subsidiary company  
Fuel Supplies  
Maldives Pvt. Ltd.  
was incorporated

04-10-1999  
STO Gas Factory was  
opened

03-09-1996  
STO (Singapore)  
Pte. Ltd. was  
incorporated

29-11-1998  
Opening of the STO  
Hithadhoo Supermart

01-10-1995  
Started a credit  
scheme service for  
its customers

24-04-1994  
Construction of  
the Trade Center  
Building was  
completed and  
opened

25-07-1992  
The opening of  
the Supermart

01-04-1987  
Umar  
Shopping  
Arcade  
Opened



31-01-1985  
Allied Insurance  
Company of  
the Maldives  
incorporated

20-12-1964  
STO under the name  
ATA opened at MGBS  
Stores

STO Cement  
factory was  
opened  
25-07-1999



STO People's Choice  
Gas was established  
03-09-1996

The first Easyfill  
station opened  
19-03-1993



Opening the  
first STO Shop at  
Huvarafushi  
01-08-1987

STO pharmacy  
was opened at  
IGMH  
02-04-1995



Change Name to STO  
09-06-1989

First Head Office  
Building of STO was  
opened  
05-02-1987

STO Ifaan Building was opened  
&  
Name was changed to State  
Trading Organisation Ltd  
28-06-1998

S. Maradhoo  
Feydhoo Warehouse  
opened  
04-11-2000



**28-01-2002**  
STO People's Choice Warehouse/ Supermart opened



**27-05-2005**  
Shop and Warehouse opened at Gn. Fuahmulah



**01-11-2002**  
STO Electronics started operating as a retail shop

**01-01-2006**  
Medical Insurance Scheme was introduced for STO Staff

**17-09-2008**  
Baa. Eydafushi started selling Diesel for fisherman and public

**09-08-2001**  
Name Changed to State Trading Organisation PLC

**20-12-2003**  
STO Electronics Service Center was opened

**20-03-2007**  
STO Trade Center was opened Gaaf Alifu Atoll

Initial Public Offering of STO shares  
**15-08-2001**

Shop opened at GDh. Thinadhoo  
**03-07-2002**



STO Opened a shop at Hulhumale'  
**12-05-2004**

GDh. Atoll Cooperative Society was established  
**02-10-2006**

Name change of STO People's Choice Gas to Maldive Gas  
**01-01-2003**



A Provident Fund was started for the employees  
**01-01-2006**

New Head Office Building was opened  
**22-05-2007**

STO Roofing Material Factory opened  
**04-08-2001**



# Achievements

## ISO Certificate 9001:2008

In recognition of the excellent logistics and fleet management system established at STO, the company has been awarded ISO 9001:2008 by TÜV SÜD South Asia Pvt Ltd.

## Philips' Best AVM Growth 2008 Award

STO won Philips' Best AVM Growth Award 2008 for being the acclaimed market leader in the region in Audio, Video and Multimedia (AVM) equipment sales.

## Implementing SAP ERP System

STO has signed agreement with SAP to implement a world renowned enterprise resource planning system at STO, which will bring about imminent efficiencies to the internal operations through integration of warehousing and merchandising across the company.

## Purchase and Commissioning of DWT 8,200 Tonne Oil Tanker

STO has purchased and commissioned an DWT 8,200 tonne oil tanker, which will enhance the service capacity, and reliability and safety in oil delivery, the main business of the company.



## Club Maldives Championship 2009

STO's futsal team played in the finals and won the Club Maldives Championship 2009 trophy for the company.



# Chairman's Message

## Main Priorities

Last year presented economic hurdles to the company as well as for the whole country. Our aim during this challenging year had been to conduct our business based on the company's founding principle of providing the country with its basic needs to sustain and prosper including staple foods, medicines, fuel and construction materials. This principle allowed the company to ensure that its focus and priority be directed towards fulfilling those most basic needs. The most constrained resources such as foreign exchange resource were utilized to ease the impending shortage of basic necessities for the country.

## Results

It has been another highly profitable year in all respects for all stakeholders. It was decided that important investments necessary to drive future growth for our shareholders be continued given the stable financial situation of the company. As such, work on major capital projects were continued whilst adequate reserves were maintained for contingencies in these unstable times. This flexibility will enable us to work at a greater speed once the financial markets become favourable and more funding options becomes available for various projects.

## Initiatives

A key business strategy during the year was improving the company's management capability by investing in the improvement of internal controls and state-of-art management information systems. Thus management will have access to real-time information crucial in making sound judgements and help in reducing a number of risks associated with the company's operations.

The main focus for the coming year would be to work on broader areas of diversification of the group whereby we would explore other horizons which would give better returns to the shareholders and offer better service to customers. As such housing, real-estate and tourism would be areas of special interest for our business.

## People

As the country went through a time of an unprecedented economic hardship, we as a company focused on expanding our corporate social responsibility by allocating funds and resources to social, economic and environment causes. As such, the company's staff members spared their time to volunteer for a number of social and environment activities undertaken during the year. Donations, sponsorships and other forms of assistance were given to a number of government and non-governmental organizations working to address a number of social problems especially towards eliminating the abuse of drugs in the country.

## Reinventing the business

As chairman of the Board, it is my duty to ensure that the company follows the corporate governance code and ensure that the management of the company

is undertaken in a manner that its dealings are transparent and accountable. We have to ensure our business transactions provide value for money to the company, so that shareholders get the maximum benefit for their investment. As such the work undertaken during this year will ensure that the company sustain in the long run and continue to give the shareholders better returns than anywhere else.



Farooq Umar, Chairman



# Managing Directors' Message

Year 2009 has been a challenging year for STO with a steep economic downturn, a severe shortage of foreign currency and a significant decline in sales revenue for the company. Despite the challenges the company fared reasonably well in terms of financial performance and posted a net profit figure of MRF 141 million for the year ended 31 December 2009.

As a response to deteriorating economic conditions during 2009, the company underwent an extensive cost cutting exercise. This included implementing a comprehensive screening process on purchases and procurement. Inventory controls were tightened so as to reduce holding costs. Other cost reduction measures included restructuring of staff overtime payments, travel expenses and related other costs. The company also decided to reduce some of the items it was carrying in its sales portfolio. A significant change was to reduce the number of items carried in Home Improvement to four brands, namely, Hitachi, Makita, Nippon and Phillips. The result of cost cutting measures resulted in higher gross profit and net profit margin generating a better than expected net profit for the company.

During 2009 the company decided to implement an ERP system in order to address inefficiencies and lapses in its internal controls. Such a system would also improve efficiency, reduce costs and improve customer service. The company selected SAP as the ERP solution provider and Project "Dhoadhi" was kicked off during December 2009 with a plan to roll-out SAP by mid 2010. Once the implementation is complete, STO would have a state-of-art information system which will enable the company to leap in to the next level in doing its business.

During the year the company also took measures to improve adherence to the Corporate Governance Code, the corporate structure was changed and other significant changes to processes were brought about during the year in order to improve the governance of the company.

The company is now operating in a highly competitive environment, and in order to be able to compete in the market successfully the company needs to change its culture. The company needs to become more dynamic and needs to respond to ever changing and demanding economic and social conditions. With the changes that are being introduced to the company, we will have to inculcate a culture of excellence in work; with high level of ethics and integrity, and above all, putting our customers and shareholders first.

While 2010 will be another challenging year with unprecedented competition and adverse economic conditions, the company will try to successfully implement the ERP system, bring about the much required organizational restructuring, and would strive to maintain its operations at the same level as 2009. While a number of diversification initiatives are underway, they will only be realized during fiscal year 2011. Important foundations are being laid during 2010 to ensure that the company will remain profitable in the years to come.

I would like to thank the dedicated team of STO staff members for their hard work and commitment during the last fiscal year and also thank our customers,

suppliers, bankers, especially the Maldives Monetary Authority (MMA) and our main shareholder the Government of Maldives represented by Ministry of Finance and Treasury for their enduring support.



Shahid Ali, Managing Director



# Board Directors' Profile



## Mr. Mohamed Ahmed Non-Executive, Director

Mr. Mohamed Ahmed, Ma. Feymans, was appointed to the Board of STO on 20th November 2008. He is also the Chairman of the Remuneration and Nomination committee of STO. He has also served as the Chairman for the Board of Directors of Fuel Supplies Maldives Pvt Ltd, and a Board Director of Maldivian Gas Pvt Ltd. Mohamed is a pioneering entrepreneur who initiated the business of a multifarm in K.Kuda Villingili, and founder and manager of Tomaso Sails and Surf. Mohamed is currently the Managing Director of Kafa Carpentry. He has completed special trainings in carpentry, interior design, gardening and farming in Malaysia and the UK.

## Ms. Raheema Saleem Non-Executive, Director

Ms. Raheema Saleem, Ma.Bandhugue, was appointed to the Board of STO on 12th June 2008. She is also the Chairperson of the Audit Committee of STO. She served as the Chairperson of Maldivian National Oil Company Pvt Ltd during last year. She is currently the Advisor to the Housing Development and Finance Corporation Plc of the Maldives.

Raheema has held numerous positions in the Ministry of Finance and Treasury and has represented the Government on many occasions. She currently serves as a member of the Board of several companies, including Housing Development Finance Corporation Plc. Raheema holds a Bachelors degree in Commerce (Accounting and Marketing), from Curtin University of Technology, Australia.

## Mr. Shahid Ali Managing Director/ Executive Director

Mr. Shahid Ali, Vaaruge, S.Hulhudhoo was appointed to the Board of STO on 20th November 2008, and was appointed as the Managing Director of the Company on 4th January 2009. Shahid is a consultant by profession and has over 15 years of experience in business management, finance, investment appraisals and project management. Prior to his appointment as MD, Shahid had held various positions for the Government of the Maldives, and has provided consultancy services to various private parties.

Shahid holds a Bachelor of Accounting (Hons) from International Islamic University, Malaysia, a Master of Management (Specializing in Project Management) from the Australian National University (ANU), Australia, and a Master of Business Administration (MBA) from the Australian National University, Australia. Shahid is the winner of Sir Roland Wilson Award for best MBA student 2006 at ANU Australia.



### Mr. Farooq Umar

#### Chairman / Non-Executive Director

Mr. Farooq Umar, M.A Aadhillheege has been the Chairman of STO from 20th November 2008, till date. His extensive experience in managing and developing businesses, has earned him recognition as a prominent business leader in Maldives. He is a successful entrepreneur and has over 20 years of experience in business management. His career spans across both public and private sectors. During last year Farooq was the Chairman of STO Maldives (Singapore) Pte Ltd and a Board Director of Maldives National Oil Company Ltd.

### Mr. Ahmed Arif

#### Non-Executive, Director

Mr Ahmed Arif, M. World Dream, was appointed to the Board of STO on 20th December 2008. He is also the Chairman of the Corporate Governance committee of STO. Arif served as the Chairman of the Board of Maldivian Gas Pvt Ltd and Board director of Fuel Supplies Maldives Pvt Ltd. Arif encompasses wide experience in areas, such as leadership development, pricing, competitive advantages, internal control and operational efficiency. He has held various positions in the Government and private sector. Arif was the Managing Director of Olympia Pvt Ltd from 2000 till 2008.

### Mr. Masood Ali

#### Non-Executive, Director

Mr. Masood Ali, Happy Corner, S. Hulhudhoo, was first elected to the Board on 26th June 2008. He is also the only director elected by the public shareholders. Masood is currently the Manager of Customer Services of Dhivehiraajeyge Gulhun Pvt Ltd, the largest telecommunications company of the Maldives.

Masood has over 10 years of experience in management, marketing and customer relations. He is a member of Customer Services Institute of Australia. Masood's professional qualifications are in the areas of Customer Service and Marketing. He is currently undertaking a Masters of Business Administration from the University of Leicester, UK.

### Ms. Sana Mansoor, CPA

#### Chief Financial Officer/ Executive Director

Ms. Sana Mansoor, Ma. Manas, was appointed to the Board of STO on 20th December 2008, and she is also the Chief Financial Officer of the Company. Sana first started working at STO on 7th May 1988, and has served in various positions within the organization. She was assigned as the Head of Accounting and Finance Department in December 2003.

She serves on the Board of Maldives Stock Exchange Company Pvt Ltd and Maldives Securities Depository Company Pvt Ltd. She is a Certified Practising Accountant from CPA Australia and holds a Bachelor of Commerce (Account and Finance) from Griffith University, Australia.

# Executive Team's Profile

As at 16th May 2010

## **Ms. Sana Mansoor, CPA**

### **Chief Financial Officer**

Ms. Sana Mansoor was appointed as the Chief Financial Officer in March 2009, and has been a Board Director since 20th December 2008. Sana's profile is stated under the profile of the Directors.

## **Mr. Shahid Ali**

### **Managing Director**

Mr. Shahid Ali was appointed as the Managing Director on 4th January 2009, and has been a Board Director since 20th November 2008. Shahid's profile is stated under the profile of the Directors.

## **Mr. Abdulla Shafeeu Mahmood, ACMA, ACMI**

### **General Manager - Procurement**

Mr Abdulla Shafeeu joined STO in 2009 and was appointed the General Manager in charge of Procurement Department. Shafeeu has served as the Company Secretary and Manager of Administration Department of Male' Water and Sewerage Company Ltd. He also held various positions at Universal Enterprises including Head of Purchasing. He also worked in KPMG Ford Rhode Thornton and Co. and Ministry of Planning, Human Resources and Environment. Shafeeu is a member of Certified Institute of Management Accountants (CIMA) and Chartered Management Institute (CMI) UK, and is the President of CPA Maldives.

## **Mr. Ibrahim Shareef Mohamed**

### **General Manager - Information and Communication Technology**

Mr. Ibrahim Shareef Mohamed joined STO in 1986 and was appointed as a General Manager in March 2009. He is currently in charge of Information and Communication Technology Department. Shareef has held various positions including Director, Asset Management as well as STO Peoples Choice Home Improvement. He also served as the Chairman of the Board for Allied Insurance Company of the Maldives Pvt Ltd and Maldivian Gas Pvt Ltd. Shareef holds a Post Graduate Diploma in Shipping Management, from Humberside Polytechnic, UK.



**Ms. Fathimath Ashan**  
**General Manager - Human Resource and Development**

Ms. Fathimath Ashan joined STO in 1994 and was appointed as the General Manager in charge of Human Resource Department in March 2009. Ashan previously held various other positions, including Deputy Director, Human Resources and Company Secretary of STO. She served as a member of the Board of Maldives National Oil Company Pvt Ltd and Allied Insurance Company of the Maldives Pvt Ltd. Ashan holds a Masters Degree in Business Administration from the University of Lincoln and a Bachelor of Arts with Honors (First Class) in Business IT from the University of Coventry, Malaysia.

**Mr. Ahmed Shaheer**  
**General Manager - Business Development**

Mr. Ahmed Shaheer joined STO in 1995 and was appointed as the General Manager since March 2009. He has held various positions including Director, Business Development and Marketing, STO Peoples Choice Electronics, and STO Peoples Choice Supermart. He has served as a board director of Maldives Structural Products Pvt. Ltd and Maldivian Gas Pvt Ltd. He was also the General-Secretary of Maldives National Chamber of Commerce and Industries. Shaheer holds a Masters Degree in Business Administration from the University of Adelaide, Australia and a Bachelors Degree in Business Administration (Marketing and Management) from University of Charles Stuart, Australia.

**Mr. Ahmed Niyaz**  
**General Manager - Logistics**

Mr. Ahmed Niyaz joined STO in 1998 and was appointed as the General Manager in March 2009 and is currently incharge of Logistics Department. He has held various positions in STO including the manager of STO People's Choice Supermart. Niyaz is also the Chairman of STO Recreation Club. Niyaz graduated with a BEng (Hons) Electrical & Electronic Engineering from Northumbria University, UK.

**Mr. Mohamed Nabeel Abdullah, MBCS**  
**General Manager - Marketing**

Mr. Mohamed Nabeel Abdullah joined STO in 1996 and was appointed as the General Manager since March 2009. He is currently the General Manager in charge of Marketing. Nabeel previously held other positions including Director, Credit Sales Department, STO Peoples Choice Construction Materials, and STO Peoples Choice Staple Foods. He served as the Chairman of the Board of Directors for Lafarge Maldives Pvt Ltd and as a Board Director of Fuel Supplies Maldives Pvt Ltd. He is also a member of British Computer Society. Nabeel holds a Masters Degree in Information Technology and Business from the University of Lincolnshire and Humber, UK and a Bachelor of Science with Honours in Software Engineering from the University of Sheffield, UK.

# Executive Team's Profile

As at 16th May 2010



## Mr. Mohamed Abdul Sattar

### General Manager - Corporate and Legal Affairs

Mr. Mohamed Abdul Sattar joined STO in 1983 and was appointed as the General Manager in charge of STO Peoples Choice Medicals, STO Peoples Choice Fuel & Lubricants and STO Staple Foods in March 2009. However, consequent to the new structural change, he is currently in charge of Corporate and Legal Affairs. Sattar has held various positions including Assistant Director, in charge of Legal Department and Manager of STO Peoples Choice Home Improvement. Sattar holds a Masters Degree in Business Administration from the University of Northumbria, UK. He has served as a Board Director of Maldives Structural Products Pvt Ltd.

## Mr. Mohamed Nizar

### General Manager - Wholesale Centre

Mr. Mohamed Nizar joined STO in 1986 and was appointed the General Manager in charge of Assets Department and Administration Department in 2009. With the new structural change, he is currently the General Manager of Wholesale Centre. Nizar has served on the Board of Maldivian Gas Pvt Ltd and Maldives Structural Products Pvt Ltd. He has also served on the Board of Maldives National Pharmaceuticals of Ministry of Health, and is a member of Invoice Committee of Customs Services, and School Board of Ghiyasuddin School. Nizar holds an MBA from University of South Australia, Singapore.

## Mr. Ahmed Shifan

### General Manager - Store Operations

Mr. Ahmed Shifan joined STO in 2005 and was appointed as the General Manager in 2009. He is currently in charge of Store Operations. Shifan previously held other positions including Assistant Director, Island Sales Department. He served as the Secretary of Ga. Rayyithunge Cooperative Society and as a Board Director of Fuel Supply Maldives Pvt. Ltd. He also served in the Maldives National Defense Force. Shifan holds a Masters Degree in 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.





**Ms. Aishath Shaffana Rasheed**  
**Company Secretary**

Ms. Aishath Shaffana Rasheed joined STO in 2004 and was appointed as the General Manager in 2009. She is also the Company Secretary of STO. Shaffana holds a Bachelors Degree in Business (Marketing and Management) from the Australian College of Business and Technology, Sri Lanka.

**Mr. Ashraf Ali**  
**General Manager - Administration**

Mr. Ashraf Ali joined STO in 1990 and was appointed as the General Manager in 2009. He is currently in charge of Administration Department. Ashraf previously held other positions including Assistant Director of Internal Audit Department. He served as the Managing Director of Maldivian Gas Pvt Ltd from 2005 to 2007. He also served as a Board Director of Lafarge Maldives Pvt Ltd. Ashraf holds a Masters Degree in Business Administration from the University of Ballarat, Australia and a Post Graduate Diploma from Chartered Institute of Marketing, UK.

**Mr. Ahmed Zuhoor**  
**General Manager - Transport**

Mr. Ahmed Zuhoor joined STO in 1998 and was appointed as the General Manager in 2009. He is currently in charge of Transport Department. He has held various positions including Technical Superintendent and Head of Transport and Mechanical Services Department. He served as a Board Director of STO Maldives (Singapore) Pte Ltd. He also served as the Vice President of Gdh. Rayithunge Cooperative Society. Zuhoor holds a Master of Science Degree in Maritime Affairs specialized in Maritime Safety and Environmental Protection from World Maritime University, Malmö, Sweden, and completed Certified Class I Engineer from University of Royal Melbourne Institute of Technology, Australia.

**Mr. Hussain Rafeeu, ACMA**  
**Manager - Internal Audit Department**

Mr Hussain Rafeeu joined STO in 2009 as the Manager of Internal Audit Department. Mr Rafeeu has worked in various local and foreign organizations including Business Development Executive and Accountant of Rainbow Enterprises, Account Executive of Cyperea, Night Auditor of Paradise Island Resort, Finance Auditor of Ministry of Finance and Treasury, Marketing Manager of Cable Lock Systems, Australia and Finance Officer of Empower of Womens Project implemented by UNFPA. Rafeeu holds an MBA of Lansbridge University from Stamford University Malaysia. He is also a member of Certified Institute of Management Accountants (CIMA), UK.

# Senior Management



**Muhammed Fazly Faleel**  
ACMA (UK), CPA (AUS), ASCMA (SL)



**J.F.I Abeyadeera**



**Mohamed Nizam**



**Mariyam Nuzla**



**Aminath Nasreena**



**Aishath Thaumeena**



**Ismail Sodique**



**Musthafa Azmy**



**Mohamed Shujau**



**Mariyam Sodique**



**Muslim Anees**



**Azleena Ameen**



**Hussain Shiyan**



**Mariyam Waseema**



**Hassan Sinan**



**Ahmed Nashid**



**Ismail Ali Jaleel**



**Ali Zahir**



**Mohamed Shahul Hameed**



**Muslih Maseeh**



**Moosa Yoosuf**



**Nasrulla Ali**



**Captain Hassan Zareer**



**Aminath Shaayan**



Aminath Juwaidha



Hamdhana Abdul Rahman Hussain



Mohamed Murad



Abdul Raheem Umar



Mohamed Nizam



Ibrahim Naif



Mohamed Shakir



Ibrahim Saduree



Ahmed Hameed Ali



Ibrahim Ali



Ibrahim Rasheed



Mohamed Didi



Ahmed Zameel



Ibrahim Ali Didi



Ibrahim Shaheen



Ibrahim Jamal

# Group Senior Management



**Ali Arif**  
Chairman  
Fuel Supplies Maldives Pvt. Ltd.



**Ahmed Mazin**  
Chairman  
Allied Insurance Company of the Maldives  
Pvt. Ltd.



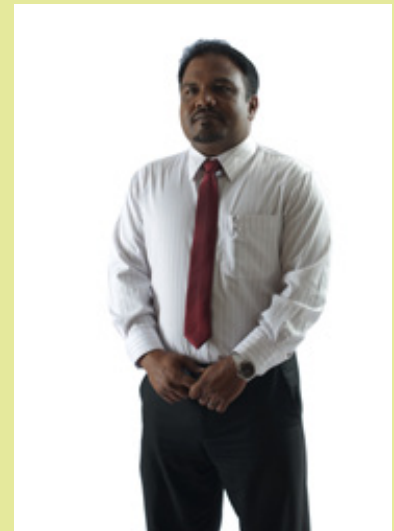
**Hamdhy Ageel**  
Chairman  
Maldivian Gas Pvt. Ltd.



**Adam Saleem**  
Managing Director  
Fuel Supplies Maldives Pvt. Ltd.



**Abdul Wahid Thaufeeq**  
Managing Director  
Allied Insurance Company of the Maldives  
Pvt. Ltd.



**Moosa Haleem**  
Managing Director  
Maldivian Gas Pvt. Ltd.



**Mariyam Sheeneez Shakir**  
Acting Chairman  
STO Maldives (Singapore) Pte. Ltd.



**Abdulla Hassan**  
Chairman  
Lafarge Cement Pvt. Ltd.



**Ismail Shafeeq**  
Chairman  
Maldives Structural Products Pvt. Ltd.



**Hassan Zareer**  
Chairman  
Maldives National Oil Company Ltd.



**Ibrahim Rafeeq**  
Managing Director  
Maldives Structural Products Pvt. Ltd.



**Ahmed Muneez**  
Managing Director  
STO Maldives (Singapore) Pte. Ltd. &  
Maldives National Oil Company Ltd.

# Directors' Report: Business Review

## General Business Environment

The global financial crisis which loomed in 2008 continued to snowball in 2009 to become the worst economic and financial catastrophe the world has experienced in recent history. The impact of the crisis was felt on the Maldivian economy as well. The decrease in the economic activities of the vital industries of the country, including tourism, fisheries and construction caused nationwide economic slowdown.

The impact of this slowdown was significant on the trading sector. Hence, as anticipated, Company's sales were significantly lower in 2009.

Furthermore, as a consequence of the distress on export industries and credit crunch, a shortage of foreign currency had to be endured throughout the year, which proved to be one of the main challenges to trading companies such as STO. As a result, sales targets were affected and decline in revenue were experienced during the year.

STO's major source of revenue is fuel, with fuel contributing about 80% of total revenue. Fluctuations in international fuel prices have a direct bearing on company's revenue. Oil prices soared to record levels in 2008, and after experiencing a sharp drop towards the end of the year and early 2009, prices recovered somewhat in 2009. The average price of Brent Blend crude price dropped from US\$96 per barrel in 2008 to US\$63 per barrel in 2009.

It is expected that the trough of the economic recession has passed and the world is on the path of recovery. In the Maldives, tourism sector and construction industry is gaining back momentum; however, fisheries industry has remains sluggish for the past few years. It is expected that the foreign currency situation will ease and economic activity will resume to normal levels within the foreseeable future.

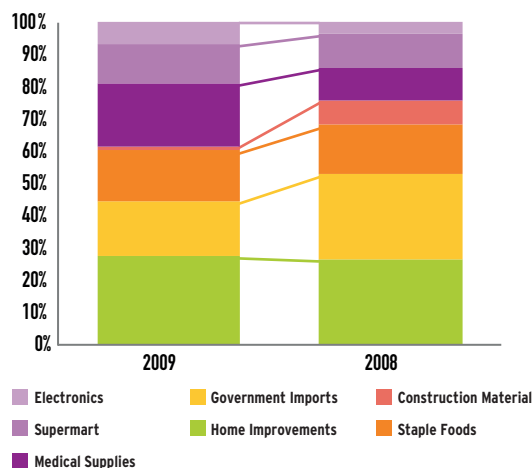
## Financial Performance

### Company Performance

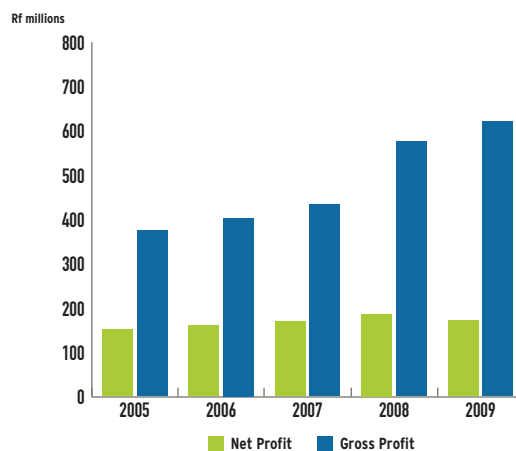
The effects of the global recession that began in 2008 continued to affect the operations of the company during 2009. Despite the economically challenging times, the company registered a noteworthy profit for the year ended 31 December 2009 and celebrates a reasonably successful performance for that fiscal year.

Company's sales revenue fell sharply (by 44%) during 2009, from Rf6.4 billion in 2008 to Rf3.8 billion in 2009 (See graph for comparison of revenue from non-fuel product categories). The main reason for the decline in revenues in 2009 is due the decline in fuel prices when compared to 2008, as the company's main revenue is earned from sale of fuel. Year 2008 was marked as a year where global oil prices soared to historic levels and towards the end of 2008 and early 2009 showed a dramatic decline in the oil prices, which is being reflected in the

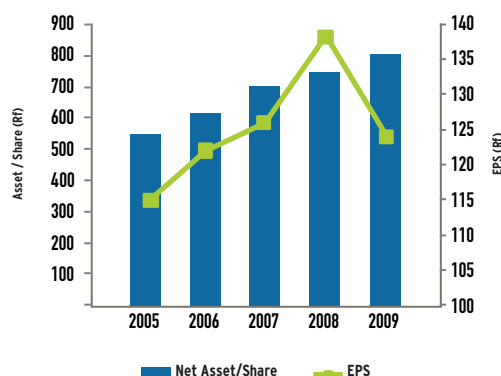
Comparison of Non-Fuel Revenue



Gross Profit and Net Profit 2005 - 2009



Net asset per share and EPS 2005 - 2008



financials of the company. The main components of the sale continued to be fuel and lubricants (75%), followed by staple foods, medical supplies and construction materials, together contributing 92 % of the revenue.

Except for the sales of Medical Supplies and Electronics sales of all other product fell during the year. The decline in sales can be mainly attributed to the decline in the sales of fuel and lubricants.

In order to minimize the negative effect from the drop in sales revenue, the company concentrated on making the operations of the company more efficient. As a result, there was a reduction in the overall cost of sales of the company which resulted in increasing the company's gross profit margin for 2009 to 11% as compared to 7% in 2008.

Other operating income increased from Rf25.5 million in 2008 to Rf40.8 million in 2009, primarily due to the increase in fines and claims received during the year.

A major salary restructuring was undertaken in 2009. As a result staff related expenses increased from Rf79.8 million in 2009 to Rf121.8 million (52.6%). The changes to the salary structure were made to reflect the increase in the salaries of civil servants and general employment market. This increment reflects the major increase in the operational overheads. In addition, overheads costs attributed to the maintenance of the vessels, advertising and audit fees that were increased during the year.

The company registered an operating profit of Rf 178 million in 2009 (2008: Rf183 million), a decrease of only 3% from the previous year.

As expected finance income and finance cost increased during the year, with a net finance cost of Rf38.1 million (2008: Rf27.7 million).

As a result of improved gross profit margin, the net profit margin of the company improved to 4% in 2009 (2008: 3%). However, as a direct reflection of the decrease in revenue and increase in finance cost, company's net profit decreased during the year to Rf140.2million in 2009 (2008: 155.7million). The graph below shows gross profit and net profit of the company from 2005 to 2009.

The overall financial position of the company improved during the year, with the net worth of the company having increased by 7% to Rf902 million in 2009. The major capital investment undertaken during the year included the purchase of a fuel tanker, which is expected to significantly reduce the fuel transportation cost in the future.

The current assets of the company increased by 26%, whilst the current liabilities increased by 43% during the year. The company maintained a healthy current ratio of 1.3:1 during the year and gearing was maintained at 2008 levels during the period.

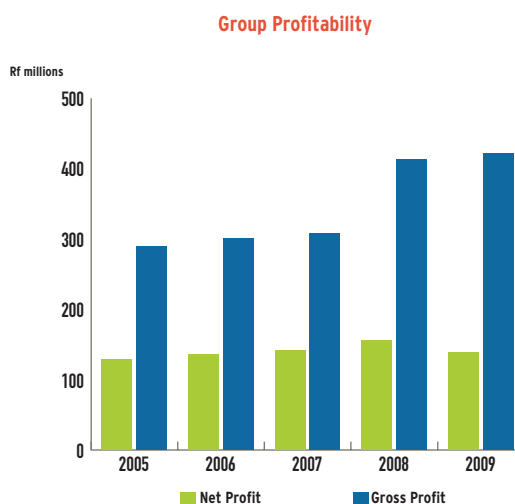
## Group Performance

Group revenue reduced in line with the STO PLC's revenue to Rf4.9billion in 2009. The graph below shows the revenue contribution of the group companies:

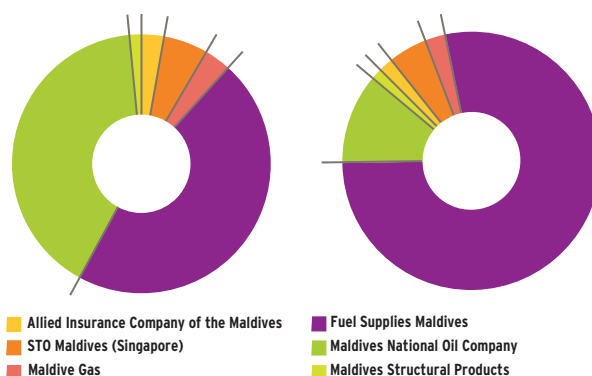
The main contributor to group revenue, with 58% contribution is STO PLC. This is followed by Fuel Supplies Maldives with 19% and Maldives National Oil Company by 17%.

The group gross and net profit for 2009 was Rf260 million and Rf172 million, respectively. The gross profit margin of the group increased to 12% (2008: 9%) and net profit margin was maintained at 3% (2008: 3%).

Group net worth increased to Rf1 billion in 2009, and continued the positive trend in increasing shareholder value in 2009.



## Contribution of Sales from Group Companies 2008-2009



# Directors' Report:

## Share Performance

### Shareholding Structure

As of 31 December 2009, government owns 92.29% of STO shares and the public owns 7.71%. Under Government's initiative to increase public's ownership in state owned enterprises, on 25 November 2009, 13% of Government's share were put up for sale to the public including local companies, associations and individuals. At the close of sale on 10 February 2010, 82% of the 138,472 shares were sold to the public at a premium price of Rf400 per share (face value Rf50 per share).

At the end of the public issue, shareholding structure was as shown below:

	No. of shareholders	No. of Shares	% owned
Government	1	988,941	83.6
Companies	12	9,565	0.86
Associations	9	1,801	0.10
Individuals	3,802	174,177	15.46
Total	3,823	1,126,910	100.00

STO's initial public offering (IPO) was in 2001, selling 26,040 shares to the public. In 2003, a second public issue of 60,870 shares was made. With the latest public issue concluded on 10 February 2010, public ownership has increased to 16.3% while the Government's ownership was reduced to 83.6%.

Prior to the last public issue, the public held 7.71% of the total shares of STO. No single party other than the Government held more than 1% of the total shares. Even at the conclusion of the last public issue no private party, directly or indirectly, owned more than 5% of the shares of the company.

### Share Market Performance

The number of STO's shares traded in the market in 2009 was 775, for a total value of Rf0.49 million, compared to 353 shares in 2008 for Rf0.19 million. The highest and lowest traded share prices were Rf760 and Rf600 respectively.

As at 31 December 2009, market capitalization was Rf676 million, which is 7.7% lower than Rf732 million reached in 2008. The main reason for the slight decrease in market capitalization was the announcement to divest 13% of government shares at lower than established market price. Yet, of all the companies listed on stock exchange, STO attained the highest market capitalization in 2009. Table below summarizes the share price information of STO since its listing in 2001.

Year	Highest Price	Lowest Price	Closing Price	No. of Shares Traded	Market Capitalization (RF million)
2002	750	585	400	93	-
2003	800	400	400	249	662
2004	1200	500	500	1442	1127
2005	1200	740	740	1749	862
2006	899	430	430	935	862
2007	770	500	500	280	766
2008	775	450	450	353	732
2009	760	600	600	775	676

### Dividends

Earnings per share for the year ended 31 December 2009 was Rf124, a decline of 10% over 2008. Dividend declared for 2008 was Rf65 per share.

Table below shows the earnings per share and dividend since 2001.

	2001	2002	2003	2004	2005	2006	2007	2008	2009
EPS	128	137	141	102	115	122	126	138	124
Dividend	105	118	110	70	55	82	70	65	n/a



# Directors' Report: Business Development & Marketing

## Business Diversification

The Company has taken a decision to diversify into the lucrative hospitality industry. STO is in the process of developing two 5-star hotels with two renowned international hotel chains; one with Radisson and one with Hilton's Double Tree chain.

All design details and drawings have been finalized for the Radisson hotel (500 bed), and during 2009 it has been tendered to recruit the principal contractor in order to start the construction works. It is expected the hotel will be opened in 2012.

Design details are being finalized for Double Tree hotel (140 bed), and the engineering consultant has been appointed for the project. The hotel will be located on Male', and is expected to be opened in 2011.

## Marketing Initiatives

STO implements a comprehensive marketing plan involving multiple approaches and channels to reach its customers and establish market position.

The Company strongly identifies itself with the community under its corporate social responsibility (CSR) mission, and leverages its CSR programs to gain greater market presence, credibility and goodwill of the society. The company sponsored a number of events organized across the country, and organized sales promotions, PR campaigns and direct marketing initiatives.

During the past year, STO has also placed advertisements in international magazines in order to attract business partners and investors.



## Strengthening Competitiveness

Among the major investments undertaken during the year, STO acquired and commissioned a DWT 8,200 ton oil tanker in 2009 under a strategic initiative to reduce fuel transportation cost and improve reliability of delivery. As fuel contributes close to 80% of total sales revenue of the company, the investment is considered to be of utmost strategic importance in protecting and promoting the business. The company also has plans to increase ground fuel storage capacity.

The company also made a decision to reorganize and restructure its business operations, and signed an agreement to implement SAP, one of the most robust enterprise resource planning systems in the world. This would bring about greater internal efficiency, superior service delivery and better customer satisfaction. Given that STO is a diversified company having business outlets

and warehouses scattered across the country, integrating the various business units and centralizing merchandising and warehousing will bring about imminent internal efficiencies and modernize the operations. It is planned for SAP to go live in 2010. In the meantime, awareness and orientation programs are being planned to ease staff to embrace the change.

In addition, STO has also signed exclusivity and distributor agreements with many of the established brands and manufacturers, and are constantly adding new products and product lines to its range. Agreements were signed with prominent medical suppliers including Eschmann (Singapore), Seven Seas (UK) and Novartis (Switzerland).



# Directors' Report:

## Human Resource Development

STO strives to create employment opportunities for Maldivians and provide training opportunities for career advancement. As of 31 December 2009, out of the 1,010 employees working in the company, 819 or 81% were Maldivians. Expatriate staff are generally employed for unskilled positions. In fact, over 97% of the 191 foreigners are employed for manual labour jobs.

Number of staff employed in the Company from 2007 – 2009 are as follows:

	2009		2008		2007	
	Local	Foreign	Local	Foreign	Local	Foreign
No. of staff at the beginning of the year	704	210	684	195	658	180
No. staff terminated/resigned	105	51	125	32	136	44
No. of staff recruited	220	32	145	47	162	59
No. of staff at the end of the year	819	191	704	210	684	195

### Recruitment and Selection

The first step in the human resource development agenda is to recruit and select staff who possess the necessary aptitude and appreciate teamwork. Hence, an in-house training program on 'competency based behavioural interviewing' was conducted for the managers in collaboration with CX Management, Malaysia.

### Training and Development

Under the company's training and development plan, 12 staff are studying for bachelors' degree, 1 is studying for masters degree, and 21 staff been provided with opportunities to attend short-term training courses held abroad. In addition, local and in-house training opportunities were provided to relevant staff in the areas of customer care, auditing, governance, management, marketing, information technology and accounting.

### Staff Incentives

In order to motivate staff to attain higher levels of productivity and achieve company's goals, an incentive bonus scheme was introduced in 2008; where 3% of the company's annual net profit is earmarked for the incentive scheme.

In addition to the benefits mandated by the Employment Act, staff are also provided medical insurance.

### Staff Turnover

Due to increasing attention paid to retain staff in the company, the staff turnover rate has been reduced compared to previous years. Staff turnover in 2009 was 15% (2008: 16%).

### Staff Recreation

As an initiative to instill team spirit and improve coordination, STO Recreation Club organizes a number of annual sports events which includes futsal, carom, volley, billiard, etc. STO's teams also take part in inter-office tournaments, and have won the Club Maldives Championship 2009. STO's team was also a finalist in the Rainbow Cup 2009 futsal tournament organized by Rainbow Enterprises Pvt Ltd.



# Directors' Report: Corporate Governance

STO is a company operating in compliance with the Company Law 10 / 96, Corporate Governance Code (CGC) of the Capital Market Development Authority, Listing Rules of the Maldives Securities Depository, Securities Act, and the Company's Memorandum of Association and Article of Association. STO strives to adhere to the principles of corporate governance in all its dealings.

## Board Directors

The Board comprises of 7 Directors, of which 2 are executive directors, and 5 are non-executive directors including 1 director elected by the public shareholders. All 5 non-executive directors were appointed as independent directors in accordance with CGC, however, since 4 of the 5 directors were subsequently appointed to the boards of subsidiary companies, at 31 December 2009 the only independent director on the Company's Board was the Director representing the public shareholders. However, as of now none of the Directors of STO PLC sits on the boards of its subsidiary companies.

The Article of Association of the Company states that for every 14.27% of shares owned, the share owner shall have the right to appoint one director. Currently, Government owns 83.6% of shares and the remaining 16.4% is owned by the public.

Accordingly, 6 of the 7 Directors have been appointed by the Government, and one Director representing the public shareholders has been elected through shareholder vote. The Chairperson and the Managing Director has been appointed by the Government as in the Article of Association.

The main responsibilities of the Board and its sub-committees are to:-

- Establish the company's vision, mission, values and long term plans
- Review and approves the annual budget, major program plans, and organizational policies
- Ensure adequate resources are available to the organization
- Evaluate the organizational effectiveness
- Exercise accountability to shareholders and be responsible to relevant stakeholders
- Ensure compliance to relevant laws, rules and regulations

The Board held 36 meetings during the year, and Directors' attendance is as follows:

Name	Position		Attendance	%
Mr Farooq Umar	Chairman	Non-executive	35/36	97
Mr Shahid Ali	Managing Director	Executive	34/36	94
Ms Sana Mansoor	CFO/Director	Executive	32/36	89
Mr Mohamed Ahmed	Director	Non-executive	34/36	94
Mr Ahmed Arif	Director	Non-executive	29/36	81
Ms Raheema Saleem	Director	Non-executive	34/36	94
Mr Masood Ali	Director	Non-executive	36/36	100

## Board Committees

In keeping with CGC, the board has established two sub-committees; a Nomination and Remuneration Committee and an Audit Committee. In addition, a Corporate Governance and Compliance Committee have been established to strengthen corporate governance. All committees function around designated mandates.

### Nomination and Remuneration Committee

The Nomination Committee and the Remuneration Committee has been combined as one committee, as given that there are only 7 Directors are on the Board overlap of the two committees is inevitable.



The responsibilities of the Nomination and Remuneration Committee are:

- Recommend appropriate remuneration and incentive plans for Directors and MD
- Establish criteria for identification of suitable candidates for Board membership
- Review performance of the Board and individual Directors
- Review Company's remuneration policies and incentive plans

Since 6 of the 7 Directors are appointed by the Government, the committee has limited role in identification and selection of candidates to the Board.



The Nomination and Remuneration Committee consists of 3 members. A total of 4 meetings of the committee were held in 2009. Committee membership and attendance are as follows:

Name	Position	Attendance	%
Mohamed Ahmed	Chairperson	3/4	75
Farooq Umar	Member	4/4	100
Ahmed Arif	Member	3/4	75

Major activities undertaken by the Nomination and Remuneration Committee during the past year include; evaluation of candidates for the Director to be voted by public shareholders, recommendation of senior executive team and

reviewing of appropriate remuneration for senior executives, recommendation of consideration for Chairman of the Board, and evaluation of candidates for the Board of Maldivian Gas Pvt Ltd.

## Audit Committee

The Audit Committee comprises of 4 members. The Chairperson of the committee is educated and experienced in accounting and finance, while other members have substantial experience in business.

The main responsibilities of the Audit Committee are to assist the Board to:

- Ensure the integrity of the financial statements of the Company
- Ensure the independence and credentials of independent auditors
- Review performance of the internal audit function and independent auditors
- Ensure effective internal control systems are in place to safeguard company's assets
- Ensure compliance to statutory requirements and ethical standards

A total of 16 meetings of the committee were held in 2009. Committee membership and attendance are as follows:

Name	Position	Attendance	%
Raheema Saleem	Chairperson	15/16	94
Masood Ali	Member	12/16	75
Ahmed Arif	Member	15/16	94
Mohamed Ahmed	Member	15/16	94

Major activities undertaken by the Audit Committee during the past year include; reviewing of internal control mechanisms, drafting the strategic plan for internal audit, recommendation of the company travel policy, approval of audited financial statements, evaluation of proposals for external audit contract, selection of process auditors for the year, drafting of fraud response policy and whistleblower policy, formulation of internal audit plan, approval of company budget, and examination of internal fraud cases.

## Company Secretary

Responsibilities of the Company Secretary are:

- Administer and minute meetings of the Board and Committees, and general meetings of the shareholders
- Maintain registry of shareholders, directors, and pertinent statutory information
- Monitor adherence to Company's Act and other statutory rules and regulations, and make recommendations to the Board and Management on emerging issues

Ms Aishath Shaffana Rasheed has been appointed as the Company Secretary since 2007.

## Directors' Performance Evaluation

Even though standards and procedures for evaluation of performance of Directors were determined, regrettably the actual evaluations were not conducted before the end of the year.

## Declaration of Interest

All Directors and Executives have declared and signed 'conflict of interest and disclosure statements'. In conformity with the Public Finance Act, Directors and Executives have declared business ownership interests.

## Directors' Remuneration

Directors are paid a monthly remuneration of Rf10,000 and a fee of Rf500 per sitting. Directors are also entitled to medical insurance. Board Committee members are paid a fee of Rf500 per committee sitting.

In 2009, a total of Rf3.8 million was paid as Directors' and senior executives' remuneration (2008: Rf2.8 million).

## Training of Directors

In order to upgrade the proficiency and skills of Board Directors, training opportunities were provided, both locally and abroad, in the areas of fraud management and control, corporate social responsibility, finance, corporate governance, directors' responsibilities, liabilities and reform. Some of the specific courses include fraud management and control, bunkering, oil tanking, social responsibility, directors' duty, liabilities and governance.

## Directors' Shareholding

Directors' shareholding as at 31 December 2009 is as follows:

Name	No. of Shares
Farooq Umar	5
Shahid Ali	40
Sana Mansoor	100
Masood Ali	5

## Internal Audit

The responsibility of the internal audit function is to establish the necessary internal control mechanisms under the direction of the Board's Audit Committee, and conduct internal audits to ensure that the internal control systems are followed, and make recommendations to the management on strengthening internal control mechanisms. Internal Audit Department is accountable to the Audit Committee, and also reports to the Managing Director on administrative issues.

## External Audit

With the approval of the shareholders, PriceWaterhouseCoopers (PWC) was appointed for a second term as the external auditors for 2009 for a price of USD23,400. PWC was initially appointed as the external auditors in 2008 for a price of USD19,500.

## Internal Controls

As with previous years, considerable accomplishments were made in 2009 in strengthening internal controls. In 2009 process audits were carried on payroll, property maintenance and debtors' cycle, and a number of capital projects including regional outlets and warehouses and renewable energy project. In addition, reviews were held to ensure that Audit recommendations of 2008 were implemented and followed through.

Audit reviews were carried out and reported to the Audit Committee on a quarterly basis, for continues improvement. In 2009, a procedure manual has been established for every department and a code of conduct for staff was availed. Several policies have been formulated and implemented with the purpose of standardizing and streamlining processes and to minimize corruption.

- Fraud Response Policy – procedures for staff to report to the internal audit department cases of fraud and corruption by means of email, telephone and online submission, and systems for the company to respond to fraud cases.
- Whistles Blowing Policy – procedures for whistle blowing and reporting



of cases of fraud and malpractice, and whistle blower protection.

- Procurement Policy – procedures and standards for tendering and evaluation of tenders, and import of cargo through the Company.
- Credit Policy – policy framework for issuance of credit facilities while protecting the company from risk of default by creditors
- Travel Policy – policy to help control business travel expenses, and procedures for approval and payment of travel related expenses for staff.
- Miscellaneous Guidelines – as a means of reducing cost and streamlining work, miscellaneous guidelines have been issued for a number of day to day processes such as safety, cheque acceptance, email and paper correspondences, etc.

ISO 9001:2008 quality certification was obtained for oil trading, the major source of revenue for the Company.

Warehousing of food items are carried in accordance with international safety standards and are monitored by international independent surveyors. Continuous effort is made to ensure the quality of food and other products imported by the company.

Preparations were made to initiate a major restructuring project geared to improve internal efficiency through integration of various departments and business units by implementing a reputed enterprise resource planning system from SAP.

SAP launching ceremony was held on 8 August 2009, and awareness and trainings on the change initiative are being held among staff and relevant stakeholders. A SAP steering committee and a technical core team, and change agents were appointed to oversee its successful implementation. Staff are closely involved and apprised on the new systems and work procedures through trainings and information sharing sessions.

A special effort was made to address the issues identified in the 2007 Audit Report of the Auditor General. Procuring major commodities through tender process, assignment of work to staff through job descriptions, strengthen independence of the internal audit department, and establishment of processes for foreign currency exchange. However, some of the issues identified were specific to past projects, such as the sale of Vakarufalhi resort and the tea plantation in Sri Lanka, which is considered as a learning experience for future undertakings. Expert legal opinion is being sought by the company to determine if there are any actions that can be taken at this stage with regard to these issues.

## Statutory Fees and Zakath

STO has paid all fees payable to the pertinent authorities on or before their due dates, including company registration fee, annual custody fee, annual listing fee, depository fee, etc. In addition, STO has paid Mudhalu Zakath for 2009, as was done in 2008.

## Financial Statements

Financial statements for the year ended 31 December 2009, prepared in accordance with the International Financial Reporting Standards, is presented on pages 47 to 103 of this report.

In line with Corporate Governance Code, the financial statements have been certified by the Chief Financial Officer and the Managing Director of the company.





## Declaration

The Board of Directors, Executives and Staff have exerted tremendous effort to ensure that the Company was run in accordance with the principles of corporate governance. Special care has been taken to ensure adhere to CGC, Listing Rules, Securities Act and the Company's Act.

Every effort was made to strengthen STO, and to ensure transparency, fairness and diligence in all respects, with the ultimate purpose of protecting and promoting shareholder interests and Company assets.



# Directors' Report: Corporate Social Responsibility

*From its inception to date STO has been fulfilling a very important social responsibility mission: to supply medicine, staple foods and fuel at an affordable price to the public.*

From its inception to date STO has been fulfilling a very important social responsibility mission: to supply medicine, staple foods and fuel at an affordable price to the public.

As the Company's business has expanded and improved over the years, it has also expanded its horizon of corporate social responsibility. In order to further its CSR commitment, national interest and social responsibility have been ingrained into the Company's Core Values.

STO strives to make its reporting fully compliant with the Corporate Governance Code. 2009 marks the first year STO publishes a separate report on its corporate and social responsibility.

STO's CSR mission spans across 4 main areas — society, market, staff and environment — and in the year 2009 STO has made contributions in each.

## Society

Being a developing small nation, Maldives needs a concerted effort from all corners of the society in order to achieve its development targets. During the past year STO has tried to play its part and contributed to various social activities beneficial to target groups and the nation as a whole.

### Staple Foods, Medicine and Fuel

During the year 2009 STO had successfully maintained a reliable and affordable supply of staple foods, medicine and fuel products for public consumption and took steps to further develop its efficiency.

STO has taken steps to improve reliability and affordability of its supply of staple foods, fuel and medical products. Construction of new staple food warehouses continued in the atolls during the year. As an initiative to ensure uninterrupted supply of fuel and reduce costs, STO acquired and commissioned a DWT 8200-tonne oil tanker. In improving the fuel distribution network, Fuel Supplies Maldives Pvt Ltd (FSM), the subsidiary set up to distribute STO's fuel products acquired a new vessel and began operation in Addu Atoll. STO Medicals took steps in coordination with the relevant authorities to ensure provision of pharmaceuticals and medical supplies from acclaimed brands at reasonable prices.

### Blood Donation Program

STO's annual blood donation program was highly successful in 2009. Initiated by STO Medicals in association with Maldives Doctors Association, the program is run to support the national blood bank and thus extend the Company's support to many patients in need of blood.

### Red Crescent Corporate Membership

STO is honored to become the first corporate member of Maldivian Red Crescent, the local branch of the International Federation of Red Cross and Red Crescent Societies. STO intends to continue to support the humanitarian and national development efforts of such organizations.

### Sponsorships and Financial Assistance

In the year 2009, STO continued to award sponsorships and financial incentives to social and economic development activities initiated by various individuals and institutions. STO was a proud sponsor of Maavadiya Expo 2009, a career and



education fair conducted in GDh. Atoll, the first such event to be held outside Male'. STO has sponsored the Inter-Atoll Junior Athletics Championship organized by the Athletics Association for the past three years. STO also participated and sponsored the Democracy Fair held in 2009 and sponsored the SAFF Championship and SAFF Games during the year. STO extended support to social groups that represent specific interests such as youth, children, elderly, environmental action groups, government and private institutions, and associations promoting social and economic development.

## Market

Recognizing its social responsibility, STO conducted its business in ways that would benefit the market.

### Price Stabilization

STO made extra effort to maintain a healthy supply of basic food items (such as eggs, onions and potatoes) in the market during periods where there were supply constraints especially during the month of Ramazan in order to maintain prices at reasonable levels for consumers. STO also played a key role in price stabilization and sustained supply of other products such as groceries and cooking oil during this time.

### Drivers Training Program

The program was conducted for the second year in 2009 with the aim of supplying the market with much needed heavy vehicle drivers, and to increase job opportunities for locals.



## Environment

Being one of the largest companies in the country, STO believes it should do all in its power to contribute to this national responsibility of protecting the environment. During the past year STO has continued to make efforts in support of the environment.

### Environment-Friendly Merchandise

STO has given special consideration to the environmental impact of products it carries. As an example, Nippon paint is a lead-free product manufactured with attention to environment, safety and health. Petro supplied by STO's is lead-free and diesel supplied has very low sulfur content. In forming partnerships STO prefers manufacturers and suppliers with considerate environment policies and proven track records in such aspects.

In 2009 STO introduced a reusable, eco-friendly shopping bag to discourage the use of plastic bags and to create awareness about its harm to the environment. Another notable eco-friendly product introduced in 2009 was M-Board, a light and highly fire-resistant building material that has the potential to replace cement blocks in many building applications.

### Wastage Reduction

STO considers energy efficiency in lighting and air-conditioning. STO gives importance to minimize paper usage by encouraging electronic communication and electronic document usage and reuse of paper and packaging. STO encourages usage of ferries instead of speedboats and charter vessels for travel.

STO encourages workplace order and cleanliness, economizing power and water at departments and individual levels.

## Employees

STO values staff as the most valuable asset to the organization. As with previous years, STO continued to develop and sustain its human capital and assure proper incentives to its employees.

### Insurance

All staff of STO have Health Insurance from Allied Insurance Company of the Maldives Pvt Ltd. Dependent coverage is also provided to those staff who opt for it, for a minimal additional charge.

### Working Environment

STO continues to improve the health and safety in the work environment. Full compliance with the Employment Act 2/2008 is very important to STO and steps were taken in that direction. All worksites are now equipped with prayer rooms, tea rooms and rest rooms. STO gives importance to maintain workplace health and safety standards at internationally accepted standards. At all STO fuel storages, workshops and warehouses health and safety precautions are in place, and are under continuous review and improvement.

### Technology

For staff convenience and efficiency STO utilizes modern technology and equipment. All computer equipments, scanners, printers, phones, projectors and other peripherals and software are maintained and updated as necessary.

To further automate STO's business processes and increase efficiency, implementation of an ERP integrated system is currently underway. It is expected that the system would go-live in three of the departments by May 2010.

### Code of Conduct

STO Staff Handbook underwent a major update in 2009. The newly published manual contains revised guidelines relevant to all aspects of working at STO. The new guidelines adhere to the Employment Act and were drafted with the assistance of relevant authorities and experts. The publication highlights STO's efforts to adopt best practices and ethics of corporate governance.

## Tree Planting

STO was an active participant of the worldwide environment campaign 350 in 2009. As a staff initiative, in partnership with Thilafushi Corporation, a tree-planting program was conducted in Thilafushi. The program was also extended to other islands where STO had its outlets.

Furthermore, STO extended support to environmental activities conducted by other parties, such as Walk Maldives 2009 and sponsored the Climate Vulnerable Forum held in Maldives during latter part of 2009.





Allied Insurance Company  
of the Maldives Pvt Ltd



## **Group Company Reports**

# **Allied Insurance Company of the Maldives Pvt Ltd**

Allied Insurance Company of the Maldives Pvt Ltd was established in 1985, as the pioneering company that introduced insurance services in the Maldives. STO holds 99.99% of the shares of Allied Insurance, and balance 0.01% is held by Maldives National Oil Company Ltd.

## Board of Directors

The Board of Allied Insurance Company comprises 5 Directors, inclusive of 1 Executive Director and 4 Non-Executive Directors. In 2009 the Board changed twice, and the composition of the Board as of 31 December 2009 was as follows:

Name	Position
Ahmed Mazin	Chairperson
Abdul Wahid Thawfeeg	Director/MD
Fathimath Razeena	Director
Aminath Nashia	Director
Mohamed Faisal	Director

In 2009, a total of 11 Board meetings were held. Two Committees operate within the board; the Audit Committee and the Remuneration and Nomination committee.

## Auditors

PriceHousewaterCoopers was the external auditors of the Company in 2009. Internal audit was conducted by KPMG Ford Rhode Thornton.

## Internal Controls

In 2009, the Company established its corporate governance policy in line with international best practices and CMDA's Corporate Governance Code. In addition, in order to systematize the operations of the Company, a data management system was implemented during the past year.

## Human Resources

At the end of 2009, Allied Insurance Company had a total of 96 staff, of which 97% were Maldivians.

The Company's senior management team consists of 11 members, comprising mostly of graduates in business, marketing, and insurance management.

## Social Responsibility

The Company supported various social causes and events during the year, including the support provided to the world's first ever 'underwater cabinet meeting' held in Maldives by introducing a special insurance cover for divers.

## Business Review

In the face of the economic downturn, the Company was focused on cost reduction and maximizing internal efficiency through systematization of work processes and minimizing staff cost through part-time work arrangements.

## Achievements of 2009:

- Introduced a special insurance cover for divers
- Improved claims processing capacity of Madhana insurance scheme from 1,000 to 3,000 claims per day by establishing a special data processing unit within the Company
- Implemented a corporate governance policy for the Company



## Group Company Reports

## Fuel Supplies Maldives Pvt Ltd

FSM was established in 2000 with the aim of distributing fuel at affordable prices throughout the Maldives. Currently, STO owns 99.99% of FSM and the remaining 0.01% is held by Maldives National Oil Company Ltd. Until April 2009 STO owned 66.67% share of FSM and remaining 33.33% was owned by Vara Maldives Pvt Ltd.

## Board of Directors

The Board of FSM comprises 5 Directors, inclusive of 1 Executive Director and 4 Non-Executive Directors. In 2009 the Board changed twice, and the composition of the Board as of 31 December 2009 was as follows:

Name	Position
Ali Arif	Chairperson
Adam Saleem	Director / MD
Aishath Saadhu	Director
Mohamed Naiz	Director

In 2009 a total of 19 Board meetings were held. Two Committees operate within the board; the Audit Committee and the Remuneration and Nomination committee.

## Auditors

The external auditor of the Company is PriceWaterHouseCoopers. Internal audit is conducted by Ernst & Young.

## Internal control

To improve the internal control a number of policies and guidelines were developed and various procedures were revised and enforced. An internal audit department was created in 2009, and a whistleblower policy was established and business outlets were audited and fraud allegations investigated. A new HR software was installed, along with biometric attendance systems in Male' and Thilafushi, and CCTV cameras were installed at petrol sheds.

## Human Resources

At the end of 2009 FSM had 289 employees, of which 76.5% were Maldivians.

FSM's senior management team consists of 14 members, comprising mostly of graduates in business, marketing, management, maritime and fuel.

## Social responsibility

Due to the nature of its business, FSM is extremely cautious towards the environment and safety of its workers and the public. FSM also has a CSR agenda to help the community through which financial, material and other assistance were extended to the community.

## Business Review

2009 was a challenging year to FSM. Company operations were challenged by the worldwide economic recession, instability of the world oil market, and constraints in the availability of foreign currency.

## Achievements of 2009 and Future Plans:

- In order to further expand the oil distribution network across the nation, preliminary studies were conducted to plan construction of fuel storage facilities at S.Hithadhoo and Hdh.Kulhudhufushi.
- To improve the services of FSM an exclusive distributorship agreement was signed with the Chinese company Hong Young Group Co Ltd.
- FSM signed credit agreements with the utility companies in order to expand market coverage.
- In 2009 STO's fuel distribution facility at S.Gan was handed over to FSM.
- Due to the nature of FMS's core business, maintaining the fleet of vessels in optimal running conditions is of utmost importance. Therefore, in order to improve the facilities at the company's boat yard at Thilafushi preparations are underway to install a slip way for dry docking of vessels.
- In order to increase the storage capacity and ensure uninterrupted supply of fuel throughout the nation, it is being planned to establish fuel storage facilities at S. Hithadhoo and H.Dh Kulhudhufushi.
- In order to achieve operational efficiency by bringing together all FSM's departments into one building, FMS has negotiated with STO to construct a 14 storey building at Easy Fill block. The project is currently underway.
- A slipway is planned to be constructed at FSM's boatyard in Thilafushi
- As part of the organizational restructuring process, a repair and maintenance department and a procurement department were established in 2009 which is expected to result in cost savings.



# Group Company Reports

## Maldiv Gas Pvt Ltd



Maldivian Gas was established in 1999 with the aim of supplying cooking gas to the people at affordable prices. STO holds 90% share in Maldivian Gas and the remaining 10% is owned by Champa Oil and Gas Pvt Ltd.

## Board of Directors

The Board of Maldivian Gas comprises of 1 Executive Director and 4 Non-Executive Directors. In 2009 the Board changed twice, and the composition of the Board as of 31 December 2009 was as follows:

Name	Position
Hamdhee Ageel	Chairperson
Moosa Haleem	Director / MD
Nasira Moosa	Director
Aishath Shazly	Director
Abdulla Saleem Abdul Sattar	Director

In 2009, a total of 48 Board meetings were held. Two Committees operate within the board; the Audit Committee and the Remuneration and Nomination committee.

## Auditors

Ernst & Young was the external auditors of the Company in 2009. Internal audit was also previously conducted by the same company. On 27 September 2009, an internal audit department was established and an internal auditor was appointed.

## Internal Control

In 2009 a number of steps were taken to improve the operational efficiency. In addition to organizational restructuring, customer service procedures were also revised to minimize delays and improve customer experience.

## Human Resources

At the end of 2009 Maldivian Gas had a total of 137 employees, of which 55% were Maldivians.

The Company's senior management team consists of 11 members, of which 10 have graduate degrees.

## Social Responsibility

Since 2003, Maldivian Gas has supplied oxygen gas to all Health Centres in the country as a social cause.

## Business Review

2009 marks the first year the company turned a profit in the past 6 years, despite the total revenue having declined by 3% compared to the year before. The main reason for the decline in revenue was the difficulties faced in supplying gas and gas cylinders in line with the demand vis-à-vis foreign currency shortages.

## Achievements of 2009 and Future Plans:

- The company turned a profit in 2009 for the first time in 6 years.
- Steps were taken to strengthen distribution to domestic and industrial users. A branch of the company was set up in Hulhumale, and negotiations with resort owners led to a number of service agreements.
- Work was carried out in cooperation with the Danish based firm, Kosan Krisplant to double the current storage capacity at Thilafushi.
- Two gas plants are planned for north and south regions for more efficient distribution to the atolls.





## **Group Company Reports**

**STO Maldives (Singapore) Pte Ltd &  
Maldives National Oil Company Ltd**

## STO Maldives (Singapore) Pvt Ltd

STO Maldives (Singapore) was established in 2002 with 100% STO ownership.

### Board of Directors

The Board of STO Maldives (Singapore) comprises 3 Directors, inclusive of 1 Executive Director and 2 Non-Executive Directors. In 2009 the Board changed twice, and the composition of the Board as of 31 December 2009 was as follows:

Name	Position
Mariyam Sheeneez Shakir	Director / Acting Chairperson
Ahmed Muneez	Director / MD

### Human Resources

At the end of 2009, the Company had a total of 4 staff, of which 2 were Maldivians.

### Business Review

The main business of STO Maldives (Singapore) is to manage banking and cargo operations for shipments of Maldives National Oil Company as well as STO.

## Maldives National Oil Company Ltd

Maldives National Oil Company (MNOC) was established in 2003. STO holds 99.99% of shares of MNOC, and 0.01% is held by Allied Insurance Company of the Maldives.

### Board of Directors

The Board of MNOC comprises 3 Directors, inclusive of 1 Executive Director and 2 Non-Executive Directors. In 2009 the Board changed twice, and the composition of the Board as of 31 December 2009 was as follows:

Name	Position
Hassan Zareer	Chairperson
Ahmed Muneez	Director / MD
Lina Hussain Zahir	Director

In 2009, a total of 4 Board meetings were held. Separate sub-committees do not operate within the Board due to its small size.

### Auditors

Ernst & Young was the external auditors of the Company in 2009.

### Human Resources

At the end of 2009, MNOC had a total of 3 staff, of which 2 were Maldivians.

### Business Review

MNOC has performed satisfactorily in its oil trading operations during the past year, and as part of its business expansion strategy, the company continued to develop new leads and relationships with oil supplies and customers in regional countries including India and Pakistan.





## **Group Company Reports**

# **Maldives Structural Products Pvt Ltd**

Maldives Structural Products Pvt Ltd (MSP) was established in 2000, as a fifty-fifty joint venture company of STO PLC and Rainbow Investments Pvt Ltd, with the aim of producing and supplying quality roofing sheets and related products at affordable prices to the people of Maldives.

## Board of Directors

MSP's Board comprises 4 Directors, inclusive of 1 Executive Director and 3 Non-Executive Directors. In 2009 the Board changed twice, and the composition of the Board as of 31 December 2009 was as follows:

Name	Position
Ismail Shafeeg	Chairperson
Ibrahim Rafeeq	Director / MD
Mohamed Imad	Director
Hawwa Zahira	Director

In 2009, a total of 7 Board meetings were held. Separate sub-committees do not operate within the Board due to its small size.

## Human Resources

At the end of 2009, the Company had a total of 19 staff, of which 58% were Maldivians.

## Business Review

The Company imports steel from abroad, and produces and distributes quality roofing sheets and related products. The company has claimed a leadership position in supplying a quality product at an affordable price.



# **Financial Statements 2009**

## **State Trading Organisation PLC**

## **Independent auditor's report**

### **To the Shareholders and Board of Directors of State Trading Organization Plc**

1 We have audited the accompanying financial statements of State Trading Organization Plc (the Company) and its subsidiaries (the Group) which comprise the balance sheet as of 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act No. 10/96, of the Republic of Maldives. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

3 Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in paragraph 5 below, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Qualified Opinion**

5 Available-for-sale investments include investment in the shares of Maldives Industrial Fisheries Company Limited at a carrying amount of MRf 19,432,674. The investee Company has incurred a significant loss during the year ended 31 December 2009. Due to the absence of availability of the audited financial statements of the investee company for the year ended 31 December 2009, the Company has not assessed the impairment loss on the investment. Therefore, we are unable to ascertain the amount by which the investment is impaired as at the balance sheet date.

### **Opinion**

6 In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion in paragraph 5, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Companies Act No. 10/96, of the Republic of Maldives.

7 In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion in paragraph 5, the accompanying financial statements give a true and fair view of the financial position of the Group as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Companies Act No. 10/96, of the Republic of Maldives.

31 MAY 2010  
MALE'

  
CHARTERED ACCOUNTANTS



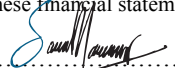
**STATE TRADING ORGANIZATION PLC**  
**Financial statements - 31 December 2009**

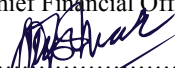
**Consolidated balance sheet**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Group		Company	
		2009	2008	2009	2008
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	423,516,090	357,740,372	294,917,633	219,950,883
Intangible asset	7	4,832,687	3,718,865	-	-
Investments in subsidiaries	8	-	-	116,249,935	83,666,750
Investments in associates	9	4,002,342	5,570,169	10,567,267	10,567,267
Investment in joint venture	10	-	-	4,700,000	4,700,000
Available for sale investment	11	48,056,800	55,995,295	48,056,800	55,995,295
Trade and other receivables	13	997,330	1,994,657	997,330	1,994,657
		481,405,249	425,019,358	475,488,965	376,874,852
<b>Current assets</b>					
Inventories	12	445,662,426	365,618,199	392,125,037	325,704,358
Trade and other receivables	13	1,042,018,572	1,008,671,072	989,526,133	919,289,467
Reinsurance contracts	15	130,157,077	120,173,728	-	-
Investment held to maturity	16	21,894,631	6,966,757	-	-
Cash and cash equivalents	17	467,048,776	225,303,283	385,440,399	158,630,555
		2,106,781,482	1,726,733,039	1,767,091,569	1,403,624,380
<b>Total assets</b>		<b>2,588,186,731</b>	<b>2,151,752,397</b>	<b>2,242,580,534</b>	<b>1,780,499,232</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equityholders of the Company</b>					
Share capital	18	56,345,500	56,345,500	56,345,500	56,345,500
Share premium		27,814,500	27,814,500	27,814,500	27,814,500
Currency translation reserve	20	441,483	305,185	-	-
Claim equalization reserve	19	5,366,087	2,729,182	-	-
General reserves		289,334,485	289,334,485	289,334,485	289,334,485
Fair value reserves		23,684,408	30,541,388	23,684,408	30,541,388
Retained earnings		642,714,020	548,687,785	504,789,879	438,014,749
		1,045,700,483	955,758,025	901,968,772	842,050,622
<b>Minority interest</b>		<b>5,582,118</b>	<b>34,818,211</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>1,051,282,601</b>	<b>990,576,236</b>	<b>901,968,772</b>	<b>842,050,622</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	23	8,293,667	28,701,645	7,967,000	25,921,943
<b>Current liabilities</b>					
Trade and other payables	22	571,378,530	395,854,595	526,640,394	316,175,694
Current tax liability		-	-	-	-
Insurance contracts	24	125,315,709	106,369,037	-	-
Borrowings	23	831,916,224	630,250,884	806,004,368	596,350,973
<b>Total liabilities</b>		<b>1,536,904,130</b>	<b>1,161,176,161</b>	<b>1,340,611,762</b>	<b>938,448,610</b>
<b>Total equity and liabilities</b>		<b>2,588,186,731</b>	<b>2,151,752,397</b>	<b>2,242,580,534</b>	<b>1,780,499,232</b>

These financial statements were approved by the Board of Directors on 27 May 2010

  
**Sana Mansoor**  
 Chief Financial Officer

  
**Farooq Umar**  
 Chairman

  
**Shahid Ali**  
 Managing Director

  
**Masood Ali**  
 Director

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

**Consolidated income statement**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Group		Company	
		Year ended 31 December			
		2009	2008	2009	2008
Sales	25	4,981,707,397	6,417,712,665	3,844,618,705	5,926,584,567
Cost of sales	28	(4,360,915,202)	(5,840,308,373)	(3,423,060,306)	(5,512,772,695)
<b>Gross profit</b>		620,792,195	577,404,292	421,558,399	413,811,872
Other operating income	27	47,583,589	30,621,930	40,803,248	25,507,303
		668,375,784	608,026,222	462,361,647	439,319,175
Selling and marketing costs	28	(191,943,876)	(170,295,864)	(149,625,843)	(138,332,790)
Administrative expenses	28	(229,447,508)	(199,168,723)	(131,645,760)	(114,815,479)
Other operating cost	28	(3,673,227)	(820,746)	(2,990,017)	(2,766,712)
<b>Operating profit</b>		243,311,173	237,740,889	178,100,027	183,404,194
Financial income	30	18,364,691	13,489,679	45,628,882	34,047,679
Financial cost	30	(87,962,063)	(64,757,204)	(83,704,629)	(61,792,355)
Finance cost - net	30	(69,597,372)	(51,267,525)	(38,075,747)	(27,744,676)
Share of (loss) / profit of associates	9	(1,567,827)	917,877	-	-
<b>Profit before tax</b>		172,145,974	187,391,241	140,024,280	155,659,518
Income tax provision written back	31	-	1,100	-	-
<b>Profit for the year</b>		172,145,974	187,392,341	140,024,280	155,659,518
<b>Attributable to:</b>					
Equityholders of the Company		169,912,290	175,750,789	140,024,280	155,659,518
Minority interest	21	2,233,684	11,641,552	-	-
		172,145,974	187,392,341	140,024,280	155,659,518
<b>Earnings per share for profit attributable to the equityholders of the Company during the year</b> (expressed in Rf per share)					
- basic	32	151	156	124	138

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

**Statement of changes in shareholders' equity - Company**

(all amounts in Maldivian Rufiyaa)

	Notes	Share capital	Share premium	General reserve	Faire value reserve	Retained earnings	Total
<b>Balance at 1 January 2008</b>		56,345,500	27,814,500	258,202,581	52,255,158	392,370,835	786,988,574
Profit for the year		-	-	-	-	155,659,518	155,659,518
Net fair value gain, on available-for-sale investments	11	-	-	-	(21,713,770)	-	(21,713,770)
Transfer to general reserve		-	-	31,131,904	-	(31,131,904)	-
Dividends	33	-	-	-	-	(78,883,700)	(78,883,700)
<b>Balance at 31 December 2008</b>		56,345,500	27,814,500	289,334,485	30,541,388	438,014,749	842,050,622
<b>Balance at 1 January 2009</b>		56,345,500	27,814,500	289,334,485	30,541,388	438,014,749	842,050,622
Profit for the year		-	-	-	-	140,024,280	140,024,280
Net fair value loss, on available-for-sale investments	11	-	-	-	(6,856,980)	-	(6,856,980)
Transfer to general reserve		-	-	-	-	-	-
Dividends	33	-	-	-	-	(73,249,150)	(73,249,150)
<b>Balance at 31 December 2009</b>		56,345,500	27,814,500	289,334,485	23,684,408	504,789,879	901,968,772

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

STATE TRADING ORGANIZATION PLC  
Financial statements - 31 December 2009

Statement of changes in shareholders' equity - Group

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Attributable to equityholders							Group total		
		Share capital	Share premium	Share equalization reserve	Claim reserve	General reserve	Faire value reserve	Currency translation reserve		Retained earnings	Total
<b>Balance at 1 January 2008</b>		56,345,500	27,814,500	5,629,447	258,202,581	52,255,158	457,125	479,103,852	879,808,163	29,781,042	909,589,205
Profit for the year		-	-	-	-	-	(151,940)	175,750,789	175,750,789	11,641,552	187,392,341
Translation loss during the year		-	-	-	-	-	-	-	(151,940)	-	(151,940)
Net fair value gain, on available-for-sale investments	11	-	-	-	-	(21,713,770)	-	-	(21,713,770)	-	(21,713,770)
Excess amount credited to minority interest rectified	21	-	-	-	-	-	-	948,483	948,483	(948,483)	-
Transfer to general reserve		-	-	-	31,131,904	-	-	(31,131,904)	-	-	-
Transfer of claim and loss expenses	19	-	-	(3,752,298)	-	-	-	3,752,298	-	-	-
Transfer to claim equalization reserve	19	-	-	852,033	-	-	-	(852,033)	-	-	-
Dividends	33	-	-	-	-	-	-	(78,883,700)	(78,883,700)	(5,655,900)	(84,539,600)
<b>Balance at 31 December 2008</b>		56,345,500	27,814,500	2,729,182	289,334,485	30,541,388	305,185	548,687,785	955,758,025	34,818,211	990,576,236
<b>Balance at 1 January 2009</b>		56,345,500	27,814,500	2,729,182	289,334,485	30,541,388	305,185	548,687,785	955,758,025	34,818,211	990,576,236
Profit for the year		-	-	-	-	-	-	169,912,290	169,912,290	2,233,684	172,145,974
Purchase of shares in subsidiary from minority shareholder	7	-	-	-	-	-	-	-	-	(30,448,872)	-
Translation gain during the year		-	-	-	-	-	136,298	-	136,298	-	136,298
Net fair value loss, on available-for-sale investments	11	-	-	-	-	(6,856,980)	-	-	(6,856,980)	-	(6,856,980)
Transfer to general reserve		-	-	-	-	-	-	-	-	-	-
Transfer to claim equalization reserve	19	-	-	2,636,905	-	-	-	(2,636,905)	-	-	-
Dividends	33	-	-	-	-	-	-	(73,249,150)	(73,249,150)	(1,020,905)	(74,270,055)
<b>Balance at 31 December 2009</b>		56,345,500	27,814,500	5,366,087	289,334,485	23,684,408	441,483	642,714,020	1,045,700,483	5,582,118	1,081,731,473

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

**Consolidated cash flow statement**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Group		Company	
		Year ended 31 December			
		2009	2008	2009	2008
<b>Cash flows from operating activities</b>					
Cash generated from /(used in) operations	34	450,048,961	(95,286,121)	354,789,661	(154,335,583)
Interest paid		(82,117,983)	(62,373,204)	(78,916,039)	(59,430,889)
Excess tax provision reversed		-	(1,066)	-	-
Net cash generated from /(used in) operating activities		367,930,978	(157,660,391)	275,873,622	(213,766,472)
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	6	(135,355,300)	(47,720,831)	(122,231,637)	(27,084,206)
Purchases of intangible assets	7	-	(572,339)	-	-
Purchase of shares in subsidiary		(29,324,864)	-	(32,583,185)	-
Sales proceed from fixed assets	34	47,867	1,029,762	5,675,070	906,891
Loan realisation		-	-	7,892,313	2,156,172
Loan granted during the year		-	-	-	(1,576,563)
Purchase of non-current investment	11	-	(534,300)	-	(534,300)
Investment in treasury bills	16	(14,927,874)	(6,966,757)	-	-
Interest received		16,224,806	11,186,446	15,835,531	10,621,259
Dividends received	30	2,057,094	2,285,620	29,793,351	23,426,420
Net cash (used in) /generated from investing activities		(161,278,271)	(41,292,399)	(95,618,557)	7,915,673
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		3,095,625,832	1,735,476,840	3,095,625,832	1,727,021,103
Repayment of borrowings		(2,866,301,129)	(1,744,039,624)	(2,854,404,986)	(1,741,440,529)
Dividends paid to Company's shareholders		(146,164,575)	(13,261,661)	(145,143,670)	(7,605,761)
Net cash generated from /(used in) financing activities		83,160,128	(21,824,445)	96,077,176	(22,025,187)
<b>Net increase /(decrease) in Cash, cash equivalents and bank overdrafts</b>					
		289,812,835	(220,777,235)	276,332,241	(227,875,986)
Cash, cash equivalents and bank overdrafts at beginning of year	17	(112,555,351)	108,221,884	(157,224,313)	70,651,673
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	17	<b>177,257,484</b>	<b>(112,555,351)</b>	<b>119,107,928</b>	<b>(157,224,313)</b>

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

**Notes to the consolidated financial statements**

**1 General 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 under the Companies Act No.10 of 1996, with its registered office at Boduthakurufaanu Magu, Maafannu, Male’ 20345, Republic of Maldives. The Company is a listed Company in the Maldives Stock Exchange. The main business of the Company is importing and trading of various types of consumable and industrial goods.

The consolidated financial statements of the Group for the year ended 31st December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in the associates and jointly controlled entities.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements of State Trading Organization Plc have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

**2.2 Consolidation**

*(a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

**Notes to the consolidated financial statements (continued)**

**2.2 Consolidation (continued)**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the combination are measured initially at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-Company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(b) Transactions and minority interests*

Minority interest is that portion of the profit or loss and net asset of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

*(c) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

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**Notes to the consolidated financial statements (continued)**

**2.2 Consolidation (continued)**

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(d) Joint ventures*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.



**Notes to the consolidated financial statements (continued)**

**2.3 Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The primary segments of the Group are as follows:

- i) Trading
- ii) Gas
- iii) Insurance service
- iv) Fuel, lubricant & crude oil
- v) Structural product
- vi) Other

**2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Maldivian Rufiyaa which is the Group's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied.

Transaction differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are, included in the fair value reserve in equity.

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**Notes to the consolidated financial statements (continued)**

**2.4 Foreign currency translation (continued)**

*(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

(ii) income and expenses for each income statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions): and

(iii) Exchange differences arising from the translation of the net investment in foreign operations, are taken to currency translation reserve. They are released into the income statement upon disposal.

On consolidation, exchange differences arising from the translation of the net investments in foreign operations and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign currency are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**2.5 Property, plant and equipment**

All property, plant and equipment, which are initially recorded at historical cost, is stated at cost less depreciation. Cost includes the transfer value of the assets, or their purchase cost, or the cost of construction, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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**Notes to the consolidated financial statements (continued)**

**2.5 Property, plant and equipment (continued)**

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, commencing from the month in which the assets were purchased upto the date of disposal, as follows:

Leasehold buildings	Over the lease period
Freehold buildings	5-20 years
Plant and machinery	3-20 years
Vessels and fleet	5-15 years
Motor vehicles	4-5 years
Air conditioners	3-4 years
Office equipment	3-5 years
Furniture and fixtures	3-5 years
Other assets	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Buildings constructed on leasehold land and improvements made to leasehold premises are amortised over the unexpired period of the lease.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**2.6 Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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**Notes to the consolidated financial statements (continued)**

**2.7 Intangible assets**

*(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associates is included in 'Investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

*(b) Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development cost recognised as assets are amortised over their estimated useful life of five years.

*(c) Impairment of intangible assets*

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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**Notes to the consolidated financial statements (continued)**

**2.8 Financial assets**

A financial asset is any asset that is an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity.

The Group classifies its financial assets in the following categories: held to maturity instruments, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

*(a) Held to maturity investments*

These investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available for sale and those that meet the definition of loans and receivables.

*(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the balance sheet date.

*(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

*(d) Recognition of financial asset*

When a financial asset is recognised initially, an entity shall measure it at its fair value plus transactions cost that are directly attributable to the acquisition or issue of the financial asset. Loans and receivables shall be measured at amortised cost using the effective interest method.

Held to maturity investments shall be measured at amortised cost using the effective interest method.

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**Notes to the consolidated financial statements (continued)**

**2.8 Financial assets (continued)**

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, shall be measured at cost.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**2.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle except in Maldives Gas Private Limited, which is on first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses.

**Notes to the consolidated financial statements (continued)**

**2.10 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'selling and marketing costs'.

**2.11 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**2.12 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to purchase of properties, plant and equipment are included in current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected useful lives of the related asset.

**2.13 Employee benefits**

Amounts contributed by the Group to the employee's provident fund under a voluntary or a compulsory scheme are treated as a staff cost.

**2.14 Share capital**

Ordinary shares are classified as equity.

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**Notes to the consolidated financial statements (continued)**

**2.15 Insurance contracts and investment contracts – classification**

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

*(a) Recognition and measurement*

Insurance contracts and investment contracts are classified, depending on the duration of risk and whether or not the terms and conditions are fixed.

*(i) Short term insurance contracts*

These contracts are property and short-duration non life insurance contracts.

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earning caused by the inability to use the insured properties in their business activities (business interruption cover).

For these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before reduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred upto the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

*(ii) Long-term insurance contracts with fixed and guaranteed terms*

These contracts insure events associated with human life (for example, death) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

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**Notes to the consolidated financial statements (continued)**

**2.15 Insurance contracts and investment contracts – classification (continued)**

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contracts.

*(b) Re-insurance commission*

As it accrues unless collectibility is in doubt.

*(c) Deferred policy acquisition costs (DAC)*

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities.

*(d) Liability adequacy test*

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses as well as investment income from the assets banking such liabilities are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and subsequently by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

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**Notes to the consolidated financial statements (continued)**

**2.15 Insurance contracts and investment contracts – classification (continued)**

*(e) Reinsurance contracts held*

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in this note are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 2.7.

*(f) Receivables and payables related to insurance contracts and investment contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in Note 2.7.

As set out in (a) above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margin for adverse deviation) are used for the subsequent measurement of these liabilities.

Any DAC written off as a result of this test cannot be subsequently reinstated.

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**Notes to the consolidated financial statements (continued)**

**2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**2.17 Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

**2.18 Taxation**

*(a) Current taxes*

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the country where the Group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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**Notes to the consolidated financial statements (continued)**

**2.18 Taxation (continued)**

*(b) Deferred income taxes*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/ loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

**2.19 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*a) Sale of goods*

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectibles of the related receivables are reasonably assured.

*(b) Sale of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known to management.

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**Notes to the consolidated financial statements (continued)**

**2.19 Revenue recognition (continued)**

*(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest rate method.

*(d) Dividend income*

Dividend income is recognised when the right to receive payment is established.

*(e) Rental income*

Rental income is recognised on accrual basis.

**2.20 Leases**

*(a) The Company is the lessee*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

*(b) The Company is the lessor*

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**2.21 Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

**2.22 Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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**Notes to the consolidated financial statements (continued)**

**3 Financial risk management**

**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors on specific areas, such as foreign exchange risk, credit risk and the liquidity risk.

**(a) Market risk - Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Maldivian Rufiyaa and mainly in United States Dollars. As at the balance sheet date, the Group has approximately US\$ 99,847,542 (2008 : US\$ 66,578,222) as foreign currency liabilities, whereas foreign currency committed available credit line amounted to US\$ 39,458,536 (2008: US\$ 12,129,544) as at the same date.

STO has bought US\$ 14,375,000 from Housing Development Finance Corporation (HDFC) by paying equivalent Rufiyaa at 1 US\$ = Mrf 12.85. The Company has entered into a SWAP agreement with HDFC by which the company is obliged to sell equal amount of US\$ to honour the US\$ requirement of HDFC. As at the balance sheet date US\$ 14,231,103 is the outstanding commitment.

The management has taken the following steps to mitigate the exposure of currency risk on payments in foreign currencies. By doing so, the Group has managed to settle all the foreign currency liabilities without default in the past.

Ministry of Finance and Treasury (MOFT) approves United States Dollar sales through Maldives Monetary Authority (MMA) for imports made by the Group based on the quarterly import statement submitted to MOFT by the Group.

Payment are made by Maldivian Rufiyaa for some of the overseas vendor by mutual arrangement with the vendor.

**(b) Credit risk**

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

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## Notes to the consolidated financial statements (continued)

### 3.1 Financial risk factors (continued)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain liquidity by keeping committed credit facilities.

#### (d) Interest rate risk

The Group's exposure to interest rate risk relates to its bank and other borrowings which are on fixed and floating rate terms, and this risk is reviewed on an ongoing basis. At the balance sheet the Group did not have in place any instruments to hedge its exposure to interest rate risk.

### 3.2 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The principal risk that the Company faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from period to period from the estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The reinsurance arrangements include excess, and catastrophe coverage. In addition to the above, individual policies of a larger sum assured have additional reinsurance protection.

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**Notes to the consolidated financial statements (continued)**

**3.2 Insurance risk (continued)**

*Sources of uncertainty in the estimation of future claim payments*

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for incurred but not reported claims (IBNR), a provision for reported claims not yet paid and a provision for unexpired risks at the balance sheet date.

**3.3 Long-term insurance contracts**

*(a) Frequency and severity of claims*

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Company's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Company reinsures the excess of the insured benefit for standard risks (from a medical point of view) under an excess of loss reinsurance arrangement.



**Notes to the consolidated financial statements (continued)**

**3.3 Long-term insurance contracts (continued)**

Insurance risk for contracts disclosed in this Note is also affected by the contract holders' right to pay reduced or no future premiums and to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The Company has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base table of standard mortality.

(c) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

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**Notes to the consolidated financial statements (continued)**

**3.3 Long-term insurance contracts (continued)**

The assumptions used for the insurance contracts disclosed in this Note are as follows:

- Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract.

- Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

- Persistency

An investigation into the Company's experience over the most recent year is performed, and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behaviour.

- Investment returns

Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. The Company's primary assumptions on investment returns relate to the following components:

Risk-free rates: the risk-free rates are the gross yields to redemption of benchmark government securities. For the current valuation, the rate is 4%.

- Renewal expense level

The current level of expenses is taken as an appropriate expense base.

*(d) Sensitivity analysis*

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment.

**Notes to the consolidated financial statements (continued)**

**3.4 Property insurance contracts**

Frequency and severity of claims

The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, accident or tsunami.

Property insurance contracts are subdivided into four risk groups: fire, accident, marine cargo and marine hull. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings. The Company does not underwrite property insurance contracts outside Maldives.

**3.5 Capital risk 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 returns 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 payable to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

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## STATE TRADING ORGANIZATION PLC

### Financial statements - 31 December 2009

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#### Notes to the consolidated financial statements (continued)

#### 3.5 Capital risk management (continued)

The gearing ratios at 31 December 2009 and 31 December 2008 were as follows:

	Group		Company	
	2009	2008	2009	2008
Total borrowings	1,536,904,130	1,161,176,161	1,340,611,762	938,448,610
Less: Cash and cash equivalents (Note17)	(467,048,776)	(225,303,283)	(385,440,399)	(158,630,555)
Net debt	1,069,855,354	935,872,878	955,171,363	779,818,055
Total equity	1,051,282,601	990,576,236	901,968,772	842,050,622
Total capital	<u>2,121,137,955</u>	<u>1,926,449,114</u>	<u>1,857,140,135</u>	<u>1,621,868,677</u>
<b>Gearing</b>	50%	49%	51%	48%

There were no significant change in the gearing ratio during 2009 compared to 2008.

#### 3.6 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### 4 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**STATE TRADING ORGANIZATION PLC**

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**5 Segment information**

The segment results for the year ended 31 December 2008 are as follows:

	<b>Trading</b>	<b>Gas</b>	<b>Insurance service</b>	<b>Fuel, lubricant and crude oil</b>	<b>Structural products</b>	<b>Unallocated</b>	<b>Group Total</b>
<b>Revenue</b>	1,379,113,257	94,722,255	57,244,147	4,864,975,957	21,657,049	-	6,417,712,665
<b>Segment Results</b>							
Operating profit before financing cost	181,763,956	(2,415,926)	7,710,060	35,522,780	12,378,957	2,781,062	237,740,889
Net financing costs	(48,712,802)	(1,909,756)	(78)	(292,606)	(352,283)	-	(51,267,525)
Share of profit from associate	-	-	-	-	-	-	917,877
Profit/(loss) before tax	133,051,154	(4,325,682)	7,709,982	35,230,174	12,026,674	-	187,391,241
Tax	1,100	-	-	-	-	-	1,100
Minority interest	-	-	-	-	-	-	(11,641,552)
<b>Profit for the year</b>							<b>175,750,789</b>

**STATE TRADING ORGANIZATION PLC**

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(All amounts in Maldivian Rufiyaa unless otherwise stated)

**5 Segment information ( continued )**

The segment results for the year ended 31 December 2009 are as follows:

	<b>Trading</b>	<b>Gas</b>	<b>Insurance service</b>	<b>Fuel, lubricant and crude oil</b>	<b>Structural products</b>	<b>Group Total</b>
<b>Revenue</b>	1,115,497,823	84,130,688	67,002,938	3,701,022,412	14,053,536	4,981,707,397
<b>Segment Results</b>						
Operating profit before financing cost	172,524,651	7,626,515	23,487,217	31,947,568	7,725,222	243,311,173
Net financing costs	(65,806,845)	(2,595,660)	-	89,575	(1,284,442)	(69,597,372)
Share of loss from associate	-	-	-	-	-	(1,567,827)
Profit before tax	106,717,806	5,030,855	23,487,217	32,037,142	6,440,780	172,145,974
Tax	-	-	-	-	-	-
Minority interest	-	-	-	-	-	(2,233,684)
<b>Profit for the year</b>						<b>169,912,290</b>

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

**5 Segment information ( continued )**

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	<b>Trading</b>	<b>Gas</b>	<b>Insurance service</b>	<b>Fuel, lubricant and crude oil</b>	<b>Structural products</b>	<b>Group Total</b>
Assets	1,558,801,411	92,808,294	208,384,894	244,715,695	47,042,103	2,151,752,397
Liabilities	810,771,237	31,808,923	153,985,579	146,668,452	17,941,970	1,161,176,161
Capital expenditure	27,084,206	9,024,416	1,721,681	8,903,330	1,559,537	48,293,170
Depreciation	39,936,450	8,562,680	1,178,946	8,875,620	704,606	59,258,302

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	<b>Trading</b>	<b>Gas</b>	<b>Insurance service</b>	<b>Fuel, lubricant and crude oil</b>	<b>Structural products</b>	<b>Group Total</b>
Assets	1,947,828,646	109,277,608	234,426,950	263,897,061	32,756,466	2,588,186,731
Liabilities	1,269,897,127	43,187,131	149,019,212	67,734,742	7,065,918	1,536,904,130
Capital expenditure	122,231,637	3,857,126	1,194,463	8,015,623	56,452	135,355,300
Depreciation	47,245,069	8,795,105	1,344,095	11,243,510	779,700	69,407,479

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

<b>6 Property, plant and equipment - Company</b>		<b>Building</b>	<b>Plant and machinery</b>	<b>Vessels and fleet</b>	<b>Motor vehicles</b>	<b>Air conditioners</b>	<b>Office equipments</b>	<b>Furniture and fittings</b>	<b>Other assets</b>	<b>Capital work-in-progress</b>	<b>Total</b>
<b>At 1 January 2008</b>											
Cost	327,667,644	33,769,952	62,751,060	30,420,285	2,360,329	11,879,829	2,368,174	3,922,073	46,416,042	521,555,388	
Accumulated depreciation	(183,916,906)	(29,289,279)	(37,614,059)	(21,514,158)	(1,854,353)	(9,970,390)	(2,189,526)	(1,895,857)	-	(288,244,528)	
Net book amount	143,750,738	4,480,673	25,137,001	8,906,127	505,976	1,909,439	178,648	2,026,216	46,416,042	233,310,860	
<b>Year ended 31 December 2008</b>											
Opening net book amount	143,750,738	4,480,673	25,137,001	8,906,127	505,976	1,909,439	178,648	2,026,216	46,416,042	233,310,860	
Additions	3,591,853	1,041,160	-	72,000	268,567	1,329,793	165,447	1,290,774	19,324,612	27,084,206	
Transfer	12,552,592	39,413,798	-	-	-	-	-	-	(51,966,390)	-	
Disposals	-	-	-	(512,100)	(1,170)	(37,372)	(5,245)	(33,136)	-	-	
Depreciation charge (Note 28)	(20,483,113)	(3,588,212)	(10,181,262)	(3,041,920)	(289,061)	(1,354,887)	(144,145)	(772,560)	-	(39,855,160)	
Closing net book amount	139,412,070	41,347,419	14,955,739	5,424,107	484,312	1,846,973	194,705	2,511,294	13,774,264	219,950,883	
<b>At 31 December 2008</b>											
Cost	338,135,911	73,492,221	62,624,387	29,415,088	2,593,039	12,949,290	2,511,268	4,998,874	13,774,264	540,494,342	
Accumulated depreciation	(198,723,841)	(32,144,802)	(47,668,648)	(23,990,981)	(2,108,727)	(11,102,317)	(2,316,563)	(2,487,580)	-	(320,543,459)	
Net book amount	139,412,070	41,347,419	14,955,739	5,424,107	484,312	1,846,973	194,705	2,511,294	13,774,264	219,950,883	
<b>Year ended 31 December 2009</b>											
Opening net book amount	139,412,070	41,347,419	14,955,739	5,424,107	484,312	1,846,973	194,705	2,511,294	13,774,264	219,950,883	
Additions	9,480,751	1,703,259	75,895,720	39,500	893,008	880,788	615,518	1,369,410	31,353,684	122,231,637	
Disposals	-	(1,662)	-	-	(3,236)	(12,764)	(576)	(19,667)	-	(37,904)	
Depreciation charge (Note 28)	(22,358,057)	(7,801,492)	(12,239,920)	(2,305,245)	(313,432)	(1,078,062)	(190,480)	(940,296)	-	(47,226,983)	
Closing net book amount	126,534,764	35,247,524	78,611,539	3,158,362	1,060,652	1,636,935	619,167	2,920,741	45,127,948	294,917,633	
<b>At 31 December 2009</b>											
Cost	346,514,325	75,190,493	126,976,014	29,454,588	3,472,826	13,722,734	3,106,191	6,316,470	45,127,948	649,881,590	
Accumulated depreciation	(219,979,561)	(39,942,969)	(48,364,475)	(26,296,226)	(2,412,174)	(12,085,799)	(2,487,024)	(3,395,729)	-	(354,963,957)	
Net book amount	126,534,764	35,247,524	78,611,539	3,158,362	1,060,652	1,636,935	619,167	2,920,741	45,127,948	294,917,633	



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**6 Property, plant and equipment - Group**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Land	Building	Leasehold buildings	Plant and machinery	Vessels and fleet	Motor vehicles	Air conditioners	Office equipments	Furniture and fittings	Other assets	Capital work-in-progress	Total
<b>At 1 January 2008</b>												
Cost	-	331,903,723	21,034,080	97,734,481	108,509,962	37,793,228	3,107,177	18,995,209	6,868,595	43,627,324	63,864,552	733,438,331
Accumulated depreciation	-	(183,164,763)	(8,560,246)	(50,696,691)	(49,006,328)	(25,326,009)	(2,630,886)	(14,600,337)	(5,272,849)	(24,322,375)	-	(363,580,484)
Net book amount	-	148,738,960	12,473,834	47,037,790	59,503,634	12,467,219	476,291	4,394,872	1,595,746	19,304,949	63,864,552	369,857,847
<b>Year ended 31 December 2008</b>												
Opening net book amount	-	148,738,960	12,473,834	47,037,790	59,503,634	12,467,219	476,291	4,394,872	1,595,746	19,304,949	63,864,552	369,857,847
Additions	-	3,682,007	-	1,041,160	194,457	1,875,304	341,767	2,242,071	480,878	9,540,089	28,323,098	47,720,831
Transfer	-	12,552,592	752,406	39,493,604	7,006,001	1,708,268	51,604	(287,981)	(13,900)	320,949	(61,577,605)	5,938
Exchange difference	-	1,925	-	1,156	-	-	-	-	-	-	-	3,081
Disposals	-	-	-	-	-	(512,100)	(1,170)	(37,372)	(5,245)	(33,136)	-	(589,023)
Depreciation charge (Note 28)	-	(20,924,176)	(1,703,664)	(6,521,024)	(16,648,931)	(4,159,259)	(569,092)	(2,567,603)	(346,046)	(5,818,507)	-	(59,258,302)
Closing net book amount	-	144,051,308	11,522,576	81,052,686	50,055,161	11,379,432	299,400	3,743,987	1,711,433	23,314,344	30,610,045	357,740,372
<b>At 31 December 2008</b>												
Cost	-	345,294,126	21,786,486	132,760,004	115,637,305	40,031,020	3,905,583	20,451,132	5,810,317	47,438,084	30,610,045	763,724,102
Accumulated depreciation	-	(201,242,818)	(10,263,910)	(51,707,318)	(65,582,144)	(28,651,588)	(3,606,183)	(16,707,145)	(4,098,884)	(24,123,740)	-	(405,983,730)
Net book amount	-	144,051,308	11,522,576	81,052,686	50,055,161	11,379,432	299,400	3,743,987	1,711,433	23,314,344	30,610,045	357,740,372
<b>Year ended 31 December 2009</b>												
Opening net book amount	-	144,051,308	11,522,576	81,052,686	50,055,161	11,379,432	299,400	3,743,987	1,711,433	23,314,344	30,610,045	357,740,372
Additions	-	7,851,984	1,351,065	1,758,961	76,625,741	657,752	939,213	3,642,980	1,637,510	4,816,306	36,073,789	135,355,300
Transfer	-	-	2,386,260	-	4,421,555	-	-	(6,073)	(1,502)	-	(6,774,983)	25,257
Exchange difference	-	-	-	-	-	-	-	17,850	3,897	-	-	21,747
Disposals	-	-	-	(1,662)	(78,712)	(100,800)	(3,236)	(14,455)	(576)	(19,667)	-	(219,107)
Depreciation charge (Note 28)	-	(22,737,779)	(1,887,590)	(10,729,674)	(20,603,483)	(3,640,589)	(582,951)	(2,605,865)	(502,710)	(6,116,838)	-	(69,407,479)
Closing net book amount	-	129,165,513	13,372,311	72,080,311	110,420,262	8,295,795	652,426	4,778,424	2,848,052	21,994,145	59,908,851	423,516,090
<b>At 31 December 2009</b>												
Cost	-	352,043,774	25,523,811	134,513,978	185,140,508	40,688,772	4,831,575	23,978,611	7,427,679	52,112,945	59,908,851	886,170,504
Accumulated depreciation	-	(222,878,261)	(12,151,500)	(62,433,667)	(74,720,246)	(32,392,977)	(4,179,149)	(19,200,187)	(4,579,627)	(30,118,800)	-	(462,654,414)
Net book amount	-	129,165,513	13,372,311	72,080,311	110,420,262	8,295,795	652,426	4,778,424	2,848,052	21,994,145	59,908,851	423,516,090

Notes to the consolidated financial statements (continued)

**6 Property, plant and equipment (continued)**

**Group**

a) The buildings of State Trading Organization Plc. have been constructed on lands belonging to the Government of Maldives for which a rental of MRf. 3 per sq.ft. per month is paid . There is no lease agreement and accordingly no definite period of lease is identified. Under these circumstances, the Directors have considered it is prudent to provide depreciation in accordance with Accounting Policy 2.5.

b) The value of fully depreciated property, plant and equipment at the balance sheet date amounted to MRf 201,839,838 ( December 2008: MRf 58,497,704).

c) Depreciation expense of MRf 69,407,479 (December 2008: MRf 59,258,302) has been charged to administrative expenses.

d) Fuel Supplies Maldives Private Limited, a wholly owned subsidiary has acquired a bowser and two vessels under finance lease agreements. At the end of lease periods, company has the option to purchase those items. The net carrying value of lease assets as at 31st December 2009 is MRf 10,805,700 (2008:MRf 11,806,978 ).

e) Borrowings from Seylan Bank and Bank of Maldives are secured on STO trade center building and a vessel , Bonthi-2 respectively.

**Company**

a) The buildings of State Trading Organization Plc. have been constructed on lands belonging to the Government of Maldives for which a rental of MRf. 3 per sq.ft. per month is paid . There is no lease agreement and accordingly no definite period of lease is identified. Under these circumstances, the Directors have considered it is prudent to provide depreciation in accordance with Accounting Policy.

b) The value of fully depreciated property, plant and equipment at the balance sheet date amounted to MRf 181,066,538 ( December 2008: MRf 44,730,662).

c) Depreciation expense of MRf 47,226,983 (December 2008: MRf 39,855,160 ) has been charged to administrative expenses.

d) Borrowings from Seylan Bank and Bank of Maldives are secured on STO trade center building and a vessel , Bonthi-2 respectively.

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Notes to the consolidated financial statements (continued)

7 Intangible assets

	Goodwill	Software Implementation	Total
<b>1st January 2008</b>			
Cost	-	4,530,112	4,530,112
Accumulated charge	-	(377,510)	(377,510)
Net book amount	-	4,152,602	4,152,602
<b>Year ended 31 December 2008</b>			
Opening net book amount	-	4,152,602	4,152,602
Addition	-	572,339	572,339
Amortization charges (Note 28)	-	(1,006,076)	(1,006,076)
Closing net book amount	-	3,718,865	3,718,865
<b>At 31 December 2008</b>			
Cost	-	5,102,451	5,102,451
Accumulated amortization	-	(1,383,586)	(1,383,586)
Net book amount	-	3,718,865	3,718,865
<b>Year ended 31 December 2009</b>			
Opening net book amount	-	3,718,865	3,718,865
Addition	2,134,313	-	2,134,313
Amortization charge (Note 28)	-	(1,020,491)	(1,020,491)
Closing net book amount	2,134,313	2,698,374	4,832,687
<b>At 31 December 2009</b>			
Cost	2,134,313	5,102,451	7,236,764
Accumulated amortization	-	(2,404,077)	(2,404,077)
Net book amount	2,134,313	2,698,374	4,832,687

a) During 2008, the Group had capitalised the implementation of premeia software.

b) Amortisation charge of MRF 1,020,491(2008 : MRF 1,006,076) have been charged in expenses for administration.

c) On 01 March 2009, the Group acquired the 33.33% of share capital of Fuel Supplies Maldives Pvt Ltd, making it a wholly owned subsidiary.

Details of the net assets acquired are as follows:

Total purchase consideration	32,583,185
Fair value of total net assets	(30,448,872)
Goodwill	2,134,313

## Notes to the consolidated financial statements (continued)

## 8 Investments in subsidiaries

The principal subsidiary undertakings, which are incorporated in Republic of Maldives and unlisted, are as follows:

Name of the company	% of interest hold	Company	
		2009	2008
Maldiv Gas Private Limited	90%	61,200,000	61,200,000
Allied Insurance Company of the Maldives Private Limited	99.99%	807,000	807,000
STO Maldives (Singapore) Pte Limited	99.99%	1,459,750	1,459,750
Fuel Supplies Maldives Pte Limited	99.99%	42,783,185	10,200,000
Maldives National Oil Company Ltd	99.99%	10,000,000	10,000,000
		<u>116,249,935</u>	<u>83,666,750</u>

The Company has acquired 5,100 shares for a purchase consideration of MRf 32,583,185 from Vara Maldives Pvt Ltd, on 1st March 2009, making it a wholly owned subsidiary.

## 9 Investments in associate

	Group		Company	
	2009	2008	2009	2008
Beginning of the year	5,570,169	4,652,292	10,567,267	10,567,267
Share of (loss) / profit	(1,567,827)	917,877	-	-
End of the year	<u>4,002,342</u>	<u>5,570,169</u>	<u>10,567,267</u>	<u>10,567,267</u>

State Trading Organization Plc has acquired 10,567,267 shares, at a price of MRf 1/- each on 8th of January 2002, in Lafarge Maldives Cement Private Limited which represents 25% of the shareholding of that company. The principal activity of the company is trading of cement.

The summarised financial information of the following associate, which is incorporated in Republic of Maldives and unlisted, is as follows:

	Assets	Liabilities
<b>At 31 December 2008</b>		
Lafarge Maldives Cement Private Limited	<u>60,961,620</u>	<u>38,680,942</u>
<b>At 31 December 2009</b>		
Lafarge Maldives Cement Private Limited	<u>35,924,876</u>	<u>19,915,505</u>
	Revenues	Profit / (loss)
<b>At 31 December 2008</b>		
Lafarge Maldives Cement Private Limited	<u>125,226,669</u>	<u>3,671,508</u>
<b>At 31 December 2009</b>		
Lafarge Maldives Cement Private Limited	<u>54,590,367</u>	<u>(6,271,307)</u>

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

**Notes to the consolidated financial statements (continued)**

**10 Investment in joint venture**

	<b>2009</b>	<b>2008</b>
Maldives Structural Products Pvt Ltd	4,700,000	4,700,000

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

The amounts given represent the Company's 50% of share of assets and liabilities and results of the joint venture. They are included in the balance sheet and income statement.

	<b>Group's interest in joint venture company</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Non- current assets	2,356,897	3,080,145
Current assets	34,233,935	45,534,413
	<u>36,590,832</u>	<u>48,614,558</u>
<b>Liabilities</b>		
Current liabilities	(7,065,918)	(19,475,026)
Net assets	<u>29,524,913</u>	<u>29,139,532</u>
Income	41,093,579	52,739,652
Expenses	(32,282,371)	(40,712,978)
Profit for the year	<u>8,811,208</u>	<u>12,026,674</u>

There are contingent liabilities relating to the Group's interest in the joint venture as follows:

The joint venture had a contingent liability in respect of letters of credit aggregating to MRf 3,071,217 (2008: MRf 3,124,391).

**11 Available-for-sale investments**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
At the beginning of the year	55,995,295	81,706,192	55,995,295	81,706,192
Revaluation (loss) / surplus transferred to equity	(6,856,980)	(21,713,770)	(6,856,980)	(21,713,770)
Investment made during the year	-	534,300	-	534,300
Provision for impairment	(1,081,515)	(4,531,427)	(1,081,515)	(4,531,427)
At the end of the year	<u>48,056,800</u>	<u>55,995,295</u>	<u>48,056,800</u>	<u>55,995,295</u>

## STATE TRADING ORGANIZATION PLC

Financial statements - 31 December 2009

### Notes to the consolidated financial statements (continued)

#### 11 Available-for-sale investments (continued)

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. There were no disposal on available-for-sale investments in 2009 and 2008. Other investments (unlisted securities) are stated at cost less impairment since the fair value of those shares cannot be measured reliably.

Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

Available-for-sale financial assets consist of the equity securities in the following entities and investment made in G.Dh Atoll Rayyithunge Cooperative Society.

	Group		Company	
	2009	2008	2009	2008
Maldives Industrial Fisheries Company Ltd	43,100,100	43,100,100	43,100,100	43,100,100
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Bank of Maldives Plc	27,427,920	34,284,900	27,427,920	34,284,900
Maldives Stock Exchange Company Private Limited	1,600,000	1,600,000	1,600,000	1,600,000
Madivaru Holdings Pvt Ltd	709,148	709,148	709,148	709,148
	77,337,168	84,194,148	77,337,168	84,194,148
Less: Provision for loss on impairment	(29,280,368)	(28,198,853)	(29,280,368)	(28,198,853)
	48,056,800	55,995,295	48,056,800	55,995,295

#### 12 Inventories

	Group		Company	
	2009	2008	2009	2008
Roofing sheets (finished goods)	-	493,500	-	-
Roofing sheets (raw materials)	7,256,005	17,862,642	-	-
Food stock	75,584,790	55,972,315	75,584,790	55,972,315
Fuel and lubricants	243,069,597	110,121,956	198,903,313	90,668,376
Home improvement and electronics	38,751,207	149,894,327	38,751,207	149,894,327
Construction materials	55,728,472	17,522,640	55,728,472	17,522,640
Pharmaceuticals	23,371,757	9,366,774	23,371,757	9,366,774
Spare parts	4,370,256	3,833,233	127,011	58,363
Retail shops	24,330,799	19,948,327	24,330,799	19,948,327
Others	17,648	225,042	-	-
	472,480,531	385,240,756	416,797,349	343,431,122
Less : Provision for non / slow moving inventories	(26,818,105)	(19,622,557)	(24,672,312)	(17,726,764)
	445,662,426	365,618,199	392,125,037	325,704,358

**STATE TRADING ORGANIZATION PLC**

**Financial statements - 31 December 2009**

**Notes to the consolidated financial statements (continued)**

**12 Inventories (continued)**

**Provision for non / slow moving inventories**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Balance as at 1st January	19,622,557	9,845,074	17,726,764	9,845,074
Provision / (reversal) made during the year	7,195,548	9,777,483	6,945,548	7,881,690
Balance as at 31st December	26,818,105	19,622,557	24,672,312	17,726,764

**13 Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Trade receivables	343,481,212	312,028,079	155,452,806	131,842,807
Due from policyholders	40,987,722	47,762,566	-	-
	384,468,934	359,790,645	155,452,806	131,842,807
Less: Provision for impairment of trade receivables	(46,542,995)	(49,151,263)	(17,412,911)	(20,773,864)
Trade receivables - net	337,925,939	310,639,382	138,039,895	111,068,943
Advances, prepayments and deposits	111,009,880	79,726,133	105,322,859	73,984,778
Receivables from related parties (Note 37)	450,942,790	459,899,443	616,344,775	576,405,172
Loans granted to related companies (Note 37)	1,662,215	2,659,542	1,662,215	9,554,528
Amount due from directors		24,954	-	-
Other receivables (Note 14)	166,364,503	175,809,320	150,944,260	168,420,915
	729,979,388	718,119,392	874,274,109	828,365,393
Less: Provision for impairment of receivables	(24,889,425)	(18,093,045)	(21,790,541)	(18,150,212)
	705,089,963	700,026,347	852,483,568	810,215,181
Total trade and other receivables	1,043,015,902	1,010,665,729	990,523,463	921,284,124
Less: Non current portion of loans given to related companies	(997,330)	(1,994,657)	(997,330)	(1,994,657)
Current portion	1,042,018,572	1,008,671,072	989,526,133	919,289,467

a) There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers of different background and business.

b) Trade and other receivables are short term in nature and their carrying amounts approximate their fair value.

c) Receivables from related parties are unsecured, interest free and have no fixed repayment terms. Accordingly these amounts have been shown as due within one year.

d) Loans given to related companies represent an unsecured loan to Lafarge Maldives Cement Private Limited at an interest rate of 9% per annum, repayable in twenty four semi-annual installments from 15th June 2000 to 15th December 2011.

## Notes to the consolidated financial statements (continued)

## 14 Other receivables

	Group		Company	
	2009	2008	2009	2008
Government employee credit scheme	54,002,550	42,833,604	54,002,550	42,833,604
Less: unmatrued interest	(3,416,031)	(2,917,272)	(3,416,031)	(2,917,272)
Inter-company transaction	(44,318)	(356,930)	(44,318)	(356,930)
Provision for impairment on credit scheme	(3,165,312)	(3,156,051)	(3,165,312)	(3,156,051)
	47,376,889	36,403,351	47,376,889	36,403,351
Subsidy receivable	85,318,109	96,702,293	85,318,109	96,702,293
Staff advances and other loans	3,603,724	3,739,082	2,632,105	3,108,088
Advances paid for custom duty	5,239,000	15,576,560	5,239,000	15,576,560
Receivable on disposal of property, plant and equipments	-	176,600	-	176,600
Miscellaneous receivables	24,826,781	23,211,434	10,378,157	16,454,023
	166,364,503	175,809,320	150,944,260	168,420,915

## 15 Reinsurance contracts

	Group		Company	
	2009	2008	2009	2008
Re-insurers' share of insurance liabilities	96,373,531	80,700,339	-	-
Unearned premium	33,783,546	39,473,389	-	-
	130,157,077	120,173,728	-	-

## 16 Investments held to maturity

	Group		Company	
	2009	2008	2009	2008
Investments in treasury bills	21,894,631	6,966,757	-	-

The Company has invested MRf 21,894,631 ( 2008 : MRf 6,966,757) in treasury bills issued by the Maldives Monetary Authority for a maturity value of MRf 22,000,000 ( 2008 : MRf 7,000,000) at the rate of interest ranging from 6% to 6.25% p.a (2008 : 6.25 % p.a) with the maturity period of 30 - 90 days.

## 17 Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
Cash at bank and in hand	466,559,492	185,345,687	385,440,399	119,152,488
Short term bank deposit	489,284	39,957,596	-	39,478,067
	467,048,776	225,303,283	385,440,399	158,630,555



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**Notes to the consolidated financial statements (continued)**

**17 Cash and cash equivalents (continued)**

Cash and bank balances include the following for the purpose of cash flow statement:

	Group		Company	
	2009	2008	2009	2008
Cash and cash equivalents	467,048,776	225,303,283	385,440,399	158,630,555
Bank overdraft (Note 23)	(289,791,292)	(337,858,634)	(266,332,471)	(315,854,868)
	<u>177,257,484</u>	<u>(112,555,351)</u>	<u>119,107,928</u>	<u>(157,224,313)</u>

**18 Share capital**

	Number of shares	Ordinary shares	Share premium	Total
At 1 January 2008	1,126,910	56,345,500	27,814,500	84,160,000
At 31 December 2008	1,126,910	56,345,500	27,814,500	84,160,000
At 1 January 2009	1,126,910	56,345,500	27,814,500	84,160,000
At 31 December 2009	1,126,910	56,345,500	27,814,500	84,160,000

The total authorised number of ordinary shares is 1,155,555 shares (2008: 1,155,555 shares), with a par value of MRF 50 per share (2008: MRf 50 per share). All issued shares are fully paid.

**19 Claim equalization reserve**

Reserve for claim equalization represents 12% of the operating profit before taking into account operating income of the current year, which was created to meet abnormally high claims in future in the financial statements of Allied Insurance Company of the Maldives Private Limited.

	Group		Company	
	2009	2008	2009	2008
Balance as at 1st January	2,729,182	5,629,447	-	-
Amount utilised during the year	-	(3,752,298)	-	-
Transfer during the year	2,636,905	852,033	-	-
Balance as at 31st December	<u>5,366,087</u>	<u>2,729,182</u>	<u>-</u>	<u>-</u>

**20 Currency translation reserve**

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign subsidiary.

**21 Minority interest**

	2009	2008
At beginning of year	34,818,211	29,781,042
Add: Share of net results of subsidiaries	2,233,684	11,641,552
Less: dividends paid	(1,020,905)	(5,655,900)
Disposal of share in subsidiaries	(30,448,872)	-
Excess amount credited to minority interest rectified	-	(948,483)
At end of the year	<u>5,582,118</u>	<u>34,818,211</u>

## Notes to the consolidated financial statements (continued)

## 22 Trade and other payables

	Group		Company	
	2009	2008	2009	2008
Trade payables	498,818,914	253,797,342	403,937,577	191,122,420
Payables to related parties (Note 37)	15,738,349	8,706,012	84,570,352	14,632,786
Accrued expenses	21,277,087	16,947,533	17,906,600	12,811,937
Dividend payable	3,685,275	75,579,795	3,685,275	75,579,795
Other payables	31,858,905	40,823,913	16,540,590	22,028,756
	<u>571,378,530</u>	<u>395,854,595</u>	<u>526,640,394</u>	<u>316,175,694</u>

Other payables of the Group consist of MRf 1,248,051 (December 2008 : MRf 1,388,008) advance received for rent, MRf 386,874 (December 2008 : MRf 1,849,636) advances from customers, MRf 3,047,775 (December 2008 : MRf 7,192,903) foreign aid, MRf 6,615,935 (December 2008 : MRf 3,719,808) provident funds payables, MRf 1,340,300 (December 2008 : MRf 1,454,054) other deposits, MRf 1,029,739 (December 2008 : MRf 1,241,370) retention payable, MRf 2,182,183 (December 2008 : MRf 4,302,937) zakath payable, MRf 3,080,648 (December 2008 : nil) premium received in advance, MRf 10,293,825 (December 2008 : MRf 10,090,955) cylinder deposits, nil (December 2008 : MRf 7,630,797) national social protection agency security deposit and MRf 2,633,575 (December 2008 : MRf 1,953,445) other miscellaneous payables.

## 23 Borrowings

	Group		Company	
	2009	2008	2009	2008
<b>Non-current</b>				
Finance lease liabilities	336,242	3,122,196	-	-
Interest in suspense	(9,575)	(342,494)	-	-
	<u>326,667</u>	<u>2,779,702</u>	<u>-</u>	<u>-</u>
Bank borrowings	7,967,000	25,921,943	7,967,000	25,921,943
	<u>8,293,667</u>	<u>28,701,645</u>	<u>7,967,000</u>	<u>25,921,943</u>
<b>Current</b>				
Finance lease liabilities	2,622,685	3,064,651	-	-
Interest in suspense	(169,650)	(336,181)	-	-
	<u>2,453,035</u>	<u>2,728,470</u>	<u>-</u>	<u>-</u>
Bank borrowings	539,671,897	280,496,105	539,671,897	280,496,105
Other borrowings	-	238,852	-	-
Devolved letter of credits	-	8,928,823	-	-
Bank overdraft (Note 17)	289,791,292	337,858,634	266,332,471	315,854,868
	<u>831,916,224</u>	<u>630,250,884</u>	<u>806,004,368</u>	<u>596,350,973</u>
Total borrowings	<u>840,209,891</u>	<u>658,952,529</u>	<u>813,971,368</u>	<u>622,272,916</u>

The Company has obtained a revolving credit facility of US\$ 6 million (MRf 77,100,000) at an annual interest rate of 8.1 % from Seylan Bank Plc for working capital requirements. This is required to be settled within 90 days commencing from the date of disbursement of funds and continue to be revolved. The STO Trade Centre has been mortgaged against this facility.

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### Financial statements - 31 December 2009

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#### Notes to the consolidated financial statements (continued)

#### 23 Borrowings (continued)

The Company has obtained an import credit loan facility of US\$ 12 million (MRf. 154,200,000) from HSBC Male' branch at an annual interest rate of 8.5% for trade financing. This loan requires to be settled within 90 days commencing from the date of disbursement of funds. The loan is secured by stock and receivables in the Company.

The Company has obtained a loan of US\$ 2,400,000/- (MRf 30,840,000/-) from Bank of Maldives Plc at an annual interest rate of 8.5% to acquire a vessel named "MV Bonthi 2" in 2005. The loan is repayable in 60 monthly installments of US\$ 49,800/- (MRf 639,930/-) each from 5th June 2005. The loan is secured by the mortgage over the vessel namely; "MV Bonthi 2" bearing registry no. C7848A - 03 10-T.

The Company has obtained two loans of US\$ 6,700,000/- (MRf 86,095,000/-) and US\$ 3,312,226/- (MRf 42,562,104/-) from Ministry of Finance and Treasury in 2006 at an annual interest rate of 8% to finance trade operations. The loans are repayable within 36 months with a grace period of 6 months commencing 1st October 2006 and 31st July 2007 respectively.

The Company has obtained an import credit loan facility of US\$ 30 million (MRf. 385,500,000) from HSBC Hongkong branch at an annual interest rate of LIBOR+4% for trade financing. This is required to be settled within 90 days commencing from the date of disbursement of funds. The loan is secured by a government guarantee obtained through Ministry of Finance and Treasury.

The Company has obtained a loan of US\$ 2,775,000/- (MRf 35,658,750/-) from Nations Trust Bank Plc at an annual interest rate of 8.5% to acquire a vessel namely; "MT Alihuras" during the year 2009. The loan is repayable in 12 monthly installments of US\$ 231,250/- (MRf 2,971,563/-) each from 26th July 2010. The loan is secured by a mortgage over the vessel namely; "MV Alihuras".

Bank overdraft in Maldives Structural Products Private Limited is secured by hypothecation of all buildings, machinery, equipment and stock including leasehold rights of 31,020 sq.ft. of land leased from the Government of Maldives and corporate guarantees of Rainbow Enterprises Private Limited and State Trading Organization Plc.

The Company has obtained trade financing facility of US\$ 25 million from Islamic Trade Finance Corporation (Jeddah) at an annual profit mark up of 7.5 %. This loan requires to be settled within 90 days commencing from the date of disbursement of funds. As at balance sheet date the loan facility was unutilised.

The exposure of the Company's borrowings are as follows:

Total borrowings:

	Group		Company	
	2009	2008	2009	2008
-At fixed rates	832,536,398	581,852,529	806,297,875	545,172,916
-At floating rates	7,673,493	77,100,000	7,673,493	77,100,000
	<u>840,209,891</u>	<u>658,952,529</u>	<u>813,971,368</u>	<u>622,272,916</u>

The effective interest rates at the balance sheet date were as follows:

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## Notes to the consolidated financial statements (continued)

## 23 Borrowings (continued)

	Group		Company	
	2009	2008	2009	2008
Bank overdraft				
- State Bank of India	9.50%	-	9.50%	-
- Others	8.50%	8.50%	8.50%	8.50%
Bank borrowings				
-Bank of Maldives Plc	8.50%	8.50%	8.50%	8.50%
		3 Month LIBOR		3 Month LIBOR
		+ 2.75%		+ 2.75%
-Nation Trust Bank Limited	8.50%		8.50%	
	NYPR+2.5% or	NYPR+2.5% or	NYPR+2.5% or	NYPR+2.5% or
	min 7.5%	min 7.5%	min 7.5%	min 7.5%
-Seylan Bank Limited				
-HSBC (Male)	8.50%	8.70%	8.50%	8.70%
-HSBC (Hongkong)	9.00%	-	9.00%	-
-Habib Bank Limited	8.50%	8.50%	8.50%	8.50%
- State Bank of India	9.00%	-	9.00%	-
-Ministry of Finance and Treasury	8.00%	8.00%	8.00%	8.00%

The carrying amount and the fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2009	2008	2009	2008
Borrowings	8,293,667	28,701,645	7,341,354	26,085,180

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 8.5% (2008: 8.5%).

Maturity of non current borrowing (excluding finance lease liabilities):

	Group		Company	
	2009	2008	2009	2008
Between 1 and 2 years	7,967,000	17,852,143	7,967,000	17,852,143
Between 2 and 5 years	-	8,069,800	-	8,069,800
	7,967,000	25,921,943	7,967,000	25,921,943

Finance lease liabilities - minimum lease payments

	Group		Company	
	2009	2008	2009	2008
Not later than 1 year	2,622,685	3,064,651	-	-
Later than 1 year and not later than 5 years	336,241	3,122,196	-	-
	2,958,926	6,186,847	-	-
Future finance charges on finance leases	(179,225)	(678,675)	-	-
Present value of finance lease liabilities	2,779,701	5,508,172	-	-
Representing lease liabilities :				
-current	2,453,035	2,728,470	-	-
-non current	326,666	2,779,702	-	-
	2,779,701	5,508,172	-	-

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**Notes to the consolidated financial statements (continued)**

**23 Borrowings (continued)**

The Group has acquired two vessels under finance lease agreements entered with Maldives Finance Leasing Company Private Limited on 30th September 2006, repayable in 56 monthly installments which includes installment of Rf 201,745 for the first 8 installments, installment of Rf 268,993 from 9 to 48 installments and installment of Rf 67,248 from 49 to 56 installments commencing 26th October 2006. The Group mortgaged one of its vessels (Mt Koamas) as security for the lease facilities obtained.

**24 Insurance contracts**

	Group		Company	
	2009	2008	2009	2008
Claims reported and loss adjustment expenses	58,353,878	42,272,169	-	-
Unearned Premiums	66,826,700	64,090,577	-	-
Valuation premium	135,131	6,291	-	-
Total insurance liabilities, gross	125,315,709	106,369,037	-	-

**25 Sales**

Sales, which represent income from various operations, are made up as follows:

	Group		Company	
	2009	2008	2009	2008
Retail and wholesale	1,115,497,823	1,379,113,257	965,100,107	1,199,172,089
Insurance ( Note 26)	67,002,938	57,244,147	-	-
Gas	84,130,688	94,722,255	-	-
Structural Products	14,053,536	21,657,049	-	-
Fuel and lubricants	3,701,022,412	4,864,975,957	2,879,518,598	4,727,412,478
	4,981,707,397	6,417,712,665	3,844,618,705	5,926,584,567

*Analysis by companies*

	Group	
	2009	2008
State Trading Organization Plc	3,844,618,705	6,894,450,162
Allied Insurance Company of the Maldives Private Limited (Note26)	78,614,961	68,788,614
STO Maldives (Singapore) Pte Ltd	150,657,288	182,624,643
Maldivian Gas Pvt Ltd	93,812,653	96,482,319
Fuel Supplies Maldives Pvt Ltd	1,274,382,871	1,950,781,757
Maldives National Oil Company Ltd	1,117,639,448	425,972,738
Maldives Structural Products (Pvt) Ltd	41,093,579	52,602,486
	6,600,819,505	9,671,702,719
Less : Inter-company transactions	(1,619,112,108)	(3,253,990,054)
	4,981,707,397	6,417,712,665

## Notes to the consolidated financial statements (continued)

## 26 Net insurance premium revenue and fee income

	2009	2008
<b>Long term insurance contracts with fixed terms</b>		
- premium receivable	1,445,953	485,559
- change in unearned premium provision	(484,097)	(316,467)
Premium revenue arising from insurance contracts issued	961,856	169,092
<b>Short term insurance contracts</b>		
- premium receivable	135,470,136	128,308,473
- change in unearned premium provision	(1,510,178)	(7,844,540)
Premium revenue arising from insurance contracts issued	133,959,958	120,463,933
<b>Reinsurance contracts</b>		
<b>Long term reinsurance contracts with fixed terms</b>		
- premium payable	(309,000)	(185,400)
- change in unearned premium provision	-	-
Premium revenue ceded to reinsurers on insurance contracts	(309,000)	(185,400)
<b>Short term reinsurance contracts</b>		
- premium payable	(74,225,688)	(77,935,631)
- change in unearned premium provision	(5,689,843)	(3,082,047)
Premium revenue ceded to reinsurers on insurance contracts issued	(79,915,531)	(81,017,678)
<b>Net insurance premium revenue</b>	54,697,283	39,429,947
Reinsurance commission	23,917,678	23,644,652
Profit commission for reinsurers	-	5,714,015
Inward reinsurance premium	-	-
<b>Fee income</b>	23,917,678	29,358,667
<b>Total income</b>	78,614,961	68,788,614
Less : Inter-company transactions	(11,612,023)	(11,544,467)
	67,002,938	57,244,147

## 27 Other operating income

	Group		Company	
	2009	2008	2009	2008
Profit on disposal of property, plant and equipment	-	440,739	5,637,166	317,868
Income from vessels and fleets	2,753,288	1,941,085	2,753,288	1,941,085
Fines and claims received	15,087,903	1,529,257	14,489,098	1,247,510
Rent income	13,229,824	17,131,463	16,767,103	19,077,429
Discounts received	429,673	3,198,733	-	-
Service charge on handling Japanese food aids	620,054	1,212,829	620,054	1,212,829
Miscellaneous income	15,462,847	5,167,824	536,539	1,710,582
	47,583,589	30,621,930	40,803,248	25,507,303

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Notes to the consolidated financial statements (continued)

28 Expenses by nature

	Group		Company	
	2009	2008	2009	2008
Depreciation (Note 6)	69,407,479	59,258,302	47,226,983	39,855,160
Employment benefit expenses (Note 29)	184,929,112	117,691,671	121,842,364	79,812,417
Materials consumed	179,357,123	37,426,980	-	-
Amortisation charge (Note 7)	1,020,491	1,006,076	-	-
Operating lease rentals	692,955	569,014	-	-
Directors' remuneration	3,826,019	2,852,041	1,083,000	1,157,719
Cost of sales	4,179,640,170	5,801,215,108	3,423,060,306	5,512,772,695
Transportation	6,576,317	11,573,018	5,605,809	10,334,633
Vessel and fleet expenses	9,307,237	8,518,870	9,307,237	8,518,870
Advertising costs	6,288,183	2,257,590	3,426,321	1,040,879
Agents commission	2,917,317	2,626,426	-	-
Audit fees	550,328	510,130	300,690	250,575
Accounting and legal charges	1,013,479	361,335	-	-
Provision for bad and doubtful debts	5,421,695	20,338,699	288,637	11,718,349
Bad debts written off	793,662	65	793,662	-
Provision for non / slow moving inventories	7,195,548	9,375,894	6,945,548	7,881,690
Impairment of investments	1,081,515	4,531,427	1,081,515	4,531,427
Fuel expenses	24,145,343	34,136,017	10,861,889	14,822,895
Rental expenses	12,148,558	11,964,449	10,456,191	10,208,886
Telephone, electricity and water charges	15,566,809	13,411,203	8,803,489	8,087,850
Bank charges	6,984,958	6,580,024	5,931,475	5,964,610
Insurance expenses	-	-	4,324,756	4,239,844
Repair and maintenance	17,673,723	26,346,833	8,232,799	13,162,124
Zakath	2,182,183	4,302,937	2,182,183	4,302,937
Other selling and distribution costs	16,795,198	14,254,584	14,773,936	13,576,205
Other expenses	30,464,411	19,485,013	20,793,136	16,447,911
	<b>4,785,979,813</b>	<b>6,210,593,706</b>	<b>3,707,321,926</b>	<b>5,768,687,676</b>
Classified as:				
- cost of sales	4,360,915,202	5,840,308,373	3,423,060,306	5,512,772,695
- selling and marketing costs	191,943,876	170,295,864	149,625,843	138,332,790
- administrative expenses	229,447,508	199,168,723	131,645,760	114,815,479
- other operating expenses	3,673,227	820,746	2,990,017	2,766,712
	<b>4,785,979,813</b>	<b>6,210,593,706</b>	<b>3,707,321,926</b>	<b>5,768,687,676</b>

## Notes to the consolidated financial statements (continued)

## 29 Employee benefit expense

	Group		Company	
	2009	2008	2009	2008
Salaries and wages	100,285,005	58,014,439	53,512,311	31,889,477
Staff welfare	4,023,123	2,869,719	2,054,217	1,327,077
Foreign staff expenses	4,864,693	3,349,523	4,864,693	3,349,523
Staff medical expenses	246,905	175,925	14,595	7,823
Bonus, overtime and allowances	69,610,909	49,585,402	57,889,605	40,982,112
Provident fund contribution	2,434,474	1,479,864	2,077,636	1,253,255
Other staff related expenses	3,464,003	2,216,799	1,429,307	1,003,150
	<u>184,929,112</u>	<u>117,691,671</u>	<u>121,842,364</u>	<u>79,812,417</u>

## 30 Finance income and costs

	Group		Company	
	2009	2008	2009	2008
<b>Finance cost</b>				
Interest expense:				
- bank borrowings	(50,101,384)	(28,499,549)	(49,032,991)	(28,021,682)
- bank overdrafts	(27,276,949)	(32,801,378)	(25,289,536)	(31,315,097)
- other borrowings	(4,739,650)	(1,072,277)	(4,593,512)	(94,110)
Foreign exchange loss	(5,844,080)	(2,384,000)	(4,788,589)	(2,361,466)
	<u>(87,962,063)</u>	<u>(64,757,204)</u>	<u>(83,704,629)</u>	<u>(61,792,355)</u>
<b>Finance income</b>				
Interest income on loans granted	852,129	669,379	526,964	606,661
Interest income on government credit scheme	7,029,109	6,012,032	7,029,109	6,012,032
Interest income on fixed deposits	7,931,219	4,505,035	7,867,109	4,002,566
Foreign exchange gain	82,791	17,613	-	-
Dividends on investments	2,057,094	2,285,620	29,793,351	23,426,420
Discounts on treasury bills	412,349	-	412,349	-
	<u>18,364,691</u>	<u>13,489,679</u>	<u>45,628,882</u>	<u>34,047,679</u>
Net finance (cost) / income	<u>(69,597,372)</u>	<u>(51,267,525)</u>	<u>(38,075,747)</u>	<u>(27,744,676)</u>

## 31 Taxation

The income tax charged represents the income tax payable to the statutory authority on the taxable profits of an overseas subsidiary. There is no incidence of taxation on profits in the Republic of Maldives. Accordingly, the Group is not liable to income tax on profits earned in the Republic of Maldives.

	Group		Company	
	2009	2008	2009	2008
Excess provision made in earlier year reversed	-	1,100	-	-



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**Notes to the consolidated financial statements (continued)**

**32 Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equityholders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Profit attributable to equityholders of the Company	169,912,290	175,750,789	140,228,939	155,659,518
Weighted average number of ordinary shares in issue	1,126,910	1,126,910	1,126,910	1,126,910
Basic earnings per share (Rf per share)	151	156	124	138

**33 Dividends per share**

At the Annual General Meeting on 14 June 2009, a dividend in respect of 2008 of Rf 65 per share (2007: declared dividend Rf 70 per share) amounting to a total of Rf 73,249,150 (2007: declared Rf 78,883,700) 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 2009.

**34 Cash generated from/(used in) operations**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Profit before tax	172,145,974	187,391,241	140,024,280	155,659,518
Adjustments for:				
- Depreciation (Note 6)	69,407,479	59,258,302	47,226,983	39,855,160
- Amortization (Note 7)	1,020,491	1,006,076	-	-
- Interest income (Note 30)	(16,224,806)	(11,186,446)	(15,835,531)	(10,621,259)
- Interest expense (Note 30)	82,117,983	62,373,204	78,916,039	59,430,889
- Dividend income (Note 30)	(2,057,094)	(2,285,620)	(29,793,351)	(23,426,420)
- Impairment losses of investment held for sale (Note 11)	1,081,515	4,531,427	1,081,515	4,531,427
- Share of result of associates ( Note 9)	1,567,827	(917,877)	-	-
- (Loss)/Profit on disposal of property, plant and equipment (see below)	171,240	(440,739)	(5,637,166)	(317,868)
- property, plant and equipment transfers (Note 6)	(25,257)	(5,938)	-	-
-Currency translation differences	114,551	(155,021)	-	-
Changes in working capital				
- Inventories	(80,044,227)	163,234,374	(66,420,679)	166,330,120
- trade and other receivables	(42,333,522)	(347,345,533)	(77,131,651)	(288,221,545)
- Trade and other payables	263,106,806	(210,743,571)	282,359,222	(257,555,605)
Cash generated from/(used in) operations	450,048,961	(95,286,121)	354,789,662	(154,335,583)

## Notes to the consolidated financial statements (continued)

## 34 Cash generated from operations (continued)

In the cash flow statement, proceeds from sale of property and equipment comprise:

	Group		Company	
	2009	2008	2009	2008
Net book amount (Note 6)	219,107	589,023	37,904	589,023
Loss on disposal of property & equipment	(171,240)	440,739	5,637,166	317,868
	47,867	1,029,762	5,675,070	906,891

## 35 Contingencies

*Contingent liabilities***Guarantees**

(i) State Trading Organization Plc has issued corporate guarantees to the following banks for the facilities obtained by subsidiary companies.

	Name of Banks	2009	2008
Maldives Structural Product Pvt Ltd			
- overdraft	Bank of Maldives	3,212,500	3,212,500
- letter of credit	Bank of Maldives	38,550,000	38,550,000
Maldives National Oil Company Ltd			
- letter of credit	Society General Singapore	771,000,000	771,000,000
Fuel Supplies Maldives Pvt Ltd			
- overdraft	State Bank of India Male'	30,000,000	30,000,000
Maldives Gas Pvt Ltd			
- overdraft	State Bank of India Male'	8,000,000	8,000,000
- letter of credit	State Bank of India Male'	8,673,750	8,673,750
		859,436,250	859,436,250

(ii) A policy holder has filed a suit in High Court claiming insurance on a cover which was not accepted by the Allied Insurance Company of Maldives Private Limited. The Company had won the case in Civil Court. In the event the High Court holds in favour of the policyholder, the Group will need to recognise a liability in respect of the claim.

(iii) A supplier has made a claim for demurrage charges of Rf 2,531,595, which has not been accepted by the Maldives National Oil Company Limited. The directors of the Company are of the view that the delay in clearance of oil shipment was on account of delay in issuance of delivery clearance by the supplier. Therefore the Company is not liable for demurrage charges. Negotiations are in progress with the supplier and in the event the Company accepts the demurrage liability, the Group will need to recognise this liability in respect of the demurrage claim.

(iv) At 31 December 2009, Maldives Structural Products Private Limited had a contingent liability in respect of letters of credit aggregating to MRf 3,071,217 (31 December 2008: MRf 3,124,391).

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**Notes to the consolidated financial statements (continued)****35 Contingencies (continued)**

There were no other material contingent liabilities which require adjustments to / or disclosure in the financial statements as at the balance sheet date other than those disclosed above.

*Contingent assets*

There were no material contingent assets recognized at the balance sheet date.

**36 Commitments***Capital commitments*

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Capital expenditure contracted as of the balance sheet date but not yet incurred.	24,419,832	8,427,555	24,419,832	8,427,555

There were no other material capital commitments recognized at the balance sheet date.

*Operating lease commitments*

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Not later than 1 year	-	-	-	-
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	909,879,110	909,879,110	906,528,950	906,528,950
	<u>909,879,110</u>	<u>909,879,110</u>	<u>906,528,950</u>	<u>906,528,950</u>

The Company has entered into an agreement with Hulhumale Development Corporation Limited on 31st July 2008 for developing, operating and managing a five star tourist hotel in Hulhumale.

Maldives Structural Products Private Limited has entered into a leasing agreement with the Government of Maldives in respect of the office premises and factory land at Island of Thilafushi, and the lease period of years 25 years is due to expire by 2025.

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## Notes to the consolidated financial statements (continued)

## 36 Commitments (continued)

*Financing lease commitments*

	Group		Company	
	2009	2008	2009	2008
Not later than 1 year	2,453,035	2,728,470	-	-
Later than 1 year and not later than 5 years	326,666	2,779,702	-	-
Later than 5 years	-	-	-	-
	<u>2,779,701</u>	<u>5,508,172</u>	-	-

## 37 Related party transactions

(a) The following transactions were carried out, on commercial terms and conditions, with related parties:

	2009	2008
Allied Insurance Company of the Maldives Pvt Ltd (Subsidiary Company)		
- sale of goods	-	2,683,474
- services obtained	(9,208,458)	(8,143,281)
- rent received	573,452	590,182
- dividends received	5,849,961	5,927,960
STO Maldives (Singapore) Pte Ltd (Subsidiary Company)		
- purchases of oil	(150,098,616)	-
- rent received	-	154,200
Maldives National Oil Company Ltd (Subsidiary Company)		
- purchases of oil	(178,967,397)	-
- advances given	-	300,000
- rent received	308,400	154,200
Maldives Gas Pvt Ltd (Subsidiary Company)		
- sale of goods	456,726	623,395
- purchases of goods	(9,681,965)	(1,760,064)
- rent received	12,873,674	287,299
- interest on advance	362,432	432,531
Fuel Supplies Maldives Pvt Ltd (Subsidiary company)		
- sale of fuel	1,214,898,227	1,879,132,664
- purchases of fuel	(25,509,579)	(359,434,957)
- dividends received	15,870,296	11,311,800
- rent received	1,697,029	760,084

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	<b>2009</b>	<b>2008</b>
Maldives Structural Product Pvt Ltd (Joint venture company)		
- sale of goods	21,745	-
- purchases of goods	(54,080,085.57)	(61,890,875)
- dividends received	6,016,000	3,900,000
Lafarge Maldives Cement Pvt Ltd (Associate company)		
- purchases of goods	(42,565,398)	(96,019,465)
- sales of goods	56,735	-
- services rendered	109,200	109,200
- interest on advance	164,560	224,400
Maldives Industrials Fisheries Company Ltd (Investee society)		
- sale of goods	27,445,999	1,585,326
- purchases of goods	(474,010,260)	-
Ensis Fisheries Pvt Ltd (Related party of subsidiary)		
- services rendered	406,853	-
G.Dh Atoll Rayyithunge Cooperative Society (Investee society)		
- sales of goods	4,312,319	21,628,154
- rent received	451,238	-
Ministry of Finance and Treasury (Majority shareholder)		
- loan settlements	(15,934,000)	(51,462,841)
- loan interest paid	(2,602,549)	(4,415,916)
- food subsidy income	139,635,007	138,717,293
- dividends paid	-	(72,332,310)
- proceeds received by issuance of part of the shares held by MOFT	9,931,600	-
State Electric Company(STELCO)		
- purchases of goods	(6,530,159)	(12,133,032)
- sales of goods	523,398,310	951,294,211
Indhira Gandhi Memorial Hospital		
- purchases of goods	(77,833)	-
- sales of goods	63,887,250	55,806,340
Department of Medical Services		
- purchases of goods	-	144,107
- sales of goods	39,503,042	66,121,184
Rainbow Enterprises Private Limited		
- purchases of goods	(238,734)	-
- sales of goods	13,969,565	-
Mr. Abdul Rasheed Ahmed		
- sales of goods	6,091,312	-

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**Notes to the consolidated financial statements (continued)**

**37 Related party transactions (continued)**

(b) Key management compensation

For the year ended 31 December 2009, the total remuneration of the directors for the Group was Rf 3,826,019 (2008: Rf 2,852,041).

(c) Year-end balances arising from sale / purchase of goods and services

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Receivables from related parties (Note 13):				
STO Maldives (Singapore) Pte Ltd	-	-	4,618,875	4,056,669
Maldives Gas Pvt Ltd	-	-	60,354	690,312
Fuel Supplies Maldives Pvt Ltd	-	-	167,826,117	129,029,933
Allied Insurance Company of the Maldives Pvt Ltd	-	-	14,483,381	308,325
Rainbow Enterprises Pvt Ltd	18,063,150	15,710,657	-	-
Maldives National Oil Company Ltd	-	-	1,250,033	455,190
G.Dh Atoll Rayyithunge Cooperative Society	735,309	7,745,559	735,309	7,745,559
Ensis Fisheries Private Limited	296,290	401,006	-	-
Maldives Industrials Fisheries Company Ltd	20,516,428	845,841	16,980,383	372,124
Ministry of Finance and Treasury	269,816,891	184,586	269,816,891	184,586
Mr Abdul Rasheed Ahmed	941,290	1,395,500	-	-
Vara Maldives Private Limited	-	47,036	-	-
State Electric Company(STELCO)	34,576,418	374,427,406	34,576,418	374,427,406
Indhira Gandhi Memorial Hospital	56,029,634	34,265,390	56,029,634	34,265,390
Department of Medical Services	49,967,380	24,869,678	49,967,380	24,869,678
Lafarge Maldives Cement Pvt Ltd	-	6,784	-	-
	<b>450,942,790</b>	<b>459,899,443</b>	<b>616,344,775</b>	<b>576,405,172</b>

Receivables from related parties are unsecured, interest free and have no fixed repayment terms. Accordingly these amounts have been shown as due within one year.

## Notes to the consolidated financial statements (continued)

## 37 Related party transactions (continued)

Payables to related parties (Note 22):

	Group		Company	
	2009	2008	2009	2008
Lafarge Maldives Cement Pvt Ltd	1,838,052	2,578,225	1,838,052	2,578,225
Maldives Structural Product Pvt Ltd	3,834,365	5,929,155	7,668,730	11,894,600
Allied Insurance Company of the Maldives Pvt Ltd				
	-	-	-	-
Maldives National Oil Company Ltd	-	-	64,865,512	-
Ministry of Finance and Treasury	9,931,600	-	9,931,600	-
STO Maldives (Singapore) Pvt Ltd	-	-	266,458	159,961
Rainbow Enterprises Pvt Ltd	134,332	198,632	-	-
	<u>15,738,349</u>	<u>8,706,012</u>	<u>84,570,352</u>	<u>14,632,786</u>

(d) Loans to related parties (Note 13):

	Group		Company	
	2009	2008	2009	2008
Beginning of the year	2,659,542	2,659,542	9,554,528	10,136,361
Loans advanced during the year	-	-	-	1,576,563
Loans repayments received	(997,327)	-	(7,892,313)	(2,156,172)
	<u>1,662,215</u>	<u>2,659,542</u>	<u>1,662,215</u>	<u>9,556,752</u>
Less: interest in suspense	-	-	-	(2,224)
End of the year	<u>1,662,215</u>	<u>2,659,542</u>	<u>1,662,215</u>	<u>9,554,528</u>

Loans given to related companies represent an unsecured loan to Lafarge Maldives Cement Private Limited at an interest rate of 9% per annum repayable in twenty four semi-annual installments from 15th June 2000 to 15th December 2011 and a short term advance to Maldives Gas Private Limited in March 2006 at an interest rate of 8.5% without any fixed repayment term.

## 38 Post balance sheet events

No other significant events have occurred since the balance sheet date, which would require adjustments to, or disclosure in, the financial statements.

# Company Information

## Name of the Company

State Trading Organization PLC

## Company Registration Number

C186/2001

## Legal Form

A public listed company with limited liability. Incorporated as a Government company, Athireemaafannu Trading Account, on 20 December 1964 and was renamed as State Trading Organization on 09 June 1979. On 14 August 2001, State Trading Organization became a public limited company.

## Stock Exchange Listing

Ordinary shares of the company is listed in the Maldives Stock Exchange.

## Board of Directors

Mr. Farooq Umar - Chairman

Mr. Shahid Ali - Managing Director

Ms. Sana Mansoor

Mr. Ahmed Arif

Ms. Raheema Saleem

Mr. Masood Ali

Mr. Mohamed Ahmed

## Audit Committee

Ms. Raheema Saleem - Chairperson

Mr. Ahmed Arif

Mr. Masood Ali

Mr. Mohamed Ahmed

## Nomination and Remuneration Committee

Mr. Mohamed Ahmed - Chairperson

Mr. Farooq Umar

Mr. Ahmed Arif

## Corporate Governance Committee

Mr. Ahmed Arif - Chairperson

Mr. Masood Ali

Ms. Raheema Saleem

## Company Secretary

Ms. Aishath Shaffana Rasheed

Auditors

PriceWaterhouseCoopers

P.O.Box. 2124

Thandiraiyaage 3rd Floor, Henveyru

Roashanee Magu,

Male', Republic of Maldives

## Bankers

Bank of Maldives Plc, Male'

BNP Paribas, Singapore

Habib Bank Limited, Male'

HSBC, Male'

Nations Trust Bank, Colombo

Seylan Bank, Colombo

Societe Generale Bank, Singapore

State Bank of India, Male'

## Shareholding Structure (as at 31 December 2009)

	No. of shares	@ Rf. 50/-	%
Government	1,040,000	52,000,000	92.29
Public	86,910	4,345,500	7.71
Total	1,126,910	56,345,500	100.0
Authorized Capital (Rf)		57,777,750	
Paid-up capital (Rf)		56,345,500	
Premium		27,814,500	

## Registered Address

State Trading Organization PLC,

Boduthakurufaanu Magu,

Maafannu,

Male'

Republic of Maldives

## Contact Details

Telephone: +(960) 334 4333

Fax : +(960) 334 4334

Email: info@stomaldives.net

Website: www.stomaldives.com



# Company Directory

## STO's Main Departments

### Finance

STO Head Office,  
Telephone: +960 3344238  
Email: [finance@stomaldives.net](mailto:finance@stomaldives.net)

### Information Communication Technology

STO Head Office  
Telephone: +960 3344225  
Email: [ict@stomaldives.net](mailto:ict@stomaldives.net)

### Business Development

STO Head Office  
Telephone: +960 3344128  
Email: [bd@stomaldives.net](mailto:bd@stomaldives.net)

### Human Resources

STO Head Office  
Email: [hrc@stomaldives.net](mailto:hrc@stomaldives.net)

### Corporate and Legal Affairs

STO Head Office  
Telephone: +960 3344394  
Email: [cla@stomaldives.net](mailto:cla@stomaldives.net)

### Administration

STO Head Office  
Telephone: +960 3344220  
Email: [admin@stomaldives.net](mailto:admin@stomaldives.net)

### Transport

STO Head Office  
Telephone: +960 3344368  
Email: [transport@stomaldives.net](mailto:transport@stomaldives.net)

### Logistics

Handhuvaree Hingun, Maafannu,  
Male', Maldives  
Telephone: +960 3344186  
Email: [lgs@stomaldives.net](mailto:lgs@stomaldives.net)

### Wholesale Centre

Ameenee Magu,  
Male', Maldives  
Telephone: +960 3344177  
Email: [ws@stomaldives.net](mailto:ws@stomaldives.net)

### Procurement

STO Head Office  
Telephone: +960 3344399  
Email: [procurement@stomaldives.net](mailto:procurement@stomaldives.net)

### Marketing

STO Head Office  
Telephone: +960 3344254  
Email: [marketing@stomaldives.net](mailto:marketing@stomaldives.net)

### Store Operations

STO Home Improvement,  
Haveeree Hingun,  
Male', Maldives  
Telephone: +960 3344309  
Email: [ops@stomaldives.net](mailto:ops@stomaldives.net)

### Internal Audit

STO Head Office  
Telephone: +960 3344312  
Email: [ia@stomaldives.net](mailto:ia@stomaldives.net)

### Company Secretariat

STO Head Office  
Telephone: +960 3344383  
Email: [cs@stomaldives.net](mailto:cs@stomaldives.net)

## STO's Main Stores

### STO People's Choice Construction Materials

Ameenee Magu,  
Maafannu,  
Male', Maldives  
Telephone: +960 3344177  
Email: [construction@stomaldives.net](mailto:construction@stomaldives.net)

### STO People's Choice Electronics

Ground Floor,  
STO Trade Centre,  
Orchid Magu,  
Male', Maldives  
Telephone: +960 3344282  
Email: [electronics@stomaldives.net](mailto:electronics@stomaldives.net)

### STO People's Choice Fuel & Lubricants

Funadhoo Island,  
Kaafu Atoll, Maldives  
Telephone: +960 6645901  
Email: [fuel@stomaldives.net](mailto:fuel@stomaldives.net)

### STO People's Choice Home Improvement

Haveeree Hingun,  
Maafannu,  
Male', Maldives  
Telephone: +960 3318451  
Email: [home\\_imp@stomaldives.net](mailto:home_imp@stomaldives.net)

### STO People's Choice Medicals

Handhuvaree Hingun,  
Maafannu,  
Male', Maldives  
Telephone: +960 3344137  
Email: [medical@stomaldives.net](mailto:medical@stomaldives.net)

### STO People's Choice Medical Pharmacy

Indhira Gandhi Memorial Hospital,  
Maafannu,  
Male', Maldives  
Telephone: +960 3344242  
Email: [pharmacy@stomaldives.net](mailto:pharmacy@stomaldives.net)

### STO Peoples Choice Staple Foods

Block No. 393  
Handhuvaree Hingun,  
Maafannu,  
Male', Maldives  
Telephone: +960 3344159  
Email: [staple@stomaldives.net](mailto:staple@stomaldives.net)

### STO People's Choice Supermart

STO Trade Centre,  
Orchid Magu,  
Maafannu,  
Male', Maldives  
Telephone: +960 3324373  
Email: [supermart@stomaldives.net](mailto:supermart@stomaldives.net)

## Stores Outside Male'

### Ha. Atoll STO Trade Centre (Hoarafushi)

Ghaazee Hingun, Hoarafushi, Haa Alif Atoll, Maldives  
Tel: +960 6500015  
Email: [sto122@stomaldives.net](mailto:sto122@stomaldives.net)

### STO Shop No. 132, (B.Eydhafushi)

Nolhi Magu, Medhu Avah, B. Eydhafushi, Maldives  
Tel: +960 660 8315  
Email: [sto132@stomaldives.net](mailto:sto132@stomaldives.net)

### STO Shop No. 162, (K.Hulhumale')

Hulhumale' Commercial Unit, Bageechaa Hingun,  
Hulhumale', Kaafu Atoll,  
Maldives  
Tel: +960 3350051  
Email: [sto162@stomaldives.net](mailto:sto162@stomaldives.net)

**STO Shop No. 134, (L.Fonadhoo)**

Block No. 32, Medhu Avah, Fonadhoo, L. Atoll, Maldives  
 Tel: +960 6800048  
 Email: sto134@stomaldives.net

**GA. Atoll STO Trade Centre, (GA.Villingili)**

Haveeree Hingun, Villingili, Gaafu Alifu Atoll, Maldives  
 Tel: +960 6820110  
 Email: sto163@stomaldives.net

**STO Shop No. 136 (Gn. Fuhmualh)**

Velifaanu Magu, Maadhan'dhu,  
 Fuvahmulah, Gnaviyani Atoll,  
 Maldives  
 Tel: +960 6860038  
 Email: sto136@stomaldives.net

**STO Shop No. 123 (S. Feydhoo)**

Orchid Magu, Feydhoo, Seenu Atoll, Maldives  
 Tel: +960 6892098  
 Email: sto123@stomaldives.net

**STO Shop No. 159, (S. Maradhoo Feydhoo)**

Shaafee Hingun, S. Maradhoo Feydhoo, Maldives  
 Tel: +960 6891831  
 Email: sto159@stomaldives.net

**STO Shop No. 137, (S. Hithadhoo)**

Ziyaaraiyth Faanu Magu, S. Hithadhoo, Maldives  
 Tel: +960 6885954  
 Email: sto137@stomaldives.net

**STO Shop No. 138 (GDh.Thinadhoo)**

No. 59, Dhaan'naa Magu, GDh. Thinadhoo, Maldives  
 Tel: +960 6841013  
 Email: sto138@stomaldives.net

**STO Shop No. 164 (S.Hulhumeedhoo)**

Bahaandhee Magu, (Bodu Magu)  
 Maldives  
 Tel: +960 6894904  
 Email: sto164@stomaldives.net

**STO Shop No. 165 (H.Dh.Kulhudhuffushi)**

Funavalu Magu,  
 Maldives  
 Tel: +960 6528277  
 Email: sto165@stomaldives.net

**Subsidiary Companies****Allied Insurance Company of the**

Maldives Pvt. Ltd  
 (99.99% STO shares)  
 04 - 06, STO Trade Center  
 Orchid Magu,  
 Male', Maldives.  
 Tel: +960 334 1001, + 960 332 4612  
 Email: info@alliedmaldives.net  
 Website: www.alliedmaldives.com

**Maldives National Oil Company Ltd**

(99.99% STO shares)  
 Boduthakurufaanu Magu,  
 Maafannu, Male' 20345,  
 Maldives  
 Tel: +960 325635  
 Email: info@mnoc.com.mv  
 Website: www.mnoc.com.mv

**Maldivian Gas Pvt Ltd**

(90.00% STO shares)  
 H.Maizaan, 1st floor  
 Sosun Magu,  
 Male', Maldives  
 Tel: +960 333 5614  
 Email: mgpl@Maldivian Gas.com  
 Website: www.Maldivian Gas.com

**Fuel Supplies Maldives Pvt Ltd**

(99.99% STO shares)  
 Block A, 4th Flr, STO Aifaanu Building  
 Boduthakurufaanu Magu,  
 Male' 20-05, Maldives  
 Tel: +960 333 1442  
 Email: info@fuelmaldives.com  
 Website: www.fuelmaldives.com

**STO Maldives (Singapore) Pte Ltd**

(100% STO shares)  
 10, Anson Road,  
 #39-10 International Plaza,  
 Singapore 079903  
 Tel: +650 63231337

**Joint Venture Companies****Maldives Structural Products Pvt Ltd**

(50.00% STO shares)  
 2nd Floor, Marlinspike Building  
 2/10 Alikilegefaanu Magu  
 Male', Maldives  
 Tel: +960 3337720  
 e-mail: msroof@dhivehinet.net.mv

**Associate Companies****Lafarge Maldives Cement Pvt Ltd**

(25.00% STO shares)  
 01-01 STO Trade Centre, Orchid Magu  
 Male' 20-02, Maldives  
 Tel: +960 3315313, +960 3315314  
 Fax: +960 3315316  
 e-mail: mimcgm@dhivehinet.net.mv

# Acknowledgements

The Board of Directors is thankful to the customers, suppliers, bankers, auditors of the Company for their continued support and patronage. The Directors are grateful to the Management and Staff of the Company for their invaluable work and dedication.

The Company recognizes the assistance extend by the Government Authorities and the Maldives Monetary Authority.

The Directors wish to congratulate and thank all the shareholders and those who invested in the Company for their confidence and unwavering support.

