



Annual Report 2011





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 the Republic of Maldives (2/2006), Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010 of Capital Market Development Authority and Corporate Governance Code of Capital Market Development Authority Requirements.

Unless otherwise stated in this Annual Report, the terms 'STO', the 'Group', 'we', 'us' and 'our' refer to State Trading Organization PLC and its subsidiaries, 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 2011. 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

GROUP	2006	2007	2008	2009	2010	2011
Turnover (MRf m)	5838	5560	6418	4982	4742	9,465
Net Profit Before Tax (MRf m)	161	170	187	172	147.8	208
Net Profit after Tax (MRf m)	161	170	187	172	142.9	192
Gross Profit (MRf m)	404	435	577	621	688	828
Net worth (MRf m)	793	910	991	1051	1124	1,224
EPS (MRf)	135	142	156	151	127	171

STO PLC	2006	2007	2008	2009	2010	2011
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Shareholder Value

EPS (MRf)	122	126	138	124	106	130
PE Ratio	6	5	4	5	4	3

Market Price Per Share

Highest (MRf)	899	770	775	760	600	450
Lowest (MRf)	430	500	450	600	400	300
Weighted Average (MRf)	673	663	564	640	429	390
Dividend per share (MRf)	82	70	65	68	68	n/a

Performance

Turnover (MRf m)	5556	5157	5927	3845	4015	6,826
Net Profit Before Tax (MRf m)	137	142	156	140	124	157
Net Profit After Tax (MRf m)	137	142	156	140	119	147
Gross Profit (MRf m)	302	308	414	422	475	605

Financial Position

Current Assets (MRf m)	835	1339	1404	1767	1511	3,581
Current Liabilities (MRf m)	411	932	913	1333	1274	3,830
Total Assets (MRf m)	1215	1755	1780	2243	2224	4,971
Total Liabilities (MRf m)	522	968	938	1341	1274	3,968
Equity (MRf m)	693	787	842	902	950	1,003
No: of Shares	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
Net Assets per share (MRf)	614.96	698.37	747.18	800.42	843.01	890.40

People's Company



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
- Create a cooperative learning work environment and develop human resources of the company

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, resilient, integrity, honesty and transparency
- Social Responsibility - Care for the society and the environment

Key Decisions and Achievements of 2011

- Established a new wholly owned subsidiary company, STO Hotels and Resorts Pvt Ltd, in the stride towards expanding into the most promising industry in the country.
- Developed and operationalized the domestic airport at Gn.Fuvahmulah within a span of 3 months.
- Secured the lease rights of B.Muthaafushi and started plans to develop the island into a tourist resort.
- Won the contract to supply medical consumables and manage the stock of medical consumables at IGMH, the central hospital of the country.
- Formed a consortium with Maldives Airports Company Limited and Gan Airport Company Limited to operate Gan International Airport.
- Won the international tender to supply jet fuel and diesel to GMR Male' International Airport Pvt Ltd.
- Launched "Isle Fresh" brand as a CSR initiative to help package and market fresh produce of local farmers through STO People's Choice Supermarket.

Milestones



1964-1989

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

09-06-1976 - STO publicly known as STOS. Feydhoo

31-01-1984 - STO shop opened at

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

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

15-10-1987 - Shop opened at Raa atoll Alifushi

01-04-1987 - Umar Shopping Arcade Opened

01-08-1987 - Opened the first STO Shop at Hoarafushi

1988 - STO Construction Materials was established

09-06-1989 - Changed Name to STO

1992-1996

25-07-1992 - The opening of the first Supermart in Malé

19-03-1993 - The first Easyfill station opened

04-10-1983 - STO Electronics was established

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

02-04-1995 - STO pharmacy was opened at IGMH

05-1995 - STO Home Improvement was established

01-10-1995 - Started STO credit scheme

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

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



1998-2001

28-06-1998 - STO Aifaan Building was opened

26-06-1998 - STO's Name was changed to State Trading Organisation Ltd

29-11-1998 - Opening of the STO Hithadhoo Supermart

25-07-1999 - STO Cement factory was opened

04-10-1999 - STO Gas Factory was opened

04-11-2000 - S. Maradhoo Feydhoo Warehouse & Shop opened

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

04-08-2001 - STO Roofing Material Factory opened

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

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

2002-2005

2002 - Lafarge Maldives was established

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

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

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

2003 - Maldives National Oil Company was established

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

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

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

27-05-2005 - Shop and Warehouse opened at Gn. Fuaumulah





2006-2007

2008-2009

2010-2011

2012

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

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

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

2007 - Maldives Structural Products Pvt Ltd was established

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

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

17-09-2008 - Started selling Diesel in B. Eydhafushi

19-08-2009 - Shop opened in S. Hulhumeedhu

2009 - Receiving of ISO certificate for logistics and fleet management

13-09-2009 - STO shop opened at B. Eydhafushi

26-09-2009 - Successful implementation of ERP SAP

07-10-2009 - Aquired oil tanker Alihuras



2010 - Decided to invest in the S. Gan Airport Development Project

10-01-2010 - STO public offering

16-04-2010 - Shop opened at HDh. Kulhudhufushi

27-04-2010 - Shop opened at L. Fonadhoo

09-09-2010 - STO opened a new pharmacy at Hulhumalé

26-09-2010 - Implemented SAP ERP system

01-10-2010 - STO's corporate website was launched

16-01-2011 - Maradhoo Feydhoo Paint Shop was established

11-11-2011 - Opened Fuvahmulah Airport

21-03-2011 - Became an investment partner at Gan International Airport

09-02-2011 - STO's pharmacy at IGMH was opened after renovation

15-05-2011 - STO wholesale center opened

03-08-2011 - Isle fresh brand introduced

31-09-2011 - North Distribution Centre established at Hdh. Kulhudhufushi

Chairman's message

It is a pleasure to be appointed as the chairman of State Trading Organization PLC. I look forward to working with the new board, management and staff. STO is indeed, one of the largest business organizations in the country with an ever increasing role in the economy, and with an important mandate by importing the most essential items to the country. STO has a grand vision for the future and its mission is to serve the people. I hope to contribute to this process and take the company to the next level.

The Economy

With the Euro zone economy in crisis and another recession looming over the world economy; it would be testing time for Maldivian economy as well. This economic climate with all its difficulties, will no doubt present new challenges and opportunities to the company as well.

With current difficulties in obtaining foreign currency, which is likely to persist for the foreseeable future, and with a gloomy economic outlook, it will be hard and challenging to sustain the results the company has had in the past. However, our aim will be to capitalize on the available resources in the company, including a highly motivated and talented team of staff members, to achieve and attain even better results in the future.

New Focus

To secure alternate sources of foreign exchange, and to diversify the business so as to protect the company from industry specific shocks, STO has decided to invest in the tourism sector. The first phase of the work is already underway with laying of foundation of the city hotel in Hulhumale. The construction work of this hotel is expected to be complete during 2013. It would not be long before STO realizes the full benefit of this venture.

In addition, STO has also invested in two airports, one through Shareholding in Addu International Airport Ltd., which operates Gan International Airport and the other by acquisition and construction of Fuvahmulak Airport. Although it is a completely new area of business for the company, STO wishes to achieve synergistic relationships with the management of airports, and its tourism business.

Governance

Strengthening of cooperate governance of the company will be a key priority and I would focus on ensuring full adherence to the existing corporate governance guidelines of the CMDA. Risk management and fiscal responsibly will be at the heart of company's governance. The aim would be to create a robust and coherent business structure that would result in greater success for the company in future.



Abdulla Faiz
Chairman



Managing Director's Message

It is a great pleasure to note that the fiscal year ended 2011 had been a record year in terms of the net profit for the company. MRf 157 million is the highest net profit recorded in the history of STO for a single year. This achievement is directly attributable to the commitment, hard work, diligence and ability of STO staff team who had worked relentlessly during the year to achieve this remarkable feat.

The company benefited from the projects that were undertaken by the Government during the year especially those related to the SAARC Summit held in the south of the country. A significant portion of sales revenue was generated during the last quarter, as the company supplied a large quantity of construction materials to those projects. The company was also successful in winning back the tender for Jet Fuel sales to GMR Male' International Airport Pvt. Ltd., which is a major source of sales revenue as well as an increased source of US Dollar cash flow.

While 2011 has been a profitable year, it was also a highly challenging year for STO, the ever worsening shortage of foreign currency was a major stumbling block for the import based trading, and the company had to be supported by the major suppliers who granted extended credit and favorable payment terms, which facilitated the normal imports during the year. During April 2011, Rufiyaa was devalued against the US Dollar and that resulted in a significant exchange loss to the

company. Increasing fuel prices and other commodity prices in the world market were again severely affecting the company's performance during the year.

It is worthwhile to note that the Enterprise Resource Planning (ERP) implemented during 2010 started paying dividends in terms of improved productivity reduced inventory costs, improved internal controls and

monitoring. The system provided more up to date information for management to take more informed timely decisions for the benefit of the company. Further improvements that are now being implemented including monitoring of expiry dates of pharmaceutical and supermarket items would further enhance the productivity. Work is also underway to implement the human resources module of the ERP system, which will facilitate more efficient management of payroll and other staff related matters.

In terms of projects, company successfully completed Fuvahmulak Airport in a record time of three months since taking over from the previous owner. With a number of unexpected problems including unforeseen logistical and management issues, the company was able to complete the airport in time for the SAARC summit delegates to arrive the island as scheduled. Construction work on a 5-Star hotel project at Hulhumale started during late 2011 and significant progress was made by end of the year. This project was scheduled to complete by late 2013. Development projects including B. Eydhadhafushi shop building, S. Hulhumeedhoo shop and warehouse building, S. Hithadhoo warehouses for South Distribution Centre and H.Dh. Kulhudhufushi pharmacy continued at good pace and most of them are expected to be complete by early 2012.

As per the strategic plan of the company, initiatives for diversification were undertaken during the year. The company had decided to venture into tourism business in order to secure the much needed foreign exchange to sustain the company's core trading business. As such, the company started the physical construction work of a 5-star hotel project in Hulhumale', the company also acquired the lease rights for the



island, B. Muthaafushi, which can be developed as a resort and also worked on the acquisition of a completed resort or a resort project that is near to completion.

The company also participated / contributed to a number of social activities that are designed to positively contribute to our socio-economic development and towards protecting our natural environment. These activities are in line with the company policy of being an exemplary leader in corporate social responsibility.

Our work in providing a conducive and pleasant work environment for the staff also continued at a greater pace, new investment in technology, infrastructure, equipment and machinery were made in order to enable staff to work efficiently with lesser work load and lesser work related stress. Staff trainings including in-house training programs, short-term training and long-term training, both locally and overseas were also conducted in order to improve the skills and knowledge of our staff members. It is also a pleasure to note that staff will be paid an annual bonus for the recognition of their hard work during the year ended 2011. A total of 3% of the net profit of 2011 will be paid out to the staff based on their performance and contribution to the company.

Looking forward to the company's future, it is important that the company must be self sufficient in terms of foreign currency availability in order to sustain its core business. The company cannot depend on the government institutions and SOE's as a source of foreign currency and therefore must develop its own sources of generating the foreign exchange. As such, the company must tap into tourism sector in the short run and should focus on international trade and foreign investments which will bring the foreign currency on a sustainable basis in future.

Yet again, I would like to congratulate and applaud the dedicated team of STO for their commitment and hard work during the last fiscal year. I also

would like to thank the outgoing board members for their contribution and support during the year, while welcoming the newly appointed board members. I also thank our customers, suppliers, bankers, especially the Maldives Monetary Authority (MMA) and our main shareholder the Government of the Maldives represented by Ministry of Finance and Treasury for their enduring support.



Shahid Ali
Managing Director

Board of Director's Profile

(as at 31st Dec 2011)

Mr. Farooq Umar **Chairman / Non-Executive Director**

Mr. Farooq Umar, Ma. Aadhilleege was appointed as the Chairman of STO on 20th November 2008. 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 sector.

Mr. Shahid Ali **Managing Director/ Executive Director**

Mr. Shahid Ali, Vaaruge, S. Hulhudhoo-Meedhoo, Addu City 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 had been a management consultant with 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 in the Government of the Maldives, and has provided consultancy services to various private and public parties.

Shahid is also the Chairman of STO's recently incorporated subsidiary STO Hotels and Resorts and the Managing Director at Addu International Airport Pvt. Ltd. He also represents STO on the Public Enterprises Monitoring Board.

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 (ANU), Australia.

Ms. Sana Mansoor **Chief Financial Officer/ Executive Director**

Ms. Sana Mansoor, Ma. Manas, was appointed to the Board of STO on 20th November 2008, and she is currently the Chief Financial Officer of the Company. Sana first started working at STO on 7th May 1988. She served on the Board of STO subsidiary, STO Lanka Pvt Ltd and joint-venture, Maldives Structural Products Pvt Ltd. In addition to this, she currently serves on the Board of Maldives Stock Exchange Company Pvt Ltd and Maldives Securities Depository Company Pvt Ltd, and is the Chairperson of STO's subsidiary Allied Insurance Company of the Maldives Pvt Ltd.

Sana is a Certified Practicing Accountant from CPA Australia and holds a Bachelor of Commerce (Account and Finance) from Griffith University, Australia. She is also a senior member of the CPA Maldives.

Mr. Ahmed Arif **Non- Executive Director**

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

Mr. Mohamed Ahmed **Non- Executive Director**

Mr. Mohamed Ahmed, Ma. Feymans, was appointed to the Board of STO on 20th November 2008. Mohamed is a pioneering entrepreneur who initiated the business of a poultry farm in K. Kuda Villingili. He has completed special trainings in interior design in Malaysia and the UK and has gained 17 years of experience in this field.

Mr. Masood Ali
Non- Executive Director

Mr. Masood Ali, Happy Corner, S. Hulhudhoo-Meedhoo, Addu City, was first elected to the Board on 26th June 2008. He is also the only director elected by the public shareholders. Masood is also the current Chairman of the Audit Committee of the Board.

Masood is currently the Manager of Customer Services of Dhivehiraajeyge Gulhun Pvt Ltd, the first telecommunications company in 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.

Mr. Arif Abdul Samad
Non- Executive Director

Mr. Arif Abdul Samad, Male' Municipality Dhaftharu, was appointed to the Board on 20th January 2011. Currently Arif is also the Chairman of Remuneration and Nomination Committee of the Board.

Since 1995 Arif has held various posts in the public sector. Arif has completed a Master's Degree from University of Westminster and Bachelor's Degree specializing in Tourism, History and Politics from University of South Pacific in Fiji.



Board of Director's (left to right): Mr. Arif Abdul Samad, Mr. Mohamed Ahmed, Mr. Masood Ali, Mr. Farooq Umar, Mr. Shahid Ali, Ms. Sana Mansoor, Mr. Ahmed Arif (as at 31st December 2011)



Executive Team

Standing (left to right): Mr. Abdullah Shafeeu Mahmood, Mr. Ahmed Shaheer, Ms. Aishath Shaffana Rasheed, Mr. Adam Azim, Ms. Fathimath Ashan, Mr. Muslim Anees Hussain, Mr. Ashraf Ali, Mr. Ahmed Shifan, Mr. Mohamed Nabeel Abdullah,
Seated (left to right): Dr. Ibrahim Mahfooz, Mr. Ibrahim Shareef Mohamed, Mr. Shahid Ali, Mr. Ahmed Niyaz, Ms. Sana Mansoor

Executive Team's Profile

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. (see page 10 for a detailed profile of Shahid).

Ms. Sana Mansoor **Chief Financial Officer**

Ms. Sana Mansoor was appointed as the Chief Financial Officer on January 2009, and had been a Board Director since 20th November 2008. (see page 10 for a detailed profile of Sana).

Dr. Ibrahim Mahfooz **Chief Internal Auditor**

Dr. Ibrahim Mahfooz joined STO in 1996 and has been the Chief Internal Auditor of the company since July 2010. Mahfooz holds a Doctorate in Business Administration from University of New Castle, Australia, MBA from Charles Stuart University, Australia and Bachelor's in Accounting and Finance from Oxford Brooks University, UK. He is also a member of Certified Fraud Examiners (CFE) USA; and Association of Chartered Certified Accountants (FCCA) UK, and a senior member of CPA Maldives. Mahfooz served at Ernst & Young where he undertook various audit assignments in Maldives and Sri Lanka.

Mr. Ibrahim Shareef Mohamed **General Manager - Corporate and Legal Affairs**

Mr. Ibrahim Shareef Mohamed joined STO in 1986, and is currently in charge of Corporate & Legal Affairs.

Shareef served on the Board of STO and held the position of Chairman of the Board for Allied Insurance Company of the Maldives Pvt Ltd and Maldivian Gas Pvt Ltd. Shareef Holds Master's in Shipping Management, from Humber Polytechnic, UK.

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

Mr. Ahmed Shaheer joined STO in 1994 and is currently in charge of Business Development Department and Transport Department. He served on the Board of Maldivian Structural Products Pvt. Ltd and Maldivian Gas Pvt Ltd. Shaheer also served as the Chairman of the Board of Lafarge Maldivian Cement Pvt Ltd. Shaheer holds a Master's in Business Administration (International Trade) from University of Adelaide, Australia and Bachelor's in Business Administration (Marketing and Management) from University of Charles Stuart, Australia.

Mr. Mohamed Nabeel Abdullah **General Manager - Hotels and Resorts**

Mr. Mohamed Nabeel Abdulla joined STO in 1995 and is currently in charge of Hotels and Resorts Department. Nabeel previously held other positions including Director, Credit Sales Department, STO People's Choice Construction Materials, and STO People's Choice Staple Foods. He served as the Chairman of the Board of Director's of Lafarge Maldivian Cement Pvt Ltd and is currently a Board Director of Fuel Supplies Maldivian Pvt Ltd. Nabeel holds Master's in Information Technology and Business from University of Lincolnshire and Humber, UK and a Bachelor of Science with Honors in Software Engineering from University of Sheffield, UK.

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

Mr. Ashraf Ali joined STO in 1990 and 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. Currently he serves on the Board of Lafarge Maldivian Cement Pvt Ltd. Ashraf holds Master's in Business Administration from University of Ballarat, Australia and a Post Graduate Diploma from Chartered Institute of Marketing, UK.

Ms. Fathimath Ashan
General Manager - Human Resources

Ms. Fathimath Ashan joined STO in 1994 and is currently in charge of Human Resources Department. She served as the Company Secretary of STO Plc, and on the Board of Maldives National Oil Company Ltd and Allied Insurance Company of the Maldives Pvt Ltd. Ashan holds Master's in Business Administration from University of Lincoln and Bachelor of Arts with Honors (First Class) in Business and Information Technology from University of Coventry.

Mr. Ahmed Shifan
General Manager - Information Communication Technology

Mr. Ahmed Shifan joined STO in 2004 and is currently in charge of Information Communication Technology Department. Shifan currently serves as a Board Director and Company Secretary of Maldives Structural Products Pvt Ltd. Previously he served on the Board of Fuel Supply Maldives Pvt. Ltd and as the Secretary of Ga. Rayyithunge Cooperative Society. He also served in the Maldives National Defense Force. Shifan holds Master of Business Administration with Honors from Auckland University of Technology, New Zealand and Bachelor of Science with Joint Honors (First Class) in Business Information Systems and Business Studies from Middlesex University, UK.

Mr. Ahmed Niyaz
General Manager - Logistics

Mr. Ahmed Niyaz joined STO in 1998 and is currently in charge of Logistics Department. Niyaz is also the Chairman of STO Recreation Club. Niyaz also serves on the Board of Allied Insurance Company of the Maldives Pvt. Ltd. Niyaz holds a Bachelor's in Engineering (Electrical & Electronic) from Northumbria University, UK.

Ms. Aishath Shaffana Rasheed
General Manager - Company Secretariat

Ms. Aishath Shaffana Rasheed joined STO in 2004 and is currently in charge of Company Secretariat Department. Shaffana is also the Company Secretary of STO. Shaffana holds Bachelor's in Business (Marketing and Management) from Australian College of Business and Technology, Sri Lanka.

Mr. Abdulla Shafeeu Mahmood
General Manager - Procurement

Mr. Abdulla Shafeeu joined STO in 2009 and is currently in charge of Procurement Department. Shafeeu is also the Chairman of STO's subsidiary company Maldives Gas Pvt Ltd. Shafeeu served as the Company Secretary and Manager of Administration Department of Male' Water and Sewerage Company Ltd, and as the Head of Purchasing at Universal Enterprises Pvt Ltd. 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, a Senior Member of CPA Maldives and served as the President of CPA Maldives.

Mr. Adam Azim
General Manager - Sales and Marketing

Mr. Adam Azim joined STO in July 2010 and is currently in charge of Sales and Marketing Department. Previously Azim has worked as the Chief Financial Officer at Male' Water and Sewerage Company, Finance Manager and Deputy CEO of Island Beverages Company, and worked at Coopers & Lybrand, and Ernst & Young audit firms. Azim is currently a Board Director of Bank of Maldives Plc. Azim holds an MBA from University of Nottingham, UK and BA Accounting Finance from University of East London. Azim is a member of Certified Institute of Marketing, UK and a Senior Member of CPA Maldives.

Mr. Muslim Anees Hussain
General Manager - Planning and Replenishment

Mr. Muslim Anees joined STO in 2001 and is currently in charge of Planning and Replenishment Department. Previously Muslim has worked as the Sales Manager of STO Home Improvement and Senior Manager at Regional Sales and Development. Muslim played a key role as the lead of the core team in the implementation of SAP enterprise resource planning system. Muslim currently serves on the Board of Fuel Supplies Maldives Pvt. Ltd. Muslim holds an MBA from Victoria University and Bachelor of Business (Marketing and Management) from Edith Cowan University.

Senior Management Team

Administration Department

Moosa Yoosuf	Senior Manager / Repair & Maintenance
Nasrulla Ali	Manager / Admin Projects

Business Department

Ahmed Hisam	Asst. Manager / Business Development
Ahmed Kurik Riza	Manager / Business Development

Corporate & Legal Affairs

Mariyam Nuzla	Personal Assistant to MD
Mariyam Paruveen	Manager / Corporate & Legal
Ismail Sodique	Manager / Public Relations

Finance Department

Muhammed Fazly Faleel	Deputy General Manager / Financial Controller
Johnson Faviell Ivers Abeydeera	Chief Accountant
Mohamed Nizam	Senior Manager / Accounting & Taxation
Abdulla Javid	Senior Manager / Treasury Management
Mariyam Shareefa	Manager / Accounts Payable
Aishath Nahidha	Manager / Accounts Receivable

Internal Audit

Ibrahim Shareef	Manager
Ibrahim Shifzan	Auditor

Human Resource Management

Mariyam Sadiq	Manager / Training & Development
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Information Communication Technology

Musthafa Azmy	Senior Info. Systems Manager / System Development & Maintenance
Mohamed Shujau	Senior Info. Systems Manager / Infrastructure, Systems Support & Unified
Ismail Mifrah	Senior Info. Systems Manager / Strategic Planning & Continuity
Shimaz	Info. Systems Manager / Core Network & Data Centre

Transport Department

Hassan Zareer	Port Captain
Abdul Wahid Moosa	Manager / Documentation Survey & Inspection
Ahmed Abdulla	Manager / Mechanical & Engineering
Ahmed Musthafa	Technical Superintendent

Procurement Department

Mariyam Waseema	Senior Manager / Purchasing
Ahmed Nashid	Senior Manager / Cargo Management
Hassan Sinaan	Manager / Contracting & Tendering

Logistics

Ismail Ali Jaleel	Senior Manager / Quality Assurance
Aminath Seema	Manager / Admin
Hussain Sinan	Manager / Logistics
Ali Zahir Anees	Manager Labour Quarters
Mariyam Nafeeha	Manager / Staple Foods
Mohamed Eman	Manager / Process Controller
Hamdhoon Saeed	Acting Manager/ Delivery
Abdul Majeedh	Acting Manager / Clearance

Planning & Replenishment

Aishath Azleena Ameen	Senior Manager / Replenishment & Market Research
Shamaa Shareef	Senior Manager / Planning & Pricing
Aminath Juwaida	Manager / Planning & Pricing
Mohamed Zaufiran	Manager / Planning & Pricing
Ahmed Nashid	Manager / Inventory Management

Sales & Marketing

Hussain Sobaah	Manager / Medical Sales & Project
Hussain Shiyan	Manager / Supermarket Sales
Aminath Shiuna Ahmed Saeed	Sales Manager / Marketing Supermarket Items
Hamdhana Abdul Rahman Hussain	Manager / Marketing Supermarket Items
Naif Saleem	Manager / South Regional
Aminath Waheedha	Manager / Credit
Mohamed Murad	Manager / North Regional
Aishath Jaleel	Manager / Marketing – Hitachi & Nippon
Abdul Raheem Umar	Manager / Service Center
Abdulla Imad	Manager / Pharmacies
Mohamed Jaleel	Asst. Manager / Advertising
Aishath Nadua	Asst. Manager / Statistics (Sales)
Aminath Shurufa	Asst. Manager / Marketing – Philips & Makita
Ramzee Aboobakuru	Acting Manager / Construction Sales
Ibrahim Najaah	Acting Manager / Home Improvement Sales



Director's Report: Business Review

General Business Environment

The year 2011 witnessed strengthened recovery from the impact of the global economic and financial crisis of 2009. According to national statistics, real GDP growth improved from a negative 4.7% in 2009 to an estimated 7.5% in 2011. Increased vitality was felt in the key economic sectors including tourism, fisheries and construction. Tourist arrivals in 2011 improved by a significant percentage (17.6%) over the previous years.

Meanwhile, inflation picked up in 2011 which was mainly driven by the rising global food and oil prices and the depreciation of the Rufiyaa following the introduction of the exchange rate band in April 2011. Maldives being an open economy, domestic price movements are largely determined by the developments in external price movements.

During the year 2011, the Rufiyaa depreciated against the currencies of all major trading partners. The unexpected plunge in exchange rate of Rufiyaa against US Dollar, coupled with the continuing problem of foreign exchange shortages caused major impact on the business performance.

The company closes the year 2011 with record level revenues and profit. The future outlook remains optimistic with the country in the path of economic recovery.

Financial Performance

Company Performance

2011 marked the most profitable year for the company in its entire history. The primary contributor for this positive performance is the major projects the company had the opportunity

to work during the year. In addition, having fully implemented the SAP ERP system across the board, the company was able to fully realize its efficiencies, which also reflected savings on bulk purchases and distribution.

In 2010 STO was able to re-secure the contract to supply jet fuel to Ibrahim Nasir International Airport. This transaction has a major impact on the revenue and US Dollar income of the company. Although winning this contract enabled the company to somewhat deal with the acute US Dollar shortage that is felt throughout the country, US Dollar shortage continues to be a major challenge for the company.

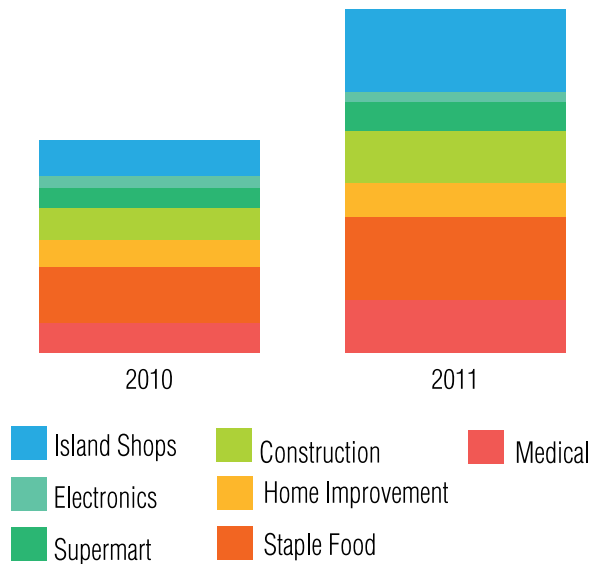
Amongst the major projects that contributed positively to the performance of the company include the signing of the agreement to supply medical consumables and manage its inventory for Male' Health Services Corporation PLC. Efficient management of this contract was made possible due to the ERP system in place at STO. STO also won the contract to supply construction materials for the road construction project, and to supply construction materials for the Fuahmulah Airport development project, both of which contributed to this year's positive performance.

STO saw the IPO of Dhivehi Raajege Gulhun PLC as an investment opportunity and invested MRf125 million in the lucrative communications company.

In 2011, STO made a decision to buy further land from the Government of the Maldives, partly to convert the dues from Government and its related parties to assets. As a result 88,016.40 sq ft of land was purchased from the government, which was set off against the receivables, reducing the total amount receivable from the Government and SOEs by MRf198.8 million during the year.

Company's sales revenue increased by 70% percent in 2011, primarily due to the renewal of the jet fuel contract and the continued increase in the cost of fuel in the world market. Furthermore, with the exception of electronics segment, revenue from all segments improved during the year, in part due to inflation in the consumables

market. As always the main contributor to income is fuel and lubricants (2011: 81%, 2010: 80%). Income from fuel and lubricants increase by 42% to MRf5.5 billion in 2011 (2010: MRf3.2b). Island sales, staple foods, medical supplies and construction materials together contributed over 16% of revenue.



Graph 1.1: Comparison of Sales from Non-Fuel Products

Since the main contributor to sales is fuel products which is always sold at very small margins, the gross margin during the year dropped to 9% (2010: 12%) as fuel import price steadily increased during the first half of the year. Other operating income increased by MRf17.2 million during the year, mainly due to a significant increase in fines and claims received as well as an increase in income from vessels and fleet. Rent received continued to be the biggest contributor in this category.

As expected, the growth in the operation reflects a corresponding increase in the cost of running the business. The selling and marketing costs increased by 21% to MRf217 million (2010: MRf180 million) while administrative expenses increased by 30% to MRf207 million (2010: MRf159 million) during the year. The main contributors for this are the provisions created for bad and doubtful debts created towards disputes with customers, and provision for impairment of assets on Renewable Energy Project, totaling

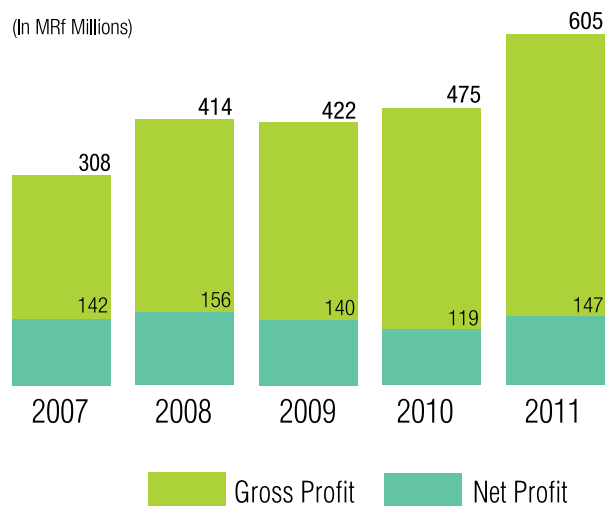
MRf50m (2010: nil). In addition, bank charges increased by 120% to MRf24 million (2010: MRf11million) and fuel expenses increased by 28% to MRf32 million (2010: MRf25 million).

Notable improvements in operations can be seen in the area of staff costs and inventory management. The effect of restructuring of the company in 2010 can be seen by the 5% reduction of employee costs to MRf133 million in 2011. And due to the efficiencies achieved due to SAP ERP implementation and focused purchasing, company was able to write back part of provision amounting to MRf12.8 million to the income statement.

As a result of the increased revenue and efficiencies achieved in operations, the company registered an operating profit of MRf230 million during the year (2010: MRf170 million) – an increase of 35%.

As expected finance income and finance cost increased during the year, with a net finance cost of MRf73 million (2010: MRf46 million).

As a direct result of increase in operating profits the company registered a net profit after tax and zakat of MRf147 million (2010: MRf119 million) – an increase of 23%.



Graph 1.2: Gross Profit and Net Profit 2007-2011

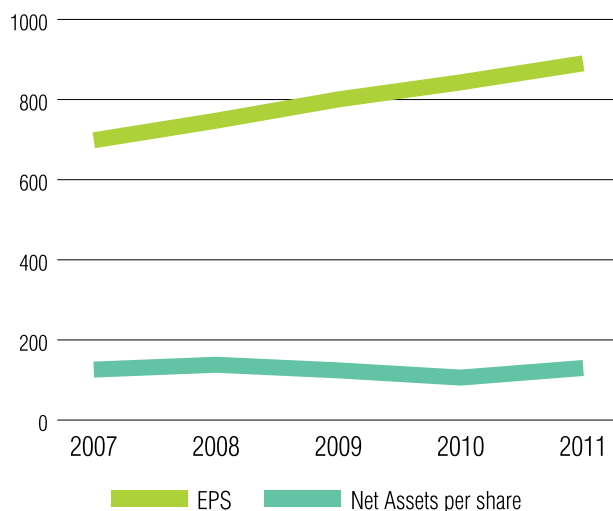
The company is eligible to pay Business Profit Tax of MRf10.6 million in 2011. In addition, the company paid MRf16.6 million towards taxes to

the government during the year, details of which are shown below.

	MRf (thousands)
GST	1,626
IMPORT LICENSE/STAMP DUTY	3,624
REGISTRATION FEE	36
LAND RENT	6,891
BUNKER ROYALTY	3,332
VEHICLE/VESSEL ANNUAL	874
VISA FEE	262
Grand Total	16,645

The overall financial position of the company improved during the year, with the net worth of the company having increased by 5.3% to MRf1 billion in 2011. The major capital investment undertaken during the year included purchase of land from the government, effectively converting government debt to assets. The land purchases also resulted in off-setting some of the exchange loss created due to the change in the conversion rate of US Dollars to Maldivian Rufiyaa. As a result, the non-current asset of the company increased by 96% to MRf1.4 billion (2010: MRf0.7 billion).

Graph below shows net assets per share and EPS movements for the past 5 years.



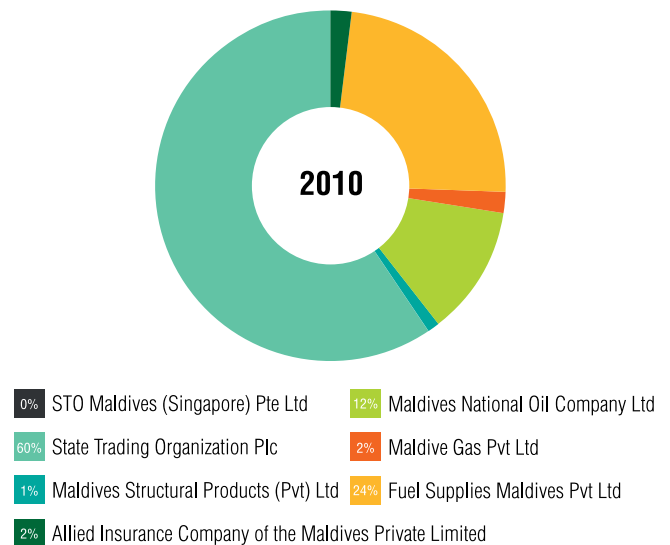
Graph 1.3: Net Assets per Share and EPS movement - 2007 to 2011

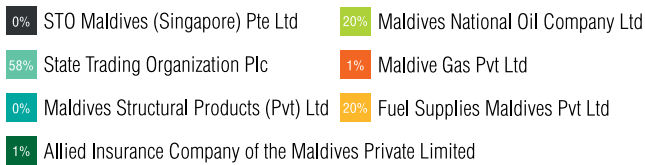
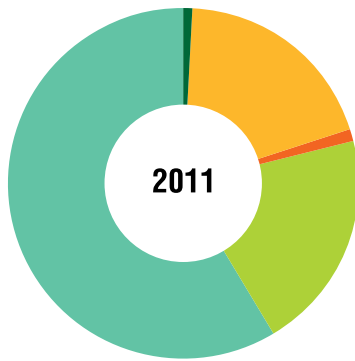
The current assets of the company was MRf3.6 billion, whilst the current liabilities were maintained at MRf3.8 billion during the year creating a healthy current ratio of 0.9:1 during the year. Gearing ratio was reduced to 1.3 (2010: 1.7) during the year.

Debt Ratios	2011	2010
Debt/Equity Ratio	3.98	1.34
Interest Cover	1.69	2.22
Market Prices during the year (Ex Interest)		
Highest Price	450.00	600.00
Lowest Price	300.00	400.00
Last Traded	450.00	489.00
last Traded Date	3 Oct 2011	21 Dec 2010
Interest yield	6.96	4.46

Group Performance

STO PLC contributed the highest to the Group revenue with 58% (2010: 60%), and the Group revenue increased in line with STO PLC's revenue, from MRf4.7 billion in 2010 to MRf9.5 billion in 2011. The graph below shows the revenue contribution of the group companies (excluding STO PLC, before adjusting intercompany transactions):

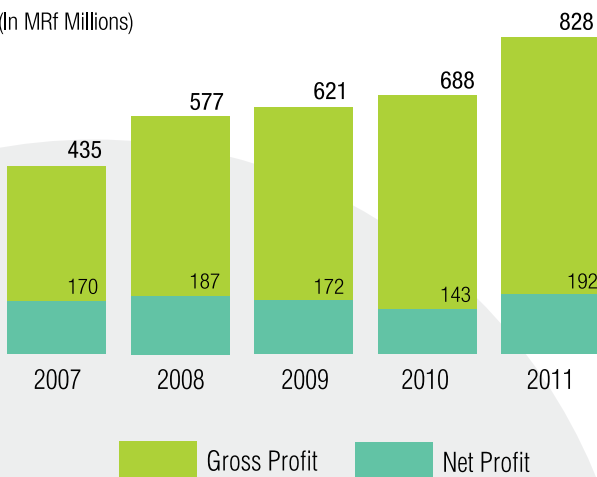




Graph 1.4: Sales Contribution from Group Companies - 2010 (top) and 2011 (bottom).

The most significant change in the revenue contribution from Group companies was the major increase from Maldives National Oil Company Ltd, amounting to MRf2.3 billion or 20% of total revenue contribution to the Group before inter-company transactions adjustments. This is an increase of 205% from 2010. In addition, Fuel Supplies Maldives Pvt. Ltd. contributed a further MRf2.3 billion or 19%, together with STO PLC contributing over 97% percent of Group revenue.

(In MRf Millions)



Graph 1.5: Gross Profit and Net profit Trends of STO Group, 2007-2011.

The group gross and net profit after tax and zakat for 2011 was MRf828 million and MRf192 million, respectively. The gross profit margin of the group

reduced to 9%, in line with the Company's margin reduction (2010: 15%) and as a result the net profit margin also reduced slightly to 2% (2010: 3%).

Group net worth increased from MRf1.12 billion in 2010 to MRf1.22 billion in 2011, and continued the positive trend in increasing shareholder wealth in 2011.

Share Performance

Shareholding Structure

The shareholding structure of the company remained unchanged during 2011. As at 09th May 2012, Government owned 81.63% of the shares and the public owned 18.37%.

At present, there is no private or public party, directly or indirectly, owning more than 5% of the shares of the company, other than the Government of the Maldives.

At the end of 2011, shareholding structure stood as shown below:

	No. of Shares	% owned
Government	919,867	81.63
Other shareholders	207,043	18.37
Total	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, followed by a public issue in 2009/2010 selling 113,012 share of the government to the public. In 2010, a further 7,044 shares belonging to Government were sold to public servants who opted to convert their savings in their provident fund account to shares of the public companies.

Share Market Performance

In 2011, a total of 192 shares of STO were traded in the open market at a value of MRf0.07 million. The number of STO's shares traded in the market in 2010 was 931, for a total value of MRf0.40 million. The vitality of the share market, generally, was observed to be generally low in 2011.

The highest price an STO share was traded in 2011 was MRf450, and the lowest price was MRf300. The trading price of STO shares has not plunged below MRf450 since 1st of March 2011.

Market capitalization at the end of 2011 stood at MRf507 million, representing an 8% decline from MRf551 million at end of 2010. The decline is mainly attributable to IPOs of two newly listed companies, recent sale of government shares of STO at lower than market share price during the previous year, and the economic downturn.

Table below summarizes the share price information of STO since its listing in 2001.

Year	Highest Price (MRf)	Lowest Price (MRf)	No. of Trades	No. of Shares Traded	Market Capitalization (MRf million)
2002	750	585	13	93	-
2003	800	400	23	249	662
2004	1200	500	55	1442	1127
2005	1200	740	87	1749	862
2006	899	430	71	935	862
2007	770	500	12	280	766
2008	775	450	17	353	732
2009	760	600	46	775	676
2010	600	400	12	931	551
2011	450	300	14	192	507

Dividends

Earnings per share for the year ended 31st December 2011 was MRf171, representing an increase of 35% over 2010. The main reasons for the substantial improvement in earnings were the increase in substantial increase in profits.

Dividend declared for the year 2010 was MRf68 per share.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EPS	137	141	102	115	122	126	138	124	106	171
Dividend	118	110	70	55	82	70	65	68	68	n/a



Business Development & Marketing

Business Development

The most significant business development initiative during the year was the stride to make an entry into the hospitality industry. A specific subsidiary company by the name “STO Hotels and Resorts Pvt Ltd” was incorporated to pursue investment opportunities in the hospitality industry. During last year, STO was able to secure lease rights of B.Muthaafushi to develop as a resort island as part of the agreement signed with the Government to develop Fuvahmulah airport. Furthermore, specific research was conducted to explore the opportunities in this industry, and evaluation of proposals submitted by parties in lieu of STO's advertisement to seek investment opportunities in resort development was undertaken during last year.

During 2011 an exercise was conducted to prioritize the Company's business interests and an action plan was developed at board and executive level. The Action Plan identifies the Company's business priorities for the immediate and intermediate future and refines the strategic focus.

Business development undertakings also includes initiatives to bring about internal efficiency and better customer service through exploiting the recently implemented SAP enterprise resource planning system.

Notable projects pertaining to business development that are underway include:-

- **Radisson Hotel Project** – contract was awarded to Amin Construction for the structural works on the 5 star, 500 bed Radisson Hotel project being developed in Hulhumale'. Tender process for interior architecture and landscaping works is in progress. The hotel is to be operated under Radisson brand owned by Carlson Group, USA.
- **Umaru Shopping Arcade** – under the plan to redevelop Umaru Shopping Arcade building, the old building was demolished and tender

is underway to appoint a contractor for the development project. Physical work is expected to begin by mid 2012.

- **STO Home Improvement Paint Showroom** – a special showroom for sale of paints was set up towards late 2011. The new showroom was operationalized and officially opened in February 2012.
- **Gan Airport** – a consortium was formed by STO, Gan Airport Company Limited, Government of the Maldives and Maldives Airports Company Limited to develop and operate Gan International Airport, and physical progress is being made.
- **Gn. Fuvahmulah Airport** – the airport was developed by STO and operationalized on 11 November 2011. Lease rights to develop B.Muthaafushi as a tourist resort was awarded to STO in lieu of investments at Gn.Fuvahmulah Airport.
- **HDh. Kulhudhuffushi Pharmacy** – due to unsatisfactory performance from the present construction contractor, a new party is being sought to carryout its construction.
- **Addu Service Centre** – the construction of the service centre was delayed due to the relocation of the land plot by the city council. Currently the service centre's architectural drawings are being redesigned to suit the new plot.
- **S. Hithadhoo Steel Warehouse** – as an initiative to expand business in Addu City, a steel warehouse is planned to be constructed in S. Hithadhoo. The contractor has been appointed and site clearance works in currently in progress.
- **Purchase of Dhiraagu Shares** – During the initial public offering of Dhiraagu, the largest telecommunication service provider, STO purchased MRf125 million worth of its shares.

Marketing Initiatives

The marketing initiatives aims to gain customer trust and loyalty, and boost the business through direct marketing, advertising, sponsorship and public relations campaigns across the country.

Key advertising and promotional activities conducted during the last year include:-

- Chocolate week promotion
- Phillips scratch and win promotion
- Makita and Nippon street art festival
- Children's day festivities
- Ramazan bazaar 2011
- Nippon paint challenge
- Robert Ramazan promotion
- Phillips my kitchen promotion
- MACI build expo 2011
- Phillips bridal fair 2011
- Medianet mini EPG advertising
- MHTE 2011
- Phillips and Hitachi fun break demo
- Al-mudhish win and win promotion
- STO blow out sale

And major sponsorship activities of the year include:-

- Sponsorship of Valencia and Victory sports clubs by Phillips and Hitachi
- Makita inter-atoll junior athletics championship
- Voice of Maldives 2011
- 6th Nippon tennis tournament
- National badminton championship
- S.Meedhoo cooperative community volleyball tournament

- T-20 SAARC cricket tournament
- Gdh. Thinadhoo havaru cup football tournament

STO strives to build a strong relationship with the community under the auspices of its corporate social responsibility (CSR) mission, and leverages CSR programs to get closer to the community and win the goodwill of the society. Hence, marketing activities are entwined with social responsibility aspirations.



Human Resource Development

STO recognizes that employees are the most valuable asset and to provide a fulfilling service to the community and foster its business. Hence, in addition to providing numerous job opportunities in the country, the Company also constantly strives for the personal and professional development of its employees and to provide a good working environment.

Staff Recruitment and Retention

At the end of 2011 the company had a total workforce of 1069 employees, of which 903 or 84.5% were Maldivians and 166 or 15.5% were expatriates. Over 95% of the expatriate staff is employed at unskilled manual jobs.

Number of staff employed in the Company from 2007 – 2011 is shown below. As a result of the increasing number of job opportunities created by the company, and policy to focus on recruiting local staff, the percentage of Maldivian staff increased by 37% over the past 5 years while expatriate staff numbers have declined by 9%.

STO strives to attract and retain a productive and an enthusiastic workforce. The Company ensures its remuneration packages are competitive. In order to motivate staff to attain higher levels of productivity, employees are given an incentive bonus of 3% of the net profit for the year if the company exceeds its annual profit targets.

During the reception to mark the 47th anniversary of the Company, shields of appreciation were presented to employees who have served

the company for more than 15 years. Shields were also presented to the most outstanding 10 employees, and the 2 most promising new employees and 2 most commendable long serving employees.

As a result of the Company's efforts towards staff retention, staff turnover rate has been maintained at a healthy level. Although staff turnover rate in 2010 increased to 25% owing to company restructuring redundancy package, staff turnover has decreased to a healthy 16.6% in 2011.

Training and Development

During the year a total of 148 staff participated in various short-term training programs, while 8 staff continued in Company sponsored long-term trainings.

Short-term training programs conducted were focused on transferrable skills and job specific skills. The programs included executive PA training, effective planning on inventory and store operations, material planning and inventory control, audit in-charge tools and techniques, international oil and gas certification, ship management, refresher programs of Hitachi, Phillips and Makita, mobile crane training, ISO audit training, interview skills training, security studies, telephone etiquette, SAP enterprise resource planning, and coaching and mentoring for executives. Long-term trainings include Diploma and Degree level programs.

	2007		2008		2009		2010		2011	
	Local	Expat	Local	Expat	Local	Expat	Local	Expat	Local	Expat
No. of staff at beginning of year	658	180	684	195	704	210	819	191	818	187
No. staff terminated/resigned	136	44	125	32	105	51	198	59	143	89
No. of staff recruited	162	59	145	47	202	32	197	55	229	65
No. of staff at year end	684	195	704	210	819	191	818	187	903	166

Working Environment

The Company puts its best efforts to create a safe and an enjoyable working environment for its employees. Such amenities as prayer rooms, pantries and toilets dedicated for staff in all its premises. And to ensure health and safety standards are achieved in the working environment, international standards were adopted, especially in premises that handle oil and gas, staple foods and medical items.

Staff Recreation

STO Recreation Club (STORC) organized a number of sports and recreational events to help foster camaraderie and team spirit among staff. Recreational activities conducted during the year include:-

- Inter-department futsal tournament
- Milo club Maldives cup
- One day cup futsal challenge
- Open water dive course
- Clean reef campaign
- STORC mas race
- Inter-department table tennis challenge
- STORC fitness program
- Dheenee dharus program
- Maves Wataniya futsal challenge
- Ramazan cricket carnival
- STO group companies samba cup futsal challenge
- National volley tournament (played at 1st division)
- STORC billiard tournament

A special ceremony was organized for all the staff to celebrate the 47th anniversary of STO. In addition to refreshments and entertainment during the ceremony, outstanding staff were presented shields in appreciation of their service to the Company.



Corporate Governance Report

The primary responsibility of the Board of Director's of STO is to manage the company in a fair, transparent and responsible manner and to ensure sustainable growth and create value for its investors.

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 Articles of Association. STO strives to adhere to the principles of corporate governance in all its dealings.

The governance structure of STO is illustrated below.

Board of Director's

The Board of Director's is the governing body of the Company. The Board takes all major decisions regarding the affairs of the Company. The main responsibilities of the Board among others are:-

- To work directly and indirectly to achieve the Company's objectives
- To set the strategic direction for the Company and advice the Management on pursuing the strategies
- To approve the Company's policies and financial statements and ensure compliance
- To safeguard the rights of shareholders, employees and other stakeholders including suppliers, customers and creditors.

Board Composition

The composition of the Board of Director's is determined by the shareholding structure and the Company's Memorandum and Articles of

Association. The Board comprises of 7 Director's, of which 5 are non-executive directors and 2 are executive directors. The two executive directors are presently the Managing Director and the Chief Financial Officer of the Company. The 5 non-executive directors are believed to be independent.

As per the Memorandum and Articles of Association, of the 7 Director's on the Board, 6 are appointed by the Government and 1 is elected by the public shareholders. The Director elected by public shareholders to sit on the Board from AGM of 2011 to AGM of 2012 is Mr Masood Ali.

The current composition of the Board, and recent changes to the board is shown below.

Name	From	To
Mr. Abdulla Faiz (Chairman)	7th May 2012	Till Date
Mr. Shahid Ali (MD)	20th November 2008	Till Date
Mr. Ahmed Niyaz	7th May 2012	Till Date
Mr. Amir Mansoor	7th May 2012	Till Date
Mr. Abdul Hadi Hussain	7th May 2012	Till Date
Ms. Vizaad Ali	7th May 2012	Till Date
Mr. Masood Ali	26th June 2008	Till Date
Mr. Farooq Umar (Former Chairman)	20th November 2008	09th February 2012
Ms. Sana Mansoor	20th November 2008	07th May 2012
Mr. Ahmed Arif	20th November 2008	09th April 2012
Mr. Mohamed Ahmed	20th November 2008	06th March 2012
Mr. Arif Abdul Samad	20th January 2011	09th April 2012

Profiles of individual Director's can be found on pages 10 – 11.

Independence of Director's

- There has no right given to subscribe for equity or debt securities of the company or a subsidiary to any director or their associate.
- There are no unexpired service contracts of any director proposed election at the forthcoming AGM.

However, a service contract to provide HR training for STO staff has been entered during the financial year 2011 with the wife of Board Director, Mr. Masood Ali. Masood Ali is the director appointed by the public shareholders of STO. Of all the contractual obligations under the agreement was fulfilled during the year 2011 and hence, there is no further pending transaction.

Responsibilities of Chairman and Managing Director

In line with the requirement of CGC, the positions of Chairman and the Managing Director are held by two different people with two different mandates.

The mandate of the Chairman is to give advice to the Board and facilitate Board meetings and annual general meetings. While the Managing Director is responsible for the implementation of Board decisions and to manage the operations of the Company under Board's advice.

Board Meetings

The Board held 42 meetings during the year 2011, and Director's attendance for the meetings is as follows:

Name	Position		Attendance	%
Mr. Farooq Umar	Chairman	Non-executive	42/42	100
Mr. Shahid Ali	Managing Director	Executive	41/42	97.6
Ms. Sana Mansoor	CFO/ Director	Executive	38/42	90.5
Mr. Ahmed Arif	Director	Non-executive	39/42	92.9
Mr. Arif Abdul Samad	Director	Non-executive	39/39	100
Mr. Mohamed Ahmed	Director	Non-executive	39/42	92.9
Mr. Masood Ali	Director	Non-executive	42/42	100

In addition to the said 42 Board meetings, an additional meeting was held to review the performance of the Executive Director's in their absence.

Providing Information to the Board

The Board acknowledges that the Management has provided the Board with all required information for Board decisions on a timely basis. Meeting agendas, minutes of meetings, quarterly financial reports, budgets and forecasts, and policies have been submitted for Board's review as appropriate.

The Board has complete authority to question the Management and call in expert advice and assistance as needed.

Board Committees

Three sub-committees function within the Board:-

1. Nomination and Remuneration Committee
2. Audit Committee
3. Corporate Governance Committee

All committees function around designated mandates that are approved by the Board. The Board approves all matters presented and discussed at committees except for Audit Committee. Urgent matters reviewed by Audit Committee may be presented to the Board for approval. The Company Secretary also functions as the Secretary for committee meetings.

Individual committee reports outlining the mandate and activities of the respective committees are stated in pages 36 – 39.

Director's Remuneration

The Company attempts to ensure that the remuneration paid to Director's commensurate with their responsibilities. The Nomination and Remuneration Committee reviews remuneration and presents for Board approval. Finally, the shareholders approve Director's remuneration at the Annual General Meeting.

Director's are paid a monthly remuneration plus a sitting fee for Board meetings. Board committee



members are also paid a sitting fee per committee meeting attended. Chairman is paid an additional monthly allowance and a phone allowance in order to facilitate the discharge of his responsibilities.

In 2011, a total of MRf1.23 million was paid as Director's and senior executives' remuneration. This is a 6% increase in comparison to 2010 (MRf1.16 million).

The Board's remuneration structure was not changed in 2011.

Declaration of Interest

A register of Director's business and ownership interests is kept at the Company. All Director's, Executives and Senior Management have declared and signed 'conflict of interest and disclosure statements'.

Director's Shareholding

Director's shareholding as at 31st December 2011 is as follows:

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

Director's Performance Evaluation

A performance evaluation of Board of Director's, Chairman, Managing Director and Company Secretary was carried out in 2011. Performance of Board committees were also evaluated using the 360° method. The Board approved the instruments used for evaluation which covered the following aspects:-

- Vision for the future of the Company
- Depth of understanding of the Company's business
- Board and committee meeting process

- Trainings and development efforts
- Level of preparation and participation in Board meetings
- Individual performance of Board members
- Overall performance of the Board as a whole

The report containing the findings of the evaluation was presented to the Board. The Director's agreed on the areas for improvement and progressive action was taken.

Director's Training

In order to improve the competence of the Director's, they were given the opportunity to participate in appropriate training programs including:-

- Training on internal audit process
- IIA conference for internal auditors
- Specific modules of the diploma in directorship program
- Training on corporate finance, risk and capital management

Director's also participated in refresher courses organized by the Capital Market Development Authority.

Management

The management of the company constitutes of Managing Director, Executive Team and Managers. Profiles of the members of the Executive Team can be found on pages 16-17.

The responsibilities of the Board and the Management are defined in the Articles of Association and the Corporate Governance Code of the Company.

Code of Conduct

A code of conduct have been established and circulated to all employees through the Employee Handbook with the purpose to instill good principles of corporate governance in the work environment and employee behavior. The Handbook was compiled taking into account provisions in the Employment Act and in consultation with experts in the field.

Internal Controls

In order to protect the resources and interests of the Shareholders a pragmatic system of internal controls have been maintained. The Board relies on the Audit Committee and the Internal Audit Department in discharging its responsibility to establish proper internal controls within the company.

A number of process audits, special audits and surprise audits were conducted during the year, including the review of processes within the departments and outlets, and executive protocols.

Important policies that were approved during the year include:-

- **Remuneration Policy** – prescribes the structure for salary and allowances for Board Director's and employees of the company.
- **Director's Evaluation Policy** – procedures and standards for evaluation of performance of the Board of Director's.

Internal Audit

During the year internal audits were conducted by the Company's Internal Audit Department and by Ernst & Young and KPMG Ford Rhodes Thornton and Co.

The Internal Audit Department reports functionally to the Audit Committee and administratively to the Managing Director. During the year, Internal Audit Department Charter was approved and efforts

were made to strengthen the core functions of the department.

Main internal audit activities carried out during the year are highlighted in the Audit Committee Report on pages 37 – 38.

External Audit

With the approval of the shareholders, PriceWaterhouseCoopers (PWC) was appointed for a fourth term as the external auditors for 2011 for a fee of USD28, 000. PWC was chosen as external auditor because the firm was not involved in any internal audit activities or non-audit service engagements with STO during last year. CMDA's Corporate Governance Code recommends a maximum of 5 consecutive years to keep the same external auditor.

Communication with Shareholders

The Company strives to maintain an open line of communication with shareholders and has established channels of communication including the corporate website, press conferences and press releases, quarterly reports, annual reports and annual general meetings.

Along with the notice of annual general meetings, shareholders are made aware of their rights to vote and raise concerns. Shareholders may also comment through the company website, email or written letters addressed to the Board. Moreover, the Company obtains input from the majority shareholder in important matters of relevance.

The Company always welcomes comments and suggestions from the shareholders.

Most up-to-date information regarding the Company can be obtained from the corporate website www.stomaldives.com.



Mechanism to Raise Concerns

An appropriate mechanism is in place to enable employees, management or other stakeholders to raise any concerns that they have, whether on a confidential basis or otherwise, of any non-compliance or fraud or other misdemeanor within the Company. STO has implemented Fraud Response Policy, and Whistle blower policy to enable any concerned party to alert Management or the Board.

In addition, the company has also implemented a Disciplinary and Grievance Committee that looks into concerns and grievances raised by staff.

Regulatory Compliance

Utmost effort was made to ensure that the Company was in compliance with applicable laws and regulations.

Annual Report and financial statements were made public within the deadlines set by CMDA. However, the Company was fined for not being able to publicize the Annual Report within the timeframes of the Listing Rules of Maldives Stock Exchange. Nevertheless, STO is proud to be the only listed company that was able to hold its Annual General Meeting of last year within the set deadlines.

Statutory Fees, Zakath and Taxes

STO has paid all fees payable to the pertinent authorities on or before the due dates including company registration fee, annual custody fee, annual listing fee, depository fee, etc. In addition, STO has MRf10.6 million payable as Business Profit Taxes for the past year.

Declaration by the Board of Director's

As the Board of Director's, we declare that we have discharged our responsibilities to the best of our abilities, and that the information presented in this Annual Report is true and accurate to the best of our knowledge.

The Board of Director's, Executives and Staff have exerted tremendous effort to manage the company with the principles of corporate governance. Care was taken to ensure compliance with the Corporate Governance Code, Listing Rules, Securities Act and the Company's Act.

Every effort was made to bring success to the Company while ensuring transparency, fairness and diligence in all respects with the ultimate purpose of protecting and promoting shareholder interests.

Financial Statements – The consolidated financial statements consists of the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Shareholder Equity and Notes to the Consolidated Financial Statements. The financial statements of the year ended 31st December 2011 have been prepared:-

- In accordance with International Financial Reporting Standards;
- Conforming to applicable laws and regulations;
- To provide information that are true and fair; and
- Certified by the Managing Director and Chief Financial Officer, and approved by the Board of Director's

Annual Report – The Annual Report reflects the activities of the Company during the past year.

Future Outlook – The Board has reviewed Strategic Plans and Business Plans of the Company, and the Director's are confident that the Company posses the resources to continue the business as a going concern and pursue the

objectives set forth in the plans.

Safeguarding Company's Assets – In order to protect Company's resources and the interest of shareholders' the Company constantly strives to improve the internal controls.

Independent Audit – the Board of Director's welcomes the impartial opinion and recommendations of the appointed independent auditors, and strives to improve any weaknesses pointed out in the auditors' reports.

Dividend – In accordance with the dividend policy of the Company, the Board may declare a dividend and present for shareholders' approval in the upcoming Annual General Meeting.

On behalf of the Board of Director's,



Abdulla Faiz
Chairman

Shahid Ali
Managing Director

Report of the Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee consists of 3 members. Prior to the last AGM the Chairman of the Committee was Mr Mohamed Ahmed. After the AGM, Mr Arif Abdul Samad was appointed as the Chairman. The Company Secretary acts as the secretary for the Nomination and Remuneration Committee as well. Prior to the last AGM Mr Farooq Umar also had been a member of the Committee.

Meetings

A total of 7 meetings of the committee were held in 2011. Committee membership and attendance are as follows:

Name	Position	Attendance	%
Mr. Arif Abdul Samad	Chairman	6/6	100
Mr. Mohamed Ahmed	Member	7/7	100
Mr. Ahmed Arif	Member	6/7	86
Mr. Farooq Umar	(Former Member)	1/1	100

Mandate

According to the committee's mandate as approved by the Board of Director's, the main responsibilities of the Nomination and Remuneration Committee are:

- Recommending appropriate remuneration and incentive plans for Director's and MD
- Establishing criteria for identification of suitable candidates for Board membership

- Reviewing performance of the Board and individual Director's
- Reviewing Company's remuneration policies and incentive plans
- Establishing policy on conflict of interest for Director's and Executive Management and monitor implementation of the policy.

Human Resources Department is largely responsible to present to the Committee HR issues and pertinent information for deliberations.

Activities

Major activities undertaken by the Nomination and Remuneration Committee during the past year include evaluation of candidates for Board Director elected by public shareholder votes, and reviewing of changes to the organizational structure and making recommendations to the Board. Meetings were also held with the General Manager of HR Department to review specific matters relating to personnel issues.

Conclusion

The Nomination and Remuneration Committee is satisfied with the activities carried out by the Committee during the past year.

On behalf of Nomination and Remuneration Committee,



Arif Abdul Samad
Chairman

Report of the Audit Committee

Audit Committee consists of 4 members who are non-executive and independent Director's of the Board. Mr Masood Ali was the Chairman of the Committee during last year. The Company Secretary acts as the secretary for Audit Committee as well. Chief Internal Auditor Dr Ibrahim Mahfooz convenes committee meetings.

Meetings

A total of 13 meetings of the committee were held in 2011. Committee membership and attendance are as follows:

Name	Attendance	%
Mr. Masood Ali	13/13	100
Mr. Ahmed Arif	12/13	92
Mr. Mohamed Ahmed	13/13	100
Mr. Arif Abdul Samad	11/11	100

Mandate

According to the committee's mandate as approved by the Board of Director's, 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

In discharging the above responsibilities the Committee observes international best practice in audit and governance.

Activities

Major focus of the Audit Committee during the past year had been to assess the risks, control issues and inventory control issues. Special audits and surprise audits were also conducted and their findings and recommendations were reported. Main activities undertaken during the year include:-

- **Reviewing financial statements** – quarterly financial reports were reviewed at the end of each quarter.
- **Risk management and internal controls** – perceiving the importance of enterprise risk management, attention was given to identify potential risk areas and deliberate improvements to the system. It is planned to further strengthen enterprise risk management and the role of Audit Committee during the coming year.
- **External audit** – after the negotiations with eligible parties for appointment as external auditors, recommendations were made to the Board. Upon approval of the external auditors at AGM, the Committee reviewed the external audit plan with the selected auditor. The Committee also reviewed interim and year end audit reports.
- **Internal audit** – the Internal Audit Department reports to the Audit Committee. The Committee reviews the audit process, reports and recommendations of the Internal Audit Department. All 7 staff of Internal Audit Department possess post secondary qualifications in areas relating to accounting, finance or business.

As and when necessary the Committee has summoned members of the staff to Committee meetings.

Conclusion

Audit Committee has directed to undertake a number of audits and have taken follow-up on the findings and recommendations of the audit reports. Audit Committee is satisfied with the activities carried out by the Committee during the past year.

On behalf of the Audit Committee,



Masood Ali
Chairman



Report of the Corporate Governance and Compliance Committee

Corporate Governance and Compliance Committee consists of 3 members who are non-executive and independent Director's of the Board. Mr Ahmed Arif was the Chairman of the Committee during last year. The Company Secretary acts as the secretary for CGC Committee as well.

Meetings

A total of 4 meetings of the committee were held in 2011. Committee membership and attendance are as follows:

Name	Attendance	%
Mr. Ahmed Arif	4/4	100
Mr. Masood Ali	3/4	75
Mr. Mohamed Ahmed	4/4	100

Mandate

According to the committee's mandate as approved by the Board of Director's, the main responsibilities of the Corporate Governance and Compliance Committee are:

- Establishing the Company's corporate governance code in line with the principles of corporate governance
- Developing an induction program for the orientation of new directors
- Regular reviewing of the adequacy of board and sub-committee charters
- Establishing the Company's dividend policy
- Monitoring compliance with code of conduct and ethical principles in Company dealings

Activities

Main activities undertaken by the Committee during the past year include:-

- Conducting a compliance audit of the Company's Corporate Governance Code in light of CMDA regulations
- Reviewing of the charters of the Board and Board Committees
- Reviewing of the dividend policy
- Reviewing of the induction program for new Director's
- Deliberations on the appropriate number of Director's to make up the Board

Conclusion

Corporate Governance and Compliance Committee is satisfied with the activities carried out by the Committee during the past year.

On behalf of Corporate Governance and Compliance Committee,



Ahmed Arif
Chairman

Corporate Social Responsibility and Sustainability Report (CSR)

National interest and social responsibility are of the highest priority under the principle values of the Company.

As the Company's business expanded and improved over the years, it has also expanded its horizon of corporate social responsibility. The four main components of the corporate social responsibility are staff, society, market and environment. Different programs have been conducted targeting each area.

Staff

The company gives special attention to discuss, inform and improve the rights and other staff related matters. In this regard the most common method of communication has been via the company intranet and e-mail. Staff who do not have access to such means are provided with the information via the notice boards put up in work premises. The Company always welcomes the opinions and cooperation from the staff for the improvement of the Company.

A tremendous amount of work is done to ensure the wellbeing and development of the staff, and creating a satisfactory working environment. Such notable efforts include:

Encouraging Good Conduct

The Board of Director's of the Company considers maintaining a high standard of conduct as one of its priorities. In 2010, the Company's Code of Conduct was formalized and approved by the Board. The main purpose of establishing a formal Code of Conduct was to explicitly encourage the staff and management to work honestly, fairly, with no discrimination and to be transparent.

A whistle blower policy is in place to prevent fraudulent and unethical behavior by establishing a mechanism for bringing any such behavior to the attention of management and the Board and to take remedial action.

STO strives to ensure that every staff espouses the Company's Core Values (see page 04).

Equality and Fairness

In accordance with Employment Act, STO strives to maintain equality among staff regardless of their race, sex, age or family relation.

STO encourages job applications by people with special needs and physical disabilities and does not discriminate against them during recruitment and selection.

Training and Development

STO recognizes that the most valuable resource it has is its employees. Hence the Company provides attractive incentives to improve staff morale and performance including opportunities for further education and training.

Details of training and development programs conducted for staff during 2011 is stated under Human Resource Development on pages 27 to 29.

Staff Well Being

In recognizing the importance of creating a safe working environment for the staff, the Company implements all required safety measures and avails other amenities for creating a satisfying work environment.

STO encourages physical and psychological wellbeing of its staff. As such STO Recreation Club organizes numerous sports and recreational events to foster camaraderie and unity among staff.

Society and Market

As always, STO aspired to provide an invaluable service to the society and markets it operates within. STO went into great lengths to maintain price stability and continued supply of essential goods, introduce beneficial and environment friendly products, and participate in activities of benefit to the community.

Supply of Essential Products

In order to ensure an uninterrupted supply of staple foods, medicine and fuel products for public consumption at reasonable prices STO painstakingly monitored stock levels of essential items and improved storage capacity of these products across the country.

Price Stabilization

STO made a special effort to maintain a healthy supply of basic food items such as onions, potatoes and eggs, etc at reasonable prices in the market during periods of supply shortages including Ramazan period. During past Ramazan STO had imported 27 types of food products to minimize price escalations due to supply constraints.

Supporting Local Producers

In an initiative to assist local farmers STO introduced “Isle Fresh” brand to package and market local agricultural produce. The pilot project was inaugurated in H Dh Kulhudhuffushi. STO hopes this initiative will improve livelihood of local farmers and traders.

Participation in the Activities of the Society

The activities STO had conducted or taken part in this area include:

- “Ahareng Nafsu Control Kuraanee Aharen” awareness campaign – took part in the campaign against drug abuse organized by Journey NGO.
- Children’s Day – STO marked the Children’s Day of 2011 by organizing sports activities and other activities for children
- Blood donation at Conrad Maldives – In partnership with Conrad Rangali Island Resort, STO organized a blood donation day where 54 staff of the resort donated blood.
- “Dhuveli Madukurey Furaana Salaamaiy Kurey” awareness campaign – took part in the campaign against speeding on the road organized by Maldives Police Service.
- “Walk of Life” marathon – supported the campaign to create a society free from drugs
- Support to Kudakudhinge Hiyaa – sponsored a caregiver at Kudakudhinge Hiyaa orphanage for the period of one year.
- Digital Education Program – sponsorship of Digital Education Program for children organized by Veshi Jamiya.
- Marking Fishermen’s Day and Farmers’ Day – sponsored the events to mark Fishermen’s Day and Farmers’ Day in N.Neykurendhoo.
- Marking Diabetes Day – took part in “Walk with Friends” event organized by International Diabetes Federation.
- Cleaning Addu City – staff of STO in Addu City organized cleaning campaign for Addu City for the SAARC Summit held in Addu City.
- Awareness on Congenital Heart Diseases – took part in the awareness campaign on congenital heart diseases organized by Tiny Hearts NGO.
- Awareness on Domestic Violence – In collaboration with Maldives Police Services, STO conducted a staff awareness program on domestic violence and violence against children.

Financial Assistance and Sponsorships

In the year 2011, STO spent MRf1.9 million in sponsorships and financial incentives to social and economic development activities, including:-

- Co-sponsoring the awarding ceremony of the National Body Building Competition
- Sponsored the ceremony of Ministry of Education to award the national top ten achievers of 2010 GCE O'Level Examination
- Sponsored the 45th National Cricket Tournament
- Sponsored the Art Competition held by United Artists of Maldives in Addu City (Nippon Paint)
- Sponsored Male' Sports Club in the Seasonal Cricket Tournament (Makita)
- Sponsored Maldives International Badminton Challenge (Hitachi and Al-Mudhish)
- Co-sponsored Maakanaa Show on MNBC One
- Sponsored the Netball Tournament of Iskandhar School
- Financial assistance to SWAD futsal tournament
- Financial assistance to the ceremony to mark the Victory Day
- Donated a sound system to Iyaaru Quran Class
- Donated medical equipment (DIO Machine) to Society for Health Education
- Financial assistance in bringing doctors from abroad for workshop organized by Maldives Autism Association
- Sponsored the National Football Team in SAFF Championship 2011
- Sponsored a Maldivian participant in Quick Silver Best Event Surfing Championship held in Malaysia organized by Asia Surfing Championship.

- Sponsored "Dhivehinge Iqthisaadhee Sallaa" (Maldives Economic Forum) organized by UNDP and Ministry of Economic Development broadcasted on MNBC One.
- Financial assistance to mark Independence Day of 2011
- Assistance in preparations for the SAARC summit 2011 held in Addu City
- Sponsored drugs awareness campaign for parents organized by CAPS
- Assistance for teachers training program for Afeefuddeen School of HDh.Khulhudhuffushi

Memberships in Associations

During the year 2011, STO was a member of the following organization and societies.

- Maldivian Red Crescent
- Maldives Association of Tourism Industry (MATI)
- Maldives Association of Construction Industry (MACI)

Environment

Protecting and caring for the environment is at the heart of STO. The Company goes the extra mile to minimize the risk of damage to the environment resulting from its activities.

STO is constantly looking for alternative products and new technologies that are less harmful to the environment. STO has completely switched to importing environment friendly lead free paint and supplying diesel fuel that is lead free and low in sulfur content. Care is taken to import energy efficient electrical and electronic products.

The company uses energy efficient lighting and office equipment in all its premises, and conducts regular awareness program for staff on reducing waste and energy.

In 2011 the company has participated and supported in organizing a number of events related to environmental protection, including:-

- **Earth Hour Walk** – Staff of STO participated in the walk during the earth hour marked internationally to raise awareness on global warming.
- **Marking Environment Day** – STO participated in the “say no to plastic bags” campaign organized by Ministry of Housing and Environment to mark Environment Day. Special discounts were given to customers who brought environment friendly bags for shopping at STO Supermart.
- **Clean Reef Campaign** – In collaboration with Club Maldives, STO Recreation Club organized the cleaning of lagoon near Male’ Fish Market on the occasion of Environment Day 2011
- **Trip on Environmental Protection** – STO sponsored the trip organized by Eco-Care Maldives to increase children’s awareness on environmental issues.



Subsidiary 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.

Board of Director's

With the changes brought to the board on 28th July 2011, the composition of the Board as of 31st December 2011 was as follows:

Name	Position
Mr. Thaufeeq Abdulla	Chairman
Mr. Adam Saleem	Director / MD
Mr. Mohamed Nabeel Abdulla	Director
Mr. Muslim Anees Hussein	Director
Mr. Ismail Ali Jaleel	Director

In 2011 a total of 11 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 was PriceWaterhouseCoopers. The Company has a functioning Internal Audit Department. The head of Internal Audit is Mr. Abdul Wahhab. The Internal Audit Department reports to the Audit Committee and administratively reports to the Managing Director.

Human Resources

At the end of 2011 FSM had 254 employees, of which 85% were Maldivians.

In order to develop the human resources of the company, various training opportunities were provided to staff both locally and abroad. Staff were enrolled in training programs including Ms Excel, ACCA Course, ABE Diploma in Marketing, Director's Training, Leadership Program with Ron Kaufman and Health and Safety training.

To promote a healthy relationship among the staff, FSM Recreational Club was officially inaugurated on the 10th anniversary of the company. In 2011 the company had taken part in recreational activities including Club Maldives Futsal Tournament, staff maahefun, tharaavees, dinner hosted to mark the 10th anniversary and Allied Samba Cup.

Social responsibility

Under the umbrella of corporate social responsibility the company provided financial support and participated in the DEAFest 2011 organized by the Deaf Association of Maldives and the activities held at Noonu Kendhikulhudhoo council to mark the fishermen and farmer's day.

Due to the nature of its business, FSM is extremely cautious towards the environment and safety of its workers and the public, and takes special measures to minimize risks to the environment.

Business Review

The main business of FSM is distribution and sale of fuel and providing bunkering service to vessels. Notable achievements and business undertakings of 2011 include:

- Supplied fuel to the MNDF vessels during SAARC Summit
- Established business relations with newly opened resorts and those under development
- Terminated the lease of MV Glory as a cost reduction measure
- Installed new dispenser and floor meter at the Seenu Gan fuel center
- Installed emersion meters at fuel station of the company
- Conducted a project to repair the vessels and fuel tanks of the company



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 Pvt. Ltd.

Board of Director's

The composition of the Board was as follows:

Name	Position
Mr. Abdulla Saeed	Executive Chairman / Executive MD
Ms. Hisaan Hussain	Director

In November 2011 the then Managing Director Mr Ahmed Muneez was relieved from his responsibilities and Mr. Abdulla Saeed was given the roles of Chairman and Managing Director. Sub-committees do not operate within the Board due to its small size.

Auditors

Ernst & Young was the external auditors of the Company in 2011.

Human Resources

At the end of 2011, MNOC had a total of 4 staff, of which 2 were Maldivians and 2 were expatriates.

Business

MNOC's business is international and local oil trading. 2011 had been a good business year for MNOC. During the past year options for business expansion were explored and business partners were chosen from India, Bangladesh and Indonesia.

STO Maldives (Singapore) Pte Ltd

STO Maldives (Singapore) was established in 2002 with 99.99% STO ownership.

Board of Director's

The composition of the Board as of 31st December 2011 was as follows:

Name	Position
Mr. Abdulla Saeed	Executive Chairman / Executive Managing Director
Ms. Hisaan Hussain	Director

In November 2011 the then Managing Director Mr Ahmed Muneez was relieved from his responsibilities and Mr. Abdulla Saeed was given the responsibilities of Chairperon and Managing Director. Sub-committees do not operate within the Board due to its small size.

Auditors

SS Lee and Co. was the auditors of the Company in 2011.

Human Resources

At the end of 2011, the Company had a total of 5 staff, of which 3 were Maldivians and 2 were expatriates.

Business Review

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

Maldivé Gas Pvt Ltd

Maldivé Gas was established in 1999 with the aim of supplying cooking gas to the public at reasonable prices. STO holds 90% share in Maldivé Gas and the remaining 10% is owned by Champa Oil and Gas Pvt Ltd. Today Maldivé Gas Pvt Ltd not only supplies cooking gas, but also supplies other industrial gases and medical oxygen to 98% of the hospitals and health centers in the country.

Board of Director's

With the changes brought to the board on 28th July 2011, the composition of the Board as of 31st December 2011 was as follows:

Name	Position
Mr. Abdulla Shafeeu Mahmood	Chairman
Mr. Moosa Haleem	Director/MD
Mr. Ashraf Ali	Director
Mr. Ahmed Mazin	Director
Mr. Abdulla Saleem Abdul Sattar	Director

In 2011, a total of 15 Board meetings were held. Two Committees operate within the board; the Audit Committee and the Remuneration and Nomination committee.

Auditors

Price Waterhouse Coopers was the external auditors of the company. An Internal Audit Department functions within the Company. The head of Internal Audit is Mr. Mohamed Ahmed. The Internal Audit Department reports to the Audit Committee and administratively reports to the Managing Director.

Internal Control

The Internal Audit Department reviewed the internal policies and processes in order to strengthen the internal control in 2011. Notable issues were brought to the attention of the Management and necessary steps were taken to rectify them.

Human Resources

At the end of 2011 Maldivé Gas had a total of 129 employees, of which 50.5% were Maldivians and 49.5% were expatriates.

Training was provided to the management level staff in Supervisory Skills, Leadership Development and Strategic Thinking. Support staff were given training on Customer Service, Administrative Skills, Fire Safety, First Aid and Security.

Among the recreational activities conducted during the year were a futsal tournament and a staff dinner night.

Social Responsibility

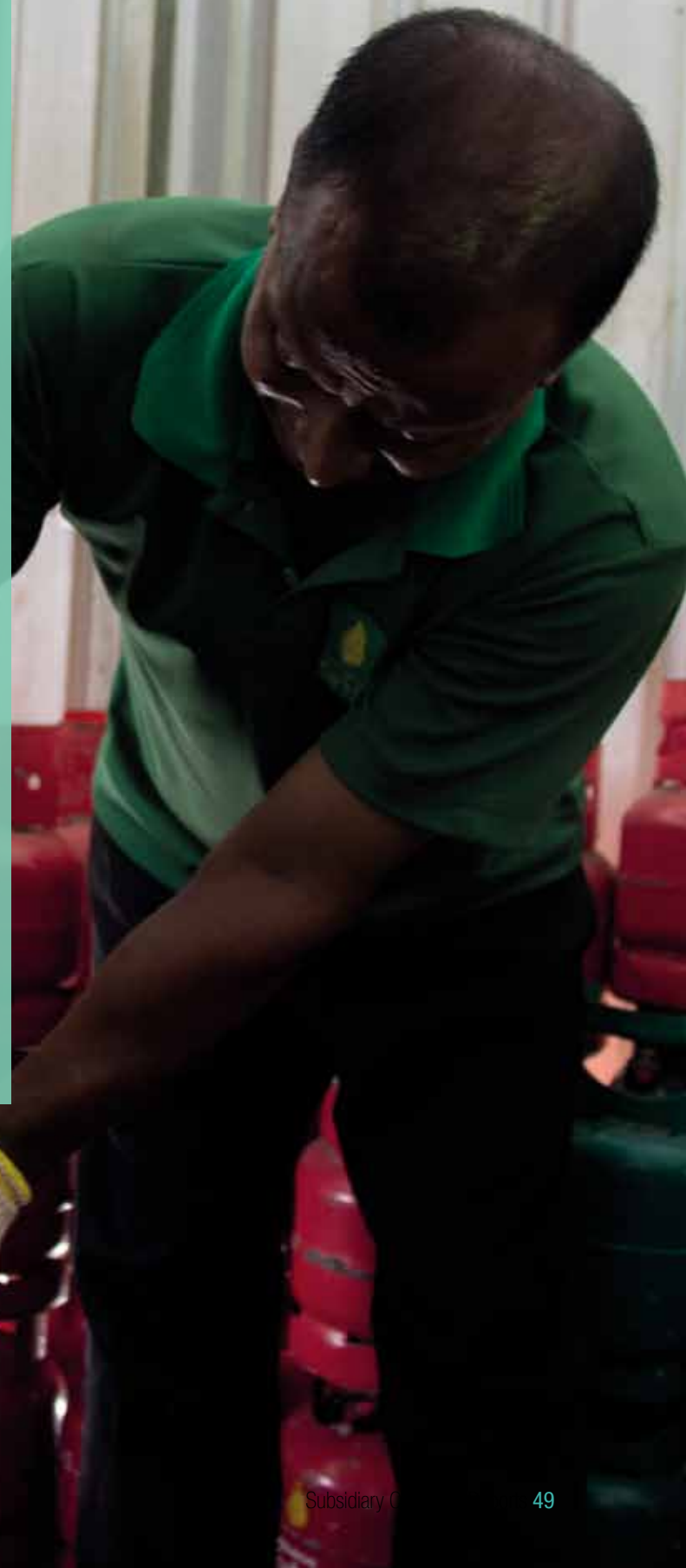
As the main objective of forming Maldivé Gas Pvt Ltd was fulfilling a corporate social responsibility, the company strives to improve and diversify its services under this responsibility. In this regard the works on establishing distribution units in Upper North and Upper South Provinces with the help of the utility companies of these regions was initiated.

Maldivé Gas supplies oxygen gas to over 98% of Health Centers in the country as a social cause since 2003.

Business Review

The main business of the company is the import, distribution and sale of cooking gas, medical oxygen and industrial gases. Notable achievements and business undertakings of 2011 include:

- Rolled out the 5-year Strategic Action Plan setting the strategic direction to focus staff efforts
- Conducted land survey to increase the gas storage space
- Initiated works to upgrade the Company's gas terminal port to meet International Ship and Port Facility Security Code
- Finalized the purchase of an additional Oxygen plant
- Conducted pressure testing, valves repairs, and sand blasting and painting on gas cylinders that extended their usable life
- Completed repair works on the pipe network of Thilafushi gas plant
- Secured 6 additional resorts as commercial customers
- Introduced a commercial rate for resort customers to attract large customers
- Appoint agents in Upper North and Upper South Provinces for strengthening distribution network
- Establish sales agents in 9 new islands
- Increased the gas price by MRf4 per kilo of LPG Gas on 4th April 2011 to due to price hikes in source markets.



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. Currently the company provides the most diverse insurance policies in the country. STO holds 99.99% of the shares of Allied Insurance, and balance 0.01% is held by Maldives National Oil Company Ltd.

Board of Director's

With the changes brought to the board on 28th July 2011, the composition of the Board as of 31st December 2011 was as follows:

Name	Position
Ms. Sana Mansoor	Chairperson
Mr. Abdul Wahid Thawfeeg	Director/MD
Mr. Ibrahim Shareef Mohamed	Director
Ms. Fathimath Ashan	Director
Mr. Ahmed Niyaz	Director
Mr. Musthafa Azmee	Director

In 2011, a total of 9 meetings of the board were held which includes 6 Board Meetings, 2 Special General Meetings and 1 Annual General Meeting. Two Committees operate within the board; the Audit, Risk Management Committee and the Nomination and Remuneration committee.

Auditors

Price Waterhouse Coopers was the external auditor and KPMG Ford Rhode Thornton was the internal auditors of the Company in 2011.

Human Resources

At the end of 2011 Allied Insurance Company had a total of 146 staff, of which 95% were Maldivians.

During the last year 12 different training programs were conducted for the staff among which are Customer Care, Telephone Handling Skills, Credit Training and Risk Management and Leadership seminars. A special training was also conducted in order to improve the skills of the underwriting staff. A total of 13 staff participated in workshops held abroad.

Among the recreational activities conducted during the year were staff maahefun, annual trip and a special evening function.

CSR programs and activities

- Made a donation to the Japanese people affected by the earthquake
- Sponsored the workshop held for the nurses.
- Sponsored the "Kids Hour" program held in Vilimale' by the Child Abuse Prevention Society.
- Sponsored the "Police Health Day" program organized by the Diabetes Association
- Main sponsor of the 26th National Debate Competition
- Associate sponsor of the "Heal Campaign" held to protect the rights of children
- Sponsored Service Leadership Seminar of Mr. Ron Kaufman



The Business

The main insurance products of the Company are Marine Insurance Policies, Commercial Insurance Policies, Personal Health Insurance Policies, Health Insurance Policies and Life Insurance Policies.

2011 had been a good business year for the Company. During the year the Company was active in national and international markets, rolled out new products and participated in national projects. Notable achievements and business undertakings of 2011 include:

- Established a new company under the name “Aasandha” to provide health insurance to the citizens of Maldives where Allied Insurance Company of the Maldives Pvt. Ltd. holds 60% share.
- Introduced an international health care plan in partnership with Lloyds of United Kingdom and Global Medicals of United States of America.
- Introduced Key Person Insurance Policy
- Conducted Afro-Asian Claim Awareness Conference 2011
- Opened new office at Fen Building
- Held “Allied Ramazan Sale” promotion

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. Furthermore, It is also aimed at reducing the outflow of currency from Maldives and creating job opportunities.

Board of Director's

With the changes brought to the board on 28th July 2011, the composition of the Board as of 31st December 2011 was as follows:

Name	Position
Mr. Adam Azim	Chairman
Mr. Ibrahim Rafeeq	Director / MD
Mr. Ahmed Shifan	Director
Ms. Hawwa Zahira	Director

In 2011, a total of 5 Board meetings were held. Separate sub-committees do not operate within the Board due to its small size.

Auditors

Price Waterhouse Coopers was the external auditors of the company for 2011. There was no internal audit department established in the company.

Human Resources

At the end of 2011, the Company had a total of 20 staff, of which 55% 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.

The company was affected due to difficulties in obtaining foreign currency required to import raw materials needed for production.

Lafarge Maldives Cement Pvt Ltd

Lafarge Maldives was established in 1998 with 75% share of Marine Cement Ltd of Lafarge UK, and 25% share of STO. Lafarge Maldives Cement Pvt Ltd was formed with the aim of supplying cement to the Maldivian market.

Board of Director's

With the changes brought to the board on 28th July 2011, the composition of the Board as of 31st December 2011 was as follows:

Name	Position
Mr. Ahmed Shaheer	Chairman
Mr. Ahmed Nashid	Director
Mr. Adleo Bermejo	Director
Mr. Xavier Blondot	Director
Mr. Dennis Boyle	Director
Mr. Anurag Kak	Director

In 2011, 2 Board meetings were held. Separate sub-committees do not operate within the Board.

Auditors

Earnst and Young was the external auditors and PriceWaterhouse Coopers was the internal auditor the company 2011

Human Resources

At the end of 2011, the Company had a total of 10 staff out of which 9 were expatriates and 1 was Maldivian.

Corporate Social Responsibility

Lafarge took part in the "Green Male'" project which was aimed at planting more trees on the streets of Male'

Business Review

By the end of 2011 the company had secured 40% of the cement market of Maldives.

A comprehensive survey of the Maldives' cement market was undertaken to understand the future potential of the market. The Company also started supplying of cement to HDh Kulhudhuffushi market.

STO Hotels and Resorts Pvt Ltd

STO Hotels and Resorts Pvt Ltd was registered in 2012 with the aim of expanding STO's presence in the tourism industry. STO holds 99.99% of the shares of STO Hotels and Resorts Pvt Ltd, and balance 0.01% is held by Fuel Supplies Maldives Pvt. Ltd.

Board of Director's

The composition of the Board as of 31st December 2011 was as follows:

Name	Position
Mr. Shaihd Ali	Chairman
Mr. Mohamed Nabeel Abdulla	Director / MD
Mr. Abdulla Shafeeu Mahmood	Director

Only one meeting of the Board of Director's was held in 2011.

Auditors

Audit was done by PricewaterhouseCoopers during the year 2011.

Human Resources

By the end of 2011, a total of 20 staff were employed.

Corporate Social Responsibility

The construction of the Fuahmulah Airport with the objective of providing an easy means of transport is a major contribution in advancing the corporate social responsibility of the company. The construction of the airport in the island of Fuahmulah not only improve transport network of the country but also created job opportunities in the region.

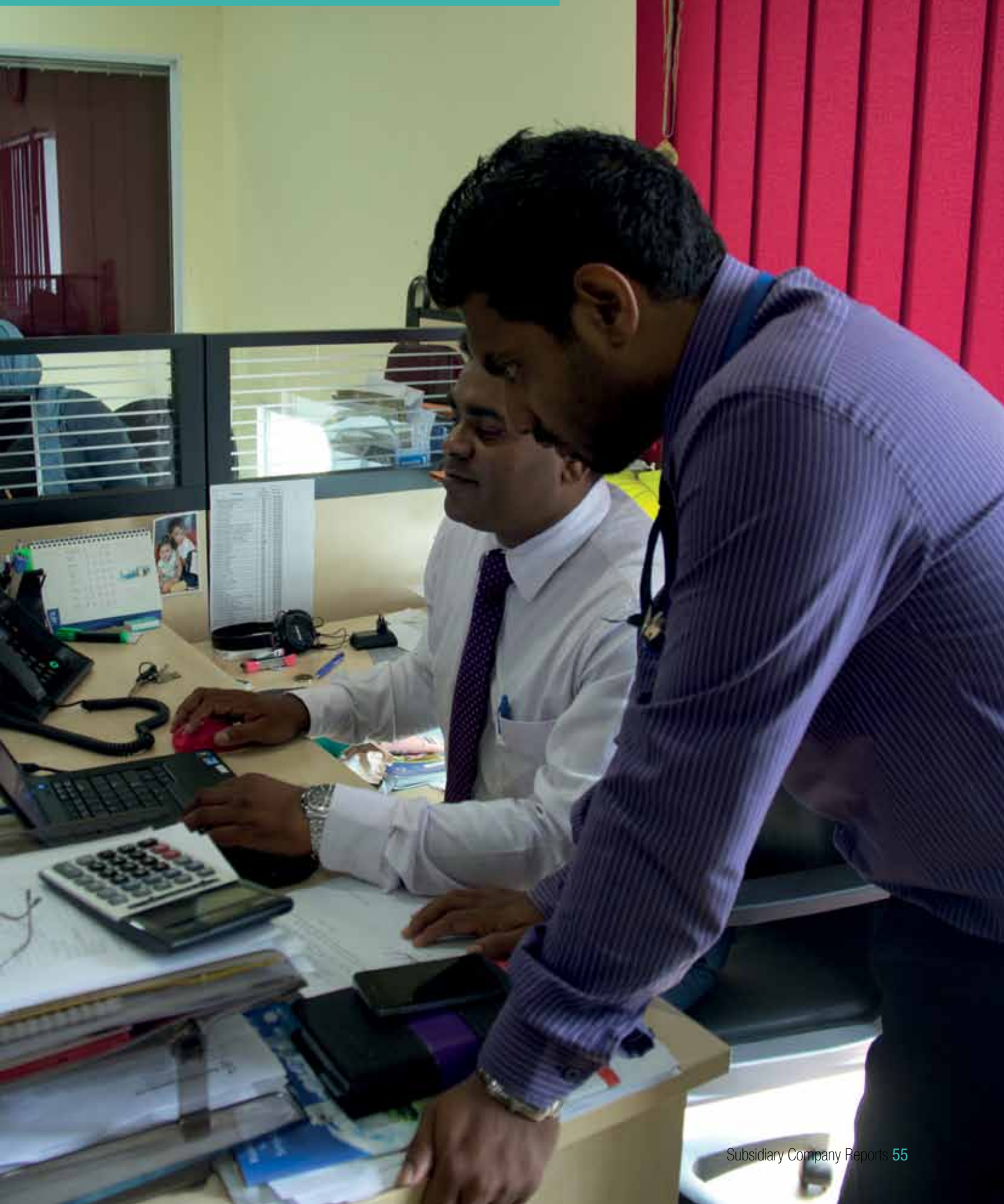
Business Review

The most notable task undertaken by the company in 2011 is the construction of the Fuahmulah Airport. STO took over the project on 11 August 2011 with just 25% of the works completed. The project was completed and operationalized on 11 November 2011.

The Company has secured the lease rights of Baa Atoll Muthaafushi, and is currently working on to develop a tourist resort on the island.

The above mentioned business ventures were initially owned by Platinum Investments Pvt Ltd. In 2011, STO secured 100% ownership of the ventures and set up STO Hotels and Resorts as a separate department of the Company. Subsequently, in 2011, STO Hotels and Resorts Pvt Ltd was established as a subsidiary company of STO.

Financial Statements 2011





Independent auditor's report

To the Shareholders and Board of Director's 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 2011, 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. 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.

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.

Opinion

4. In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2011 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.

5. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as of 31 December 2011 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.


CHARTERED ACCOUNTANTS

9 MAY 2012
MALE'

STATE TRADING ORGANIZATION PLC
Consolidated balance sheet

Financial statements - 31 December 2011

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Group		Company	
		As at 31 December		2011	2010
		2011	2010	2011	2010
ASSETS					
Non-current assets					
Property, plant and equipment	6	1,310,198,503	642,493,853	1,021,519,884	507,962,614
Intangible asset	7	37,610,809	45,483,947	32,898,091	40,397,482
Deferred tax asset	8	6,051,440	-	5,364,485	-
Investments in subsidiaries	9	-	-	117,249,835	116,249,935
Investments in associates	10	14,849,733	4,160,192	20,567,267	10,567,267
Investment in joint venture	11	-	-	4,700,000	4,700,000
Available for sale investment	12	151,810,318	32,684,938	141,810,318	32,684,938
Trade and other receivables	14	45,908,739	-	45,908,739	-
		1,566,429,542	724,822,930	1,390,018,619	712,562,236
Current assets					
Inventories	13	784,813,048	318,305,008	696,414,552	275,539,022
Trade and other receivables	14	1,801,817,879	921,009,400	1,764,222,696	769,651,687
Reinsurance contracts	16	76,017,331	82,321,349	-	-
Investment held to maturity	17	316,768,099	42,904,097	276,004,733	-
Cash and cash equivalents	18	943,754,316	583,027,746	844,780,184	466,035,754
		3,923,170,673	1,947,567,600	3,581,422,165	1,511,226,463
Total assets		5,489,600,215	2,672,390,530	4,971,440,784	2,223,788,699
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	56,345,500	56,345,500	56,345,500	56,345,500
Share premium	19	27,814,500	27,814,500	27,814,500	27,814,500
Claim equalization reserve	20	11,162,078	8,043,015	-	-
Currency translation reserve	21	604,793	372,643	-	-
General reserves		342,439,071	313,115,325	342,439,071	313,115,325
Fair value reserves		12,941,806	28,941,426	12,941,806	28,941,426
Retained earnings		766,704,667	683,170,494	563,948,462	523,283,358
		1,218,012,415	1,117,802,903	1,003,489,339	949,500,109
Non-controlling interest	22	5,558,725	5,788,628	-	-
Total equity		1,223,571,140	1,123,591,531	1,003,489,339	949,500,109

Consolidated balance sheet (continued)

	Note	Group		Company	
		As at 31 December			
		2011	2010	2011	2010
LIABILITIES					
Non- current liabilities					
Borrowings	25	112,334,776	-	112,334,776	-
Deferred revenue	23	1,205,988	1,718,320	-	-
Derivative financial instruments	24	26,075,485	-	26,075,485	-
Current liabilities					
Current tax liabilities	33	21,703,179	-	15,966,937	-
Derivative financial instruments	24	8,268,975	-	8,268,975	-
Trade and other payables	23	2,522,169,687	641,188,574	2,422,797,045	565,271,286
Insurance contracts	26	168,537,758	160,245,535	-	-
Borrowings	25	1,405,733,227	745,646,570	1,382,508,227	709,017,304
Total liabilities		4,266,029,075	1,548,798,999	3,967,951,445	1,274,288,590
Total equity and liabilities		5,489,600,215	2,672,390,530	4,971,440,784	2,223,788,699

These financial statements were approved by the Board of Director's on 09 May 2012



Sana Mansoor
Chief Financial Officer



Abdulla Faiz
Chairperson



Shahid Ali
Managing Director



Masood Ali
Director

The notes on pages 63 to 109 are an integral part of these consolidated financial statements.

STATE TRADING ORGANIZATION PLC
Consolidated income statement

Financial statements - 31 December 2011

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Group		Company	
		Year ended 31 December			
		2011	2010	2011	2010
Revenue	27	9,464,824,457	4,742,312,414	6,826,202,881	4,015,107,365
Cost of sales	30	(8,637,190,022)	(4,054,142,854)	(6,221,038,323)	(3,539,797,179)
Gross profit		827,634,435	688,169,560	605,164,558	475,310,186
Other operating income	29	93,907,592	55,517,301	53,875,512	36,675,312
		921,542,027	743,686,861	659,040,070	511,985,498
Selling and marketing costs	30	(291,664,520)	(237,927,612)	(217,367,961)	(180,059,989)
Administrative expenses	30	(321,186,880)	(268,861,631)	(206,884,649)	(158,878,995)
Other operating cost	30	(4,589,827)	(3,902,332)	(4,914,131)	(3,087,998)
Operating profit		304,100,800	232,995,286	229,873,329	169,958,516
Financial income	32	71,372,873	10,256,449	78,689,086	42,033,093
Financial cost	32	(168,132,864)	(95,538,231)	(151,341,233)	(88,197,326)
Finance cost - net	32	(96,759,991)	(85,281,782)	(72,652,147)	(46,164,233)
Share of profit from associates	10	689,541	157,850	-	-
Profit before tax and zakat		208,030,350	147,871,354	157,221,182	123,794,283
Business profit tax / zakat	33	(15,651,739)	(4,890,084)	(10,602,452)	(4,890,084)
Profit after tax and zakat		192,378,611	142,981,270	146,618,730	118,904,199
Attributable to:					
Equity holders of the Company		192,606,862	143,544,122	146,618,730	118,904,199
Non-controlling interest	22	(228,251)	(562,852)	-	-
		192,378,611	142,981,270	146,618,730	118,904,199
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in MRf per - basic share)	34	170.92	127.38	130.11	105.51

The notes on pages 63 to 109 are an integral part of these consolidated financial statements.

Statement of changes in shareholders' equity - Group

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Attributable to equity holders							Non-controlling interest	Group total	
		Share capital	Share premium	Share equalization reserve	Claim translation reserve	General reserve	Fair value reserve	Retained earnings			Total
Balance at 1 January 2010		56,345,500	27,814,500	5,366,087	441,483	289,334,485	23,684,408	642,714,020	1,045,700,483	6,603,023	1,052,303,506
Profit for the year		-	-	-	-	-	-	143,544,122	143,544,122	(562,852)	142,981,270
Translation loss during the year		-	-	-	(68,840)	-	-	-	(68,840)	-	(68,840)
Net fair value gain, on available-for-sale investments	12	-	-	-	-	-	5,257,018	-	5,257,018	-	5,257,018
Transfer to general reserve		-	-	-	-	23,780,840	-	(23,780,840)	-	-	-
Transfer to claim equalization reserve	20	-	-	2,676,928	-	-	-	(2,676,928)	-	-	-
Dividends	35	-	-	-	-	-	-	(76,629,880)	(76,629,880)	(251,543)	(76,881,423)
Balance at 31 December 2010		56,345,500	27,814,500	8,043,015	372,643	313,115,325	28,941,426	683,170,494	1,117,802,903	5,788,628	1,123,591,531
Balance at 1 January 2011		56,345,500	27,814,500	8,043,015	372,643	313,115,325	28,941,426	683,170,494	1,117,802,903	5,788,628	1,123,591,531
Profit for the year		-	-	-	-	-	-	192,606,862	192,606,862	(228,251)	192,378,611
Translation gain during the year		-	-	-	232,150	-	-	-	232,150	-	232,150
Net fair value gain, on available-for-sale investments	12	-	-	-	-	-	(15,999,620)	-	(15,999,620)	-	(15,999,620)
Transfer to general reserve		-	-	-	-	-	-	-	-	-	-
Transfer to claim equalization reserve	20	-	-	3,119,063	-	29,323,746	-	(32,442,809)	-	-	-
Dividends	35	-	-	-	-	-	-	(76,629,880)	(76,629,880)	(1,652)	(76,631,532)
Balance at 31 December 2011		56,345,500	27,814,500	11,162,078	604,793	342,439,071	12,941,806	766,704,667	1,218,012,415	5,558,725	1,223,571,140

The notes on pages 63 to 109 are an integral part of these consolidated financial statements.

Statement of changes in shareholders' equity - Company

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Share capital	Share premium	General reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2010		56,345,500	27,814,500	289,334,485	23,684,408	504,789,879	901,968,772
Profit for the year	12	-	-	-	-	118,904,199	118,904,199
Net fair value gain, on available-for-sale investments		-	-	-	5,257,018	-	5,257,018
Transfer to general reserve		-	-	23,780,840	-	(23,780,840)	-
Dividends	35	-	-	-	-	(76,629,880)	(76,629,880)
Balance at 31 December 2010		56,345,500	27,814,500	313,115,325	28,941,426	523,283,358	949,500,109
Balance at 1 January 2011		56,345,500	27,814,500	313,115,325	28,941,426	523,283,358	949,500,109
Profit for the year		-	-	-	-	146,618,730	146,618,730
Net fair value gain, on available-for-sale investments	12	-	-	-	(15,999,620)	-	(15,999,620)
Transfer to general reserve		-	-	29,323,746	-	(29,323,746)	-
Dividends	35	-	-	-	-	(76,629,880)	(76,629,880)
Balance at 31 December 2011		56,345,500	27,814,500	342,439,071	12,941,806	563,948,462	1,003,489,339

The notes on pages 63 to 109 are an integral part of these consolidated financial statements.

STATE TRADING ORGANIZATION PLC
Consolidated cash flow statement

Financial statements - 31 December 2011

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Group		Company	
		Year ended 31 December		2011	2010
		2011	2010	2011	2010
Cash flows from operating activities					
Cash generated from operations	36	407,709,818	478,046,212	179,646,944	365,215,232
Interest paid		(142,105,878)	(83,417,012)	(136,101,502)	(76,537,529)
Zakat paid	33	(7,072,267)	-	(7,072,267)	-
Net cash generated from operating activities		258,531,673	394,629,200	36,473,175	288,677,703
Cash flows from investing activities					
Purchases of property, plant and equipment	6	(246,751,110)	(57,146,436)	(56,329,372)	(25,926,778)
Purchases of intangible assets	7	(1,480,422)	(41,322,648)	(729,199)	(41,082,185)
Sales proceed from fixed assets	36	158,822	574,618	383,331	15,700
Loans realisation		-	997,327	-	7,499,931
Loans granted during the year		-	-	(11,071,527)	(9,500,000)
Investments in associate	10	(10,000,000)	-	(10,000,000)	-
Investments in shares	12	(135,125,000)	-	(125,125,000)	-
Investments in promissory notes	17	(10,437,740)	-	-	-
Investment made in Treasury Bills of MMA		(2,393,660,969)	-	(2,223,504,733)	-
MMA Treasury Bills matured during the year		2,130,234,707	(21,009,466)	1,947,500,000	-
Interest received	32	40,203,858	10,239,284	40,959,238	8,867,470
Dividends received	32	-	-	37,729,848	33,165,623
Net cash used in investing activities		(626,857,854)	(107,667,321)	(400,187,414)	(26,960,239)
Cash flows from financing activities					
Proceeds from borrowings		3,293,936,697	1,455,525,951	3,298,101,199	1,451,688,119
Repayment of borrowings		(2,432,438,202)	(1,615,652,075)	(2,432,438,202)	(1,613,199,041)
Dividends paid to Company's shareholders		(43,368,682)	(76,419,588)	(43,367,030)	(76,168,046)
Net cash generated from / (used in) financing activities		818,129,813	(236,545,712)	822,295,967	(237,678,968)
Net increase in cash, cash equivalents and bank overdrafts					
		449,803,632	50,416,167	458,581,728	24,038,496
Cash, cash equivalents and bank overdrafts at beginning of year	18	227,673,651	177,257,484	143,146,423	119,107,928
Cash, cash equivalents and bank overdrafts at end of the year	18	677,477,283	227,673,651	601,728,151	143,146,423

The notes on pages 63 to 109 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 2011 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 New accounting standards issued but not effective as at the balance sheet date

The International Accounting Standards Board has issued the new standards given below, which become effective for annual periods beginning on or after 1 January 2012. Accordingly these standards have not been applied in preparing these financial statements as they are not effective for the period ended 31 December 2011.

IAS 1 (Amendment), Presentation of Financial Statements (effective from 1 July 2012);
IAS 12 (Amendment), Income Taxes (effective from 1 January 2012);
IAS 19 (Amendment), Employee Benefits (effective from 1 January 2013);
IAS 32 (Amendment), Financial Instruments: Presentation (effective from 1 January 2014);
IFRS 7 (Amendment), Financial Instruments: Disclosures (effective from 1 January 2013);
IFRS 9, Financial Instruments (effective from 1 January 2013);
IFRS 10, Consolidated Financial Statements (effective from 1 January 2013);
IFRS 11, Joint Arrangements (effective from 1 January 2013);
IFRS 12, Disclosure of Interests in Other Entities (effective from 1 January 2013);
IFRS 13, Fair Value Measurement (effective from 1 January 2013)

2.3 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.

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 non-controlling 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 non-controlling interests

Non-controlling 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 non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the income statement. Purchases from non-controlling 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.

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 ventures. 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.

2.4 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 services

2.5 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.

(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.

2.6 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.

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 up to 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.

2.7 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.

2.8 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 licenses 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.

2.9 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 favorable 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) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

(e) 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.

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.

2.10 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 Pvt Ltd, 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.

2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for 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'.

2.12 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.

2.13 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.

2.14 Employee benefits

Group is liable to enroll the employees in the Retirement Pension Scheme with effect from 1 May 2011 based on the Regulation on Maldives Retirement Pension Scheme published by Government of Maldives and shall make contributions at a rate of 7% from the employee's pensionable wages on behalf of the employees of age between 16 and 65 years to the pension office. Group contribution to retirement pension scheme is at the rate of 7% on pensionable wages. Obligations for contributions to retirement pension scheme is recognized as an employee benefit expense in the income statement.

2.15 Share capital

Ordinary shares are classified as equity.

2.16 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 relate 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 Company 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.

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 collectability is in doubt.

(c) Liability adequacy test

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

(d) 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.

(e) Reinsurance contracts held

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 2.9.

(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 2.9.

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.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated after adjusting the interest accrued, repayments of principal and interest. Interest on borrowings are recognised on accrual basis.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date or if the borrowings are only repayable on the availability of net cash flows of the Company and such availability is not anticipated for at least 12 months after the balance sheet date.

2.18 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.

2.19 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.

The tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax computation with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The provisions for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Business Profit Tax Act.

The Group is liable to income tax at rate of 15% in Maldives, if the taxable profit of the year exceeds MRf 500,000, with effect from 18 July 2011.

(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.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 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.

(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.

2.21 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.

2.22 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.

2.23 Critical accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. In particular, the claims arising from the property policies written under the fire segment are exposed to claims for loss caused by natural disaster. Due to this uncertainty, it is not possible to determine the future development of property claims with the same degree of reliability as with other types of policies.

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts, and related deferred acquisition costs and other intangible assets

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

For long-term insurance contracts with fixed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at the inception of the contract and form the assumptions 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. New estimates are made each subsequent year in order to determine whether the previous liabilities are adequate in the light of these latest estimates. If the liabilities are considered adequate, the assumptions are not altered. If they are not adequate, the assumptions are altered ('unlocked') to reflect the best estimate assumptions.

A key feature of the adequacy testing for these contracts is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

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 Director's 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 State Dollars. As at the balance sheet date, the Group has approximately US\$ 121,210,807 (2010 : US\$ 67,292,971) as foreign currency liabilities, whereas foreign currency committed available credit line amounted to US\$ 52,768,147 (2010 : US\$ 52,707,029) as at the same date.

STO has bought US\$ 17,875,000 from Housing Development Finance Corporation (HDFC) by paying equivalent Rufiyaa at 1 US\$ = MRf 12.85 and US\$ 7,500,000 by paying equivalent Rufiyaa at 1 US\$ = MRf 15.42. The Company has entered into two SWAP agreements with HDFC by which STO Plc is obliged to sell equal amount of US\$ at the same exchange rate to honour the US\$ requirement of HDFC. As at the balance sheet date, the outstanding commitment amounting to US\$ 20,863,603.

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.

Payments are made by Maldivian Rufiyaa for some of the overseas vendors by mutual arrangement with the respective 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.

(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 Group 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 Group 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.

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 Group 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 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 Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed term assured, 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.

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 behavior. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behavior. 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 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.

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 Group'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.

- 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 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.

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.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	Group		Company	
	2011	2010	2011	2010
Total borrowings	4,266,029,075	1,548,798,999	3,967,951,445	1,274,288,590
Less: Cash and cash equivalents (Note18)	(943,754,316)	(583,027,746)	(844,780,184)	(466,035,754)
Net debt	3,322,274,759	965,771,253	3,123,171,261	808,252,836
Total equity	1,223,571,140	1,123,591,531	1,003,489,339	949,500,109
Total capital	4,545,845,899	2,089,362,784	4,126,660,600	1,757,752,945
Gearing	73%	46%	76%	46%

The gearing ratio of the Company in 2011 has increased compared to 2010 due to increase in bank borrowings and increase in trade payable.

The gearing ratio of the group in 2011 has increased compared to 2010 mainly due to increase in bank borrowings and trade payable.

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

(All amounts in Maldivian Rufiyaa unless otherwise stated)

Financial statements - 31 December 2011**5 Segment information**

The segment results for the year ended 31 December 2011 are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Structural products	Other services	Group Total
Revenue	1,289,685,350	134,440,533	136,322,253	7,897,039,454	7,336,867	-	9,464,824,457
Segment results							
Operating profit / (loss) before financing cost	226,133,666	12,425,752	22,379,718	40,584,138	3,198,405	(620,879)	304,100,800
Net financing costs	(110,698,684)	(14,795,954)	7,294,029	23,865,276	(2,424,659)	-	(96,759,991)
Share of profit from associate	-	-	-	-	-	-	689,541
Profit / (loss) before zakat and tax	116,124,524	(2,370,202)	29,673,747	64,449,414	773,746	(620,879)	208,030,350
Business profit tax / zakat	(10,602,453)	71,171	(1,670,434)	(3,412,846)	(37,178)	-	(15,651,739)
Non-Controlling interest	-	-	-	-	-	-	228,251
Profit after zakat and tax							<u>192,606,862</u>

5 Segment information (continued)

The segment results for the year ended 31 December 2010 are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Structural products	Other services	Group Total
Revenue	1,034,865,306	107,405,853	97,529,055	3,490,840,759	11,671,441	-	4,742,312,414
Segment results							
Operating profit before financing cost	168,981,056	1,138,025	24,145,398	31,129,427	7,601,380	-	232,995,286
Net financing costs	(79,303,456)	(6,766,544)	-	1,553,507	(765,289)	-	(85,281,782)
Share of profit from associate	-	-	-	-	-	-	157,850
Profit / (loss) before zakat and tax	89,677,602	(5,628,519)	24,145,398	32,682,934	6,836,090	-	147,871,354
Business profit tax / zakat	(4,890,084)	-	-	-	-	-	(4,890,084)
Non-Controlling interest	-	-	-	-	-	-	562,852
Profit after zakat and tax							<u>143,544,122</u>

5 Segment information (continued)

The segment assets and liabilities at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Structural products	Other services	Group Total
Assets	4,220,588,337	120,924,346	359,902,637	584,319,510	41,565,296	162,300,089	5,489,600,215
Liabilities	3,352,544,571	65,337,097	255,067,394	420,017,321	11,141,724	161,920,968	4,266,029,075
Capital expenditure	592,850,306	7,317,762	5,358,467	8,503,308	-	162,300,089	776,329,932
Depreciation	48,833,341	8,319,707	2,597,225	24,096,336	502,442	620,879	84,969,930

The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Structural products	Other services	Group Total
Assets	1,917,139,999	111,165,841	307,148,693	297,654,199	39,281,798	-	2,672,390,530
Liabilities	1,269,795,138	45,548,892	223,644,363	338,669	9,471,937	-	1,548,798,999
Capital expenditure	306,355,916	7,317,762	5,541,688	18,495,929	56,452	-	337,767,747
Depreciation	52,162,885	9,224,202	1,244,362	13,592,932	759,799	-	76,984,180

6 Property, plant and equipment - Group

(All amounts in Maldivian Rufiyaa unless otherwise stated)

At 1 January 2010

	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
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

Year ended 31 December 2010

Opening 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
Additions	239,256,000	7,181,858	262,968	350,728	5,251,978	736,000	264,804	11,263,997	881,185	8,943,805	22,009,113	296,402,436
Transfer	-	-	7,884,956	379,705	14,152,096	-	-	(360,635)	-	(135,114)	(21,973,117)	(52,109)
Exchange difference	-	-	-	-	-	-	-	(13,396)	(3,271)	-	-	(16,667)
Disposals	-	-	(181,248)	-	-	-	(160,831)	(29,638)	-	-	-	(371,717)
Depreciation charge (Note 30)	-	(20,245,837)	(2,189,807)	(10,897,445)	(29,000,219)	(3,057,859)	(626,334)	(3,081,601)	(824,499)	(7,060,579)	-	(76,984,180)
Closing net book amount	239,256,000	116,101,534	19,149,180	61,913,299	100,824,117	5,973,936	130,065	12,557,151	2,901,467	23,742,257	59,944,847	642,493,853

At 31 December 2010

Cost	239,256,000	353,769,513	33,665,565	135,244,411	204,255,483	41,123,269	4,539,995	34,567,731	8,254,398	59,606,259	59,944,847	1,174,227,471
Accumulated depreciation	-	(237,667,979)	(14,516,385)	(73,331,112)	(103,431,366)	(35,149,333)	(4,409,930)	(22,010,580)	(5,352,931)	(35,864,002)	-	(531,733,618)
Net book amount	239,256,000	116,101,534	19,149,180	61,913,299	100,824,117	5,973,936	130,065	12,557,151	2,901,467	23,742,257	59,944,847	642,493,853

6 Property, plant and equipment - Group (continued)

Year ended 31 December 2011

	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
Opening net book amount	239,256,000	116,101,534	19,149,180	61,913,299	100,824,117	5,973,936	130,065	12,557,151	2,901,467	23,742,257	59,944,847	642,493,853
Additions	528,098,400	162,101,110	-	10,401,524	1,614,160	921,462	1,178,474	18,397,254	2,246,546	13,611,447	36,279,133	774,849,510
Transfers	-	7,929,745	-	-	7,687,302	-	73,750	931,011	254,510	2,788,287	(19,664,605)	-
Disposals												
Cost of disposal	-	-	-	(886,090)	-	-	(85,561)	(217,302)	(128,567)	(30,188)	(238,180)	(1,585,888)
Accumulated depreciation on disposal	-	-	-	886,090	-	-	85,561	210,986	120,654	29,921	-	1,333,212
Depreciation charge (Note 30)	-	(18,979,324)	(2,761,670)	(10,792,617)	(35,352,354)	(2,113,335)	195,296	(6,988,404)	(1,274,998)	(6,902,524)	-	(84,969,930)
Exchange gain	-	-	-	-	-	-	-	15,616	536	-	-	16,152
Impairment loss	-	-	-	(19,484,222)	-	-	-	-	-	-	(2,454,184)	(21,938,406)
Closing net book amount	767,354,400	267,153,065	16,387,510	42,037,984	74,773,225	4,782,063	1,577,585	24,906,312	4,120,148	33,239,200	73,867,011	1,310,198,503

At 31 December 2011

Cost	767,354,400	523,683,565	33,626,221	125,136,464	214,803,448	42,061,493	6,608,689	53,928,448	10,466,579	76,511,346	73,867,011	1,928,047,664
Accumulated depreciation	-	(256,530,500)	(17,238,711)	(83,098,480)	(140,030,223)	(37,279,430)	(5,031,104)	(29,022,136)	(6,346,431)	(43,272,146)	-	(617,849,161)
Net book amount	767,354,400	267,153,065	16,387,510	42,037,984	74,773,225	4,782,063	1,577,585	24,906,312	4,120,148	33,239,200	73,867,011	1,310,198,503

6 Property, plant and equipment - Company

	Freehold land	Building	Plant and machinery	Vessels and fleet	Motor vehicles	Air conditioners	Office equipments	Furniture and fittings	Other assets	Capital work-in-progress	Total
At 1 January 2010											
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	649,881,589
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)	-	(654,963,957)
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	294,917,632
Year ended 31 December 2010											
Opening 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	294,917,632
Additions	239,256,000	7,181,858	350,728	5,161,385	-	201,579	9,471,944	409,747	376,289	2,773,248	265,182,778
Disposals	-	-	-	-	-	-	(10,903)	-	-	-	(10,903)
Depreciation charge (Note 30)	-	(19,866,115)	(7,912,004)	(19,506,407)	(1,704,953)	(359,852)	(1,132,488)	(359,801)	(1,285,273)	-	(52,126,893)
Closing net book amount	239,256,000	113,850,507	27,686,248	64,266,517	1,453,409	902,379	9,965,488	669,113	2,011,757	47,901,196	507,962,614
At 31 December 2010											
Cost	239,256,000	348,240,065	75,541,221	132,137,399	29,454,588	3,674,405	23,178,978	3,515,938	6,692,759	47,901,196	909,592,549
Accumulated depreciation	-	(234,389,558)	(47,854,973)	(67,870,882)	(28,001,179)	(2,772,026)	(13,213,490)	(2,846,825)	(4,681,002)	-	(401,629,935)
Net book amount	239,256,000	113,850,507	27,686,248	64,266,517	1,453,409	902,379	9,965,488	669,113	2,011,757	47,901,196	507,962,614

6 Property, plant and equipment - Company (continued)

Year ended 31 December 2011

	Freehold land	Building	Plant and machinery	Vessels and fleet	Motor vehicles	Air conditioners	Office equipments	Furniture and fittings	Other assets	Capital work-in-progress	Total
Opening net book amount	239,256,000	113,850,507	27,686,248	64,266,517	1,453,409	902,379	9,965,488	669,113	2,011,757	47,901,196	507,962,614
Additions	528,098,400	8,052,667	955,621	747,448	631,462	956,256	14,652,837	1,279,703	845,847	28,207,531	584,427,772
Transfers	-	7,929,745	-	-	-	-	190,189	-	-	(8,119,934)	-
Disposals											
Cost of disposal	-	-	(886,090)	-	-	(18,891)	(8,315)	(102,101)	(15,788)	(238,180)	(1,269,365)
Accumulated depreciation on disposal	-	-	886,090	-	-	18,891	7,490	102,101	15,788	-	1,030,360
Depreciation charge (Note 30)	-	(18,167,240)	(7,480,147)	(17,025,277)	(1,002,890)	(447,861)	(4,866,999)	(516,835)	(1,640,026)	-	(51,147,275)
Impairment loss	-	-	(19,484,222)	-	-	-	-	-	-	-	(19,484,222)

Closing net book amount

	767,354,400	111,665,679	1,677,500	47,988,688	1,081,981	1,410,774	19,940,690	1,431,981	1,217,578	67,750,613	1,021,519,884
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At 31 December 2011

Cost

	767,354,400	364,222,477	56,126,530	132,884,847	30,086,050	4,611,770	38,013,689	4,693,540	7,522,818	67,750,613	1,473,266,734
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Accumulated depreciation

	-	(252,556,798)	(54,449,030)	(84,896,159)	(29,004,069)	(3,200,996)	(18,072,999)	(3,261,559)	(6,305,240)	-	(451,746,850)
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Net book amount

	767,354,400	111,665,679	1,677,500	47,988,688	1,081,981	1,410,774	19,940,690	1,431,981	1,217,578	67,750,613	1,021,519,884
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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 square feet per month is paid . There is no lease agreement and accordingly no definite period of lease is identified. Under these circumstances, the Director's have considered it is prudent to provide depreciation in accordance with Accounting Policy 2.6.
- b) The value of fully depreciated property, plant and equipment at the balance sheet date amounted to MRf 278,193,415 (2010: MRf 242,469,121).
- c) Depreciation expense of MRf 84,969,930 (2010: MRf 76,984,179) has been charged to administrative expenses.
- d) Fuel Supplies Maldives Pvt Ltd, a wholly owned subsidiary has acquired a bowser and two vessels under finance lease agreements. At the end of the lease periods, the Company has the option to purchase those items. The net carrying value of leased assets as at 31st December 2011 is MRf 9,392,697 (2010: MRf 10,165,502).
- e) Borrowings from Nations Trust Bank and Bank of Maldives are secured on STO trade center building and oil tanks respectively. The overdraft facility from State Bank of India of Fuel Supplies Maldives Pvt Ltd is secured by a vessel, "Barujora". Bank overdraft of Maldives Structural Products Pvt Ltd is secured by hypothecation of all buildings, machinery, equipment and stock including leasehold rights of 31,020 square feet of land leased from the Government of Maldives.

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 square feet per month is paid . There is no lease agreement and accordingly no definite period of lease is identified. Under these circumstances, the Director's have considered it is prudent to provide depreciation in accordance with Accounting Policy 2.6.
- b) The value of fully depreciated property, plant and equipment at the balance sheet date amounted to MRf 245,042,472 (December 2010: MRf 215,305,938).
- c) Depreciation expense of MRf 51,147,275 (December 2010: MRf 52,126,893) has been charged to administrative expenses.
- d) Borrowings from Nations Trust Bank and Bank of Maldives are secured on STO trade center building and oil tanks respectively.

7 Intangible assets

	Group		Company	
	Goodwill	Software implementation	Total	Software implementation
At 1 January 2010				
Cost	3,155,217	5,102,451	8,257,668	-
Accumulated amortization	-	(2,404,077)	(2,404,077)	-
Net book amount	3,155,217	2,698,374	5,853,591	-
Year ended 31 December 2010				
Opening net book amount	3,155,217	2,698,374	5,853,591	-
Addition	-	41,322,648	41,322,648	41,082,185
Transfer from fixed assets	-	42,662	42,662	-
Amortization charge (Note 30)	-	(1,734,954)	(1,734,954)	(684,703)
Closing net book amount	3,155,217	42,328,730	45,483,947	40,397,482
At 31 December 2010				
Cost	3,155,217	46,467,761	49,622,978	41,082,185
Accumulated amortization	-	(4,139,031)	(4,139,031)	(684,703)
Net book amount	3,155,217	42,328,730	45,483,947	40,397,482
Year ended 31 December 2011				
Opening net book amount	3,155,217	42,328,730	45,483,947	40,397,482
Addition	-	1,480,422	1,480,422	729,199
Transfer from fixed assets	-	-	-	-
Amortization charge (Note 30)	-	(9,353,560)	(9,353,560)	(8,228,590)
Closing net book amount	3,155,217	34,455,592	37,610,809	32,898,091
At 31 December 2011				
Cost	3,155,217	47,948,183	51,103,400	41,811,384
Accumulated amortization	-	(13,492,591)	(13,492,591)	(8,913,293)
Net book amount	3,155,217	34,455,592	37,610,809	32,898,091

a) The Group had capitalised the implementation of ERP software in 2010.

b) Amortisation charge of MRf 9,353,560 (2010 : MRf 1,734,954) have been charged in expenses for administration.

8 Deferred income tax assets

Deferred income tax is calculated on all difference under the liability method. The movement in deferred income tax asset account is as follows:

	Group		Company	
	2011	2010	2011	2010
At 1 January 2011	-	-	-	-
Decelerated tax depreciation [Note 33 (a)]	6,051,440	-	5,364,485	-
	6,051,440	-	5,364,485	-

9 Investments in subsidiaries

The principal subsidiary undertakings, which are unlisted and incorporated in Republic of Maldives except STO Maldives (Singapore) Pte Limited, which is incorporated in Republic of Singapore, are as follows:

Name of the company	% of interest hold	Company	
		2011	2010
Maldives Gas Pvt Ltd	90%	61,200,000	61,200,000
Allied Insurance Company of the Maldives Pvt Ltd	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	42,783,185
Maldives National Oil Company Ltd	99.99%	10,000,000	10,000,000
STO Hotels & Resorts Pvt Ltd	99.99%	999,900	-
		117,249,835	116,249,935

10 Investments in associates

	Group		Company	
	2011	2010	2011	2010
Beginning of the year	4,160,192	4,002,342	10,567,267	10,567,267
Investments during the year	10,000,000	-	10,000,000	-
Share of profit	689,541	157,850	-	-
End of the year	14,849,733	4,160,192	20,567,267	10,567,267

State Trading Organization PLC has acquired 20,000 shares, at a price of MRf 1,000/- each on 21st of March 2011, in Addu International Airport Pvt Ltd which represents 32.26% of the shareholding of that company. Paid capital amounts to MRf 10,000,000. The principal activity of the Company is to develop, manage and operate Gan Airport as an International Airport.

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 Pvt Ltd 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 associates, which are incorporated in Republic of Maldives and unlisted, are as follows:

Name	% Interest hold	Assets	Liabilities	Revenues	Profit / (loss)
At 31 December 2010					
Lafarge Maldives Cement Pvt Ltd	25%	35,375,053	18,734,284	61,851,553	631,400
Addu International Airport Pvt Ltd	-	-	-	-	-
		<u>35,375,053</u>	<u>18,734,284</u>	<u>61,851,553</u>	<u>631,400</u>
At 31 December 2011					
Lafarge Maldives Cement Pvt Ltd	25%	41,875,405	22,339,595	114,152,847	2,895,041
Addu International Airport Pvt Ltd	32%	40,793,844	9,899,922	-	(106,078)
		<u>82,669,249</u>	<u>32,239,517</u>	<u>114,152,847</u>	<u>2,788,963</u>

11 Investment in joint venture

	2011	2010
Maldives Structural Products Pvt Ltd	<u>4,700,000</u>	<u>4,700,000</u>

State Trading Organization Plc has acquired 47,000 shares at a price of MRf 100/- each on 31st December 2001 in Maldives Structural Products Pvt Ltd 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.

	Group's interest in joint venture company	
	2011	2010
Assets		
Non- current assets	1,118,578	1,597,099
Current assets	40,446,718	40,992,842
	<u>41,565,296</u>	<u>42,589,940</u>
Liabilities		
Current liabilities	(11,141,724)	(9,471,937)
Net assets	<u>30,423,572</u>	<u>33,118,004</u>
Income	19,109,337	36,302,126
Expenses	(18,372,768)	(29,466,035)
Profit for the year	<u>736,569</u>	<u>6,836,091</u>

There are no contingent liabilities relating to the Group's interest in the joint venture as at the balance sheet date. (2010: Nil).

12 Available-for-sale investments

	Group		Company	
	2011	2010	2011	2010
At the beginning of the year	32,684,938	48,056,800	32,684,938	48,056,800
Investments made during the year	135,125,000	-	125,125,000	-
Revaluation (loss) / surplus transferred to equity	(15,999,620)	5,257,018	(15,999,620)	5,257,018
Loss on disposal of investment	-	(1,205,306)	-	(1,205,306)
Disposal of investment	-	(19,423,574)	-	(19,423,574)
At the end of the year	151,810,318	32,684,938	141,810,318	32,684,938

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 2011 (2010: MRf 19,423,574). 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	
	2011	2010	2011	2010
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Bank of Maldives PLC	16,685,318	32,684,938	16,685,318	32,684,938
Maldives Stock Exchange Company Pvt Ltd	1,600,000	1,600,000	1,600,000	1,600,000
Madivaru Holdings Pvt Ltd	709,148	709,148	709,148	709,148
Maldives Security Depository	125,000	-	125,000	-
Dhivehi Raajjeyge Gulhun PLC (Dhiraagu)	135,000,000	-	125,000,000	-
	158,619,466	39,494,086	148,619,466	39,494,086
Less: Provision for loss on impairment	(6,809,148)	(6,809,148)	(6,809,148)	(6,809,148)
	151,810,318	32,684,938	141,810,318	32,684,938

13 Inventories

	Group		Company	
	2011	2010	2011	2010
Roofing sheets (raw materials)	3,216,509	3,413,075	-	-
Food stock	72,810,674	3,656,349	72,810,674	3,656,349
Fuel and lubricants	151,119,518	158,162,158	69,273,488	121,319,130
Home improvement and electronics	85,837,740	58,922,790	85,837,740	58,922,790
Construction materials	57,333,609	34,089,821	57,333,609	34,089,821
Pharmaceuticals	139,083,318	57,045,276	139,083,318	57,045,276
Spare parts	6,834,193	8,380,871	-	2,672,592
Retail shops	59,876,461	23,175,077	59,876,461	23,175,077
Others	142,759	17,648	142,759	-
Goods in Transit	224,575,264	-	224,575,264	-
	800,830,045	346,863,065	708,933,313	300,881,035
Less : Provision for non / slow moving inventories	(16,016,997)	(28,558,057)	(12,518,761)	(25,342,013)
	784,813,048	318,305,008	696,414,552	275,539,022

Provision for non / slow moving inventories

	Group		Company	
	2011	2010	2011	2010
Balance as at 1st January	28,558,057	26,818,105	25,342,013	24,672,312
(Reversal) / provision made during the year	(12,541,060)	5,175,692	(12,823,252)	4,105,441
Inventory written off against provision	-	(3,435,740)	-	(3,435,740)
Balance as at 31st December	16,016,997	28,558,057	12,518,761	25,342,013

14 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
Trade receivables	972,161,906	334,976,002	495,391,304	91,100,227
Due from policyholders	56,938,721	55,426,526	-	-
	1,029,100,627	390,402,528	495,391,304	91,100,227
Less: Provision for impairment of trade receivables	(84,131,208)	(57,988,913)	(37,466,563)	(16,452,764)
Trade receivables - net	944,969,419	332,413,615	457,924,741	74,647,463
Advances, prepayments and deposits	128,447,405	125,210,453	119,971,986	119,153,645
Receivables from related parties [(Note 39)c]	693,401,604	306,922,108	1,141,335,740	470,672,477
Loans granted to related companies [(Note 39)c]	797,866	664,888	14,866,789	3,662,284
Other receivables (Note 15)	116,635,923	174,288,424	109,224,951	120,005,906
	939,282,798	607,085,873	1,385,399,466	713,494,312
Less: unmaturred interest	(11,111,404)	-	(11,111,404)	-
Provision for impairment of receivables	(25,414,195)	(18,490,088)	(22,081,368)	(18,490,088)
	902,757,199	588,595,785	1,352,206,694	695,004,224
Total trade and other receivables	1,847,726,618	921,009,400	1,810,131,435	769,651,687
Less: Non current portion of receivable from Male' Health Services Corporation Limited	(45,908,739)	-	(45,908,739)	-
Current portion	1,801,817,879	921,009,400	1,764,222,696	769,651,687

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. However receivables from Male' Health Services Corporation Limited has varied term as mentioned in the following paragraph.

d) Receivables from Male' Health Services Corporation Limited is unsecured, carries an interest rate of 10% and is repayable over a period of 5 years.

e) Loans given by the Company to related companies represent an unsecured loan to Lafarge Maldives Cement Pvt Ltd at an interest rate of 9% per annum repayable in 12 monthly installments from 31 January 2012 to 31 December 2012 and loan to Maldives Gas Pvt Ltd during the year at an interest rate of 9.5% per annum repayable in 12 monthly installments. As at the balance sheet date, the outstanding loan balances of Lafarge Maldives Cement Pvt Ltd and Maldives Gas Pvt Ltd were MRf 797,866 (2010: MRf 664,888) and MRf 14,068,923 (2010: MRf 2,997,396) respectively.

15 Other receivables

	Group		Company	
	2011	2010	2011	2010
Government employee credit scheme	59,337,814	58,888,497	59,337,814	58,888,497
Less: unmatrued interest	(3,343,086)	(3,544,235)	(3,343,086)	(3,544,235)
Provision for impairment on credit scheme	(9,094,864)	(3,606,507)	(9,094,864)	(3,606,507)
	46,899,864	51,737,755	46,899,864	51,737,755
Staff advances and other loans	5,300,269	2,946,394	5,193,100	2,363,029
Advances paid for custom duty	3,688,005	809,971	3,688,005	809,971
Miscellaneous receivables	60,747,785	118,794,304	53,443,982	65,095,151
	116,635,923	174,288,424	109,224,951	120,005,906

16 Reinsurance contracts

	Group		Company	
	2011	2010	2011	2010
Re-insurers' share of insurance liabilities	29,755,501	41,640,524	-	-
Unearned premium	46,261,830	40,680,825	-	-
	76,017,331	82,321,349	-	-

17 Investments held to maturity

	Group		Company	
	2011	2010	2011	2010
Investments in treasury bills	306,330,359	42,904,097	276,004,733	-
MTDC - Fixed term promissory note	10,437,740	-	-	-
	316,768,099	42,904,097	276,004,733	-

The Group has invested MRf 306,330,359 (2010 : MRf 42,904,097) in Treasury Bills issued by Maldives Monetary Authority for a maturity value of MRf 310,500,000 (2010 : MRf 43,000,000) at the rate of interest ranging from 5.7% to 6.97% per annum (2010 : 5% to 5.5% per annum) with the maturity period of 28 - 182 days.

The Company has invested MRf 276,004,733 in Treasury Bills issued by Maldives Monetary Authority for a maturity value of MRf 280,000,000 at the rate of interest ranging from 6% to 6.95% per annum with the maturity period of 28 - 182 days.

The Group has purchased a one year fixed term promissory note of MRf 10,000,000 from Maldives Tourism Development Corporation PLC with a maturity value of MRf 10,724,945 on 25 May 2011. As at 31 December 2011 outstanding investment balance is MRf 10,000,000 and accumulated interest is MRf 437,740.

18 Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
Cash at bank and in hand	710,564,082	582,501,379	612,227,626	466,035,754
Short term bank deposit	233,190,234	526,367	232,552,558	-
	<u>943,754,316</u>	<u>583,027,746</u>	<u>844,780,184</u>	<u>466,035,754</u>

The weighted average effective interest rate on short-term bank deposits were 1.38% (December 2010 : 3.25%).

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

	Group		Company	
	2011	2010	2011	2010
Cash and cash equivalents	943,754,316	583,027,746	844,780,184	466,035,754
Bank overdraft (Note 25)	(266,277,033)	(355,354,095)	(243,052,033)	(322,889,331)
	<u>677,477,283</u>	<u>227,673,651</u>	<u>601,728,151</u>	<u>143,146,423</u>

19 Share capital

	Number of shares	Ordinary shares	Share premium	Total
At 1 January 2010	1,126,910	56,345,500	27,814,500	84,160,000
At 31 December 2010	1,126,910	56,345,500	27,814,500	84,160,000
At 1 January 2011	1,126,910	56,345,500	27,814,500	84,160,000
At 31 December 2011	1,126,910	56,345,500	27,814,500	84,160,000

The total authorised number of ordinary shares are 1,155,555 shares (2010: 1,155,555 shares), with a par value of MRf 50 per share (2010: MRf 50 per share). All issued shares are fully paid.

20 Claim equalization reserve

Reserve for claim equalization represents 12% of the operating profit before taking into account other 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 Pvt Ltd.

	Group		Company	
	2011	2010	2011	2010
Balance as at 1st January	8,043,015	5,366,087	-	-
Transfer during the year	3,119,063	2,676,928	-	-
Balance as at 31st December	11,162,078	8,043,015	-	-

21 Currency translation reserve

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

22 Non-controlling interest

	2011	2010
At 1 January	5,788,628	6,603,023
Add: Share of net results of subsidiaries	(228,251)	(562,852)
Less: dividends paid	(1,652)	(251,543)
At 31 December	5,558,725	5,788,628

23 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
Trade payables	2,360,829,466	477,653,163	2,337,967,781	453,875,560
Payables to related parties [(Note 39) c]	78,985,407	54,854,943	25,375,046	21,378,513
Accrued expenses	12,730,229	27,596,858	10,865,470	23,483,138
Dividend payable	37,409,959	4,147,109	37,409,959	4,147,109
Other payables	31,038,429	76,936,501	11,178,789	62,386,966
Deferred revenue	2,382,185	1,718,320	-	-
Total trade and other payables	2,523,375,675	642,906,894	2,422,797,045	565,271,286
Less: Non current portion (Deferred revenue)	(1,205,988)	(1,718,320)	-	-
	2,522,169,687	641,188,574	2,422,797,045	565,271,286

a) The amounts due to related parties are unsecured, interest free, and have no fixed repayment period. Accordingly, these amounts have been shown as falling due within one year.

b) Other payables of the Group consist of advance received for rent MRf 1,322,128 (2010 : MRf 1,048,484), advances from customers MRf 5,890,284 (2010 : MRf 4,409,322), foreign aid Nil (2010 : MRf 40,932,170), provident funds payables MRf 44,688 (2010 : MRf 8,017,212), other deposits MRf 924,787 (2010 : MRf 1,272,250), retention payable MRf 2,459,275 (2010 : MRf 1,403,111), zakat payable Nil (2010 : MRf 7,072,268), premium received in advance MRf 1,019,524 (2010 : MRf 133,384), cylinder deposits MRf 10,453,686 (2010 : MRf 10,085,915), GST payable MRf 1,917,569 (2010 : Nil) and other miscellaneous payables MRf 7,006,488 (2010 : MRf 2,562,385).

Deferred revenue:

Deferred revenues relate to registration fees received from customers for the initial purchase of gas cylinders. On receipt of the registration fees, they are included in the liabilities as deferred revenue and are credited to income statement as revenue on a straight line basis over 5 years.

24 Derivative financial instruments	Group		Company	
	2011	2010	2011	2010
Forward foreign exchange contracts				
Currency - SWAP	34,344,460	-	34,344,460	-
Total	34,344,460	-	34,344,460	-
Less: Non current portion				
Currency - SWAP	26,075,485	-	26,075,485	-
Current portion	8,268,975	-	8,268,975	-

The fair value of the SWAP currency is determined by multiplying the MRf devaluation (15.42 - 12.85) with the outstanding US\$ commitment to Housing Development Finance Corporation Plc with regard to the Currency SWAP agreement signed on 10 February 2009.

The full fair value of forward foreign exchange contracts are classified as a non-current liability if the remaining maturity of the contract is more than 12 months and, as a current liability, if the maturity of the contract is less than 12 months.

25 Borrowings

	Group		Company	
	2011	2010	2011	2010
Non-current				
Bank borrowings	112,334,776	-	112,334,776	-
	<u>112,334,776</u>	<u>-</u>	<u>112,334,776</u>	<u>-</u>
Current				
Finance lease liabilities	-	336,242	-	-
Interest in suspense	-	(9,575)	-	-
	-	<u>326,667</u>	-	-
Bank borrowings	1,139,456,194	378,160,975	1,139,456,194	378,160,972
Other borrowings	-	7,967,001	-	7,967,001
Devolved letter of credits	-	3,837,832	-	-
Bank overdraft (Note 18)	266,277,033	355,354,095	243,052,033	322,889,331
	<u>1,405,733,227</u>	<u>745,646,570</u>	<u>1,382,508,227</u>	<u>709,017,304</u>
Total borrowings	1,518,068,003	745,646,570	1,494,843,003	709,017,304

The Company has obtained an import credit loan facility of US\$ 23 million (MRf 354,660,000) from HSBC Male' branch at an annual interest rate of 9.42% for working capital requirements. This loan requires to be settled within 90 days commencing from the date of disbursement of funds and regularly renewed. The loan is secured by bank deposits, stock, receivables, guarantee from Government of Maldives and a pledge on oil tanks and funadhoo infrastructure of the Company.

The Company has obtained a term loan of US\$ 12 million (MRf 185,040,000) from HSBC Male' branch at an annual interest rate of 9.42% for working capital requirements. This loan requires to be settled within 18 monthly installments commencing from the date of disbursement of funds. The loan is secured by bank deposits, stock, receivables, guarantee from government of Maldives and a pledge on oil tanks and funadhoo infrastructure of the Company.

The Company has obtained an import credit loan facility of US\$ 30 million (MRf 462,600,000) from HSBC Hongkong branch at an annual interest rate of LIBOR+4% for working capital requirements. 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.

The Company has obtained an import credit loan of US\$ 13.5 million (MRf 208,170,000) from Nations Trust Bank Plc at an annual interest rate of LIBOR+2.75% for working capital requirements. This is required to be settled within 180 days commencing from the date of disbursement of funds. The loan is secured by STO trade centre.

The Company has obtained a term loan of US\$ 12.2 million (MRf 188,124,000) from Nations Trust Bank Plc at an annual interest rate of 8.25% for working capital requirements. This is required to be settled within 24 monthly installments commencing from the date of disbursement of funds. The loan is secured by STO trade centre.

The Company has obtained trade financing facility of US\$ 40 million (MRf 616,800,000) from Islamic Trade Finance Corporation (Jeddah) at an annual profit mark up of 6.25% for working capital requirements. This loan requires to be settled within 180 days commencing from the date of disbursement of funds. The loan is secured by Guarantee of Ministry of Finance and Treasury of Republic of Maldives.

The Company has obtained a term loan of US\$ 7 million (MRf 107,940,000) from Bank of Ceylon Male' at an annual interest rate of 7% for working capital requirements. This is required to be settled within 24 monthly installments commencing from the date of disbursement of funds. The loan is secured by Deposit and Assignment of MRf 120 million.

Bank overdraft in Habib Bank Limited is secured by guarantee of Government of Maldives and Lien on rufiyaa deposits.

The Company has obtained a credit facility of US\$ 8 million from State Bank of India at an annual interest rate of 9.5%. Of the US\$ 8 million credit facilities, US\$ 6.3 million is on account of overdraft, which is renewed from time to time. The remaining amount of credit facility is not utilised as at balance sheet date.

Bank overdraft in Fuel Supplies Maldives Pvt Ltd is secured by a vessel, "Barujora".

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

The Company has obtained an overdraft facility of US\$ 2.5 million from Bank of Maldives Plc at an annual interest rate of 8.5%. which is renewed from time to time.

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

Total borrowings:

	Group		Company	
	2011	2010	2011	2010
-At fixed rates	374,536,380	503,590,855	374,536,380	466,961,589
-At floating rates	1,143,531,623	242,055,715	1,120,306,623	242,055,715
	<u>1,518,068,003</u>	<u>745,646,570</u>	<u>1,494,843,003</u>	<u>709,017,304</u>

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

	Group		Company	
	2011	2010	2011	2010
Bank overdraft				
- State Bank of India	9.50%	9.50%	9.50%	9.50%
- Others	8.80%	8.80%	8.80%	8.80%
Bank borrowings				
-Bank of Maldives Plc	8.50%	8.50%	8.50%	8.50%
-Nation Trust Bank Limited	8.25%	8.50%	8.25%	8.50%
-Seylan Bank Limited	NYPR+2.5% or min 7.5%	NYPR+2.5% or min 7.5%	NYPR+2.5% or min 7.5%	NYPR+2.5% or min 7.5%
-Bank of Ceylon	7.00%	-	7.00%	-
-HSBC (Male')	11.03%	11.03%	11.03%	11.03%
-HSBC (Hongkong)	LIBOR + 4%	LIBOR + 4%	LIBOR + 4%	LIBOR + 4%
-Habib Bank Limited	8.50%	8.50%	8.50%	8.50%
-State Bank of India	9.50%	9.00%	9.50%	9.00%
-Ministry of Finance and Treasury	-	8.00%	-	8.00%
-Islamic Trade Finance Corporation	6.25%	-	6.25%	-

The Company has unutilised working capital facilities amounting to US\$ 52,768,147 as at balance sheet date. These credit facilities are usually short-term in nature and renewed from time to time on expiry.

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

	Carrying amount		Fair value	
	2011	2010	2011	2010
Borrowings	109,588,598	-	109,588,598	-

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 8.22 % (2010: Nil).

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

	Group		Company	
	2011	2010	2011	2010
Between 1 and 2 years	112,334,776	-	112,334,776	-
	112,334,776	-	112,334,776	-

Finance lease liabilities - minimum lease payments

	Group		Company	
	2011	2010	2011	2010
Not later than 1 year	-	336,242	-	-
	-	336,242	-	-
Future finance charges on finance leases	-	(9,575)	-	-
Present value of finance lease liabilities	-	326,667	-	-
Representing lease liabilities :				
-current	-	326,667	-	-
	-	326,667	-	-

The Group has acquired two vessels under finance lease agreements entered into with Maldives Finance Leasing Company Pvt Ltd on 30th September 2006, repayable in 56 monthly installments which includes 8 installments of MRf 201,745 each, 40 installments of MRf 268,993 and 8 installments of MRf 67,248 commencing from 26th October 2006. The Group mortgaged one of its vessels (Mt Koamas) as security for the lease facilities obtained. During the year 2011, the lease liability has been completely settled.

26 Insurance contracts

	Group		Company	
	2011	2010	2011	2010
Claims reported and loss adjustment expenses	58,021,680	64,367,033	-	-
Unearned premiums	108,559,510	94,983,121	-	-
Valuation premium	1,956,568	895,381	-	-
Total insurance liabilities, gross	168,537,758	160,245,535	-	-

27 Revenue

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

	Group		Company	
	2011	2010	2011	2010
Retail and wholesale	1,289,685,350	814,428,730	1,286,375,547	797,360,643
Insurance (Note 28)	136,322,253	97,529,055	-	-
Gas	134,440,533	107,405,853	-	-
Structural products	7,336,867	11,671,441	-	-
Fuel and lubricants	7,897,039,454	3,711,277,335	5,539,827,334	3,217,746,722
	<u>9,464,824,457</u>	<u>4,742,312,414</u>	<u>6,826,202,881</u>	<u>4,015,107,365</u>

Analysis by companies

	Group	
	2011	2010
State Trading Organization PLC	6,826,202,881	4,015,107,365
Allied Insurance Company of the Maldives Pvt Ltd (Note 28)	151,568,932	114,618,710
STO Maldives (Singapore) Pte Ltd	232,310	17,235,804
Maldivian Gas Pvt Ltd	143,628,482	107,575,613
Fuel Supplies Maldives Pvt Ltd	2,294,223,164	1,594,566,928
Maldives National Oil Company Ltd	2,344,518,598	769,279,731
Maldives Structural Products (Pvt) Ltd	19,105,771	36,281,146
	<u>11,779,480,138</u>	<u>6,654,665,297</u>
Less : Inter-company transactions	<u>(2,314,655,681)</u>	<u>(1,912,352,883)</u>
	<u>9,464,824,457</u>	<u>4,742,312,414</u>

28 Net insurance premium revenue and fee income

	2011	2010
Long term insurance contracts with fixed terms		
- premium receivable	4,925,411	3,416,978
- change in unearned premium provision	<u>(2,378,279)</u>	<u>(1,151,568)</u>
Premium revenue arising from insurance contracts issued	<u>2,547,132</u>	<u>2,265,410</u>
Short term insurance contracts		
- premium receivable	232,963,864	198,440,577
- change in unearned premium provision	<u>(11,198,109)</u>	<u>(27,004,853)</u>
Premium revenue arising from insurance contracts issued	<u>221,765,755</u>	<u>171,435,724</u>

28 Net insurance premium revenue and fee income (continued)

	2011	2010
Reinsurance contracts		
Long term reinsurance contracts with fixed terms		
- premium payable	(186,600)	(174,500)
Premium revenue ceded to reinsurers on insurance contracts	(186,600)	(174,500)
Short term reinsurance contracts		
- premium payable	(116,640,054)	(100,655,147)
- change in unearned premium provision	5,581,004	6,897,279
Premium revenue ceded to reinsurers on insurance contracts issued	(111,059,050)	(93,757,868)
Net insurance premium revenue	113,067,237	79,768,766
Reinsurance commission	35,924,004	34,849,944
Profit commission	2,577,691	-
Fee income	38,501,695	34,849,944
Total income	151,568,932	114,618,710
Less : Inter-company transactions	(15,246,679)	(17,089,655)
	136,322,253	97,529,055

29 Other operating income

	Group		Company	
	2011	2010	2011	2010
Profit on disposal of property, plant and equipment	144,326	202,901	144,326	4,797
Income from vessels and fleets	13,356,951	2,800,680	7,898,179	2,800,680
Fines and claims received	12,129,988	5,004,082	7,094,064	4,653,077
Rent income	17,484,053	15,157,428	20,696,244	18,064,853
Discounts received	2,809,961	2,066,477	394,821	884,452
Miscellaneous income	47,982,313	30,285,733	17,647,878	10,267,453
	93,907,592	55,517,301	53,875,512	36,675,312

30 Expenses by nature

	Group		Company	
	2011	2010	2011	2010
Depreciation (Note 6)	84,969,930	76,984,180	51,147,275	52,126,893
Employment benefit expenses (Note 31)	208,267,529	208,293,667	133,243,717	140,864,740
Materials consumed	-	41,283,019	-	-
Amortisation charge (Note 7)	9,353,560	1,734,954	8,228,590	684,703
Operating lease rentals	2,833,522	2,422,413	-	-
Director's remuneration	4,918,516	3,337,119	1,231,667	1,165,560
Cost of sales	8,637,190,022	4,010,998,383	6,221,038,323	3,539,797,179
Transportation	11,738,987	7,647,432	10,012,236	6,837,912
Vessel and fleet expenses	7,356,262	8,413,951	7,356,262	8,413,951
Advertising costs	5,884,068	4,718,245	2,627,116	1,066,048
Agents commission	13,616,827	8,364,769	5,801,546	2,461,895
Audit fees	1,131,415	627,377	601,380	319,250
Accounting and legal charges	2,373,583	1,403,817	1,559,044	468,623
Provision for bad and doubtful debts	35,055,422	11,756,145	30,093,437	-
Provision for impairment of asset	21,938,406	-	19,484,222	-
Bad debts written off	8,081,231	2,617,017	3,878,201	2,617,017
Provision for non / slow moving inventories	(12,541,061)	5,175,692	(12,823,253)	4,105,441
Impairment of investments	-	1,205,306	-	1,205,306
Fuel expenses	51,391,584	42,531,631	32,093,093	25,010,068
Rental expenses	13,268,670	12,800,988	10,747,435	10,063,771
Telephone, electricity and water charges	23,669,450	19,203,049	13,943,030	11,522,238
Bank charges	26,537,999	11,971,694	24,457,322	11,126,131
Insurance expenses	(7,139,344)	-	6,592,225	6,429,800
Repair and maintenance	23,133,978	22,573,158	13,687,301	14,767,679
Other selling and distribution costs	27,135,697	18,277,853	25,321,988	14,292,739
Other expenses	54,464,996	40,492,570	39,882,907	26,477,217
	<u>9,254,631,249</u>	<u>4,564,834,429</u>	<u>6,650,205,064</u>	<u>3,881,824,161</u>
Classified as:				
- cost of sales	8,637,190,022	4,054,142,854	6,221,038,323	3,539,797,179
- selling and marketing costs	291,664,520	237,927,612	217,367,961	180,059,989
- administrative expenses	321,186,880	268,861,631	206,884,649	158,878,995
- other operating expenses	4,589,827	3,902,332	4,914,131	3,087,998
	<u>9,254,631,249</u>	<u>4,564,834,429</u>	<u>6,650,205,064</u>	<u>3,881,824,161</u>

31 Employee benefit expense

	Group		Company	
	2011	2010	2011	2010
Salaries and wages	119,240,779	113,371,105	61,639,030	59,384,578
Staff welfare	7,284,599	5,760,249	5,473,173	4,264,380
Employer's contribution to Government pension fund	1,488,001	-	-	-
Staff medical expenses	297,179	291,698	6,044	16,973
Overtime and allowances	71,924,501	65,413,664	59,911,532	54,692,120
Employee redundancy expenses	1,371,436	20,069,961	896,976	20,069,961
Other staff related expenses	6,661,034	3,386,990	5,316,962	2,436,728
	<u>208,267,529</u>	<u>208,293,667</u>	<u>133,243,717</u>	<u>140,864,740</u>

32 Finance income and costs

	Group		Company	
	2011	2010	2011	2010
Finance cost				
Interest expense:				
- bank borrowings	(58,235,502)	(48,208,201)	(58,235,502)	(47,131,153)
- bank overdrafts	(32,479,563)	(29,871,887)	(24,937,158)	(23,873,687)
- other borrowings	(51,390,813)	(5,336,924)	(52,928,842)	(5,532,689)
Foreign exchange loss	(355,154,635)	(12,121,219)	(344,367,380)	(11,659,797)
Less : Compensatory grant received from Government of Maldives	329,127,649	-	329,127,649	-
	<u>(26,026,986)</u>	<u>(12,121,219)</u>	<u>(15,239,731)</u>	<u>(11,659,797)</u>
	<u>(168,132,864)</u>	<u>(95,538,231)</u>	<u>(151,341,233)</u>	<u>(88,197,326)</u>
Finance income				
Interest income on loans granted	48,477	1,978,891	817,559	640,559
Interest income on government credit scheme	9,861,817	5,964,926	9,861,817	5,964,926
Interest income on fixed deposits	1,846,004	2,295,467	1,832,302	2,261,985
Foreign exchange gain	31,169,015	17,165	-	-
Dividends on investments	-	-	37,729,848	33,165,623
Discounts on treasury bills	28,447,560	-	28,447,560	-
	<u>71,372,873</u>	<u>10,256,449</u>	<u>78,689,086</u>	<u>42,033,093</u>
Net finance cost	<u>(96,759,991)</u>	<u>(85,281,782)</u>	<u>(72,652,147)</u>	<u>(46,164,233)</u>

33 Business profit tax / zakat

	Group		Company	
	2011	2010	2011	2010
Business profit tax (a)	15,651,739	-	10,602,452	-
Zakat (b)	-	4,890,084	-	4,890,084
	<u>15,651,739</u>	<u>4,890,084</u>	<u>10,602,452</u>	<u>4,890,084</u>

a) Business profit tax

	Group	Company
	2011	2011
Business profit tax	21,703,179	15,966,937
Deferred tax (Note 8)	(6,051,440)	(5,364,485)
	<u>15,651,739</u>	<u>10,602,452</u>

	Group	Company
	2011	2011
Profit before zakat and tax	208,030,350	157,221,182
Less : Profits and income earned on or before 17 July 2011 not liable for income tax	(139,515,094)	(85,287,107)
Profits and income earned from 18 July to 31 December 2011 liable to income tax	68,515,256	71,934,075
Less: Basic exemption limit of MRF 500,000 (Proportionately from 18 July to 31 December 2011)	(1,029,452)	(228,767)
Profits and income earned from 18 July to 31 December 2011 liable to income tax after basic exemption limit	67,485,804	71,705,308
Tax calculated at the effective tax rate of 15%	10,122,871	10,755,796
Tax effect on income not liable for tax	(1,148,372)	(1,060,691)
Tax effect on expenses not deductible for tax purposes	6,677,240	907,347
Business profit tax charge	<u>15,651,739</u>	<u>10,602,452</u>

b) Zakat

	Group		Company	
	2011	2010	2011	2010
At 1 January	7,072,267	2,182,183	7,072,267	2,182,183
Provided during the year	-	4,890,084	-	4,890,084
Payment during the year	(7,072,267)	-	(7,072,267)	-
At 31 December	<u>-</u>	<u>7,072,267</u>	<u>-</u>	<u>7,072,267</u>

34 Earnings per share

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

	Group		Company	
	2011	2010	2011	2010
Profit attributable to equity holders of the Company	192,606,862	143,544,122	146,618,730	118,904,199
Weighted average number of ordinary shares in issue	1,126,910	1,126,910	1,126,910	1,126,910
Basic earnings per share (MRf per share)	170.92	127.38	130.11	105.51

35 Dividends per share

At the Annual General Meeting on 31 May 2011, a dividend in respect of 2010 of MRf 68 per share (2009: declared dividend MRf 68 per share) amounting to a total of MRf 76,629,880 (2009: declared MRf 76,629,880) 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 2011.

36 Cash generated from operations

	Group		Company	
	2011	2010	2011	2010
Profit before tax / zakat	208,030,350	147,871,354	157,221,182	123,794,283
Adjustments for:				
- Depreciation (Note 6)	84,969,930	76,984,180	51,147,275	52,126,893
- Amortization (Note 7)	9,353,560	1,734,954	8,228,590	684,703
- Unrealised exchange loss on currency SWAPs (Note 24)	34,344,460	-	34,344,460	-
- Interest income (Note 32)	(40,203,858)	(10,239,284)	(40,959,238)	(8,867,470)
- Interest expense (Note 32)	142,105,878	83,417,012	136,101,502	76,537,529
- Dividend income (Note 32)	-	-	(37,729,848)	(33,165,623)
- Provision for bad and doubtful debts	35,055,422	11,756,145	30,093,437	-
- Provision for impairment of asset	21,938,406	-	19,484,222	-
- Bad debts written off	8,081,231	2,617,017	3,878,201	2,617,017
- Provision for non / slow moving inventories	(12,541,061)	5,175,692	(12,823,253)	4,105,441
- Impairment of investments	-	1,205,306	-	1,205,306
- Share of profit from associates (Note 10)	(689,541)	(157,850)	-	-
- Profit on disposal of property, plant and equipment (see below)	(144,326)	(202,901)	(144,326)	(4,797)
- Property, plant and equipment transfers (Note 6)	238,180	9,447	-	-
- Currency translation differences	83,020	(52,173)	(132,978)	-
Changes in working capital				
- Inventories	(453,966,979)	122,181,727	(408,052,277)	113,968,998
- trade and other receivables	(1,497,819,293)	(17,524,957)	(1,591,345,281)	(1,066,021)
- Reinsurance contracts	6,304,018	(47,835,728)	-	-
- Insurance contracts	8,292,223	34,929,826	-	-
- Trade and other payables	1,854,278,198	66,176,445	1,830,335,276	33,278,973
Cash generated from operations	407,709,818	478,046,212	179,646,944	365,215,232

Non-cash transactions

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

	Group		Company	
	2011	2010	2011	2010
Net book amount (Note 6)	14,496	371,717	239,005	10,903
Profit on disposal of property, plant & equipment	144,326	202,901	144,326	4,797
	<u>158,822</u>	<u>574,618</u>	<u>383,331</u>	<u>15,700</u>

b) Purchases of property, plant and equipment comprise:

	Group		Company	
	2011	2010	2011	2010
Acquisition of land (Note 6)	528,098,400	-	528,098,400	-

37 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	2011	2010
Maldives Structural Product Pvt Ltd			
- overdraft	Bank of Maldives	3,855,000	3,212,500
- letter of credit	Bank of Maldives	15,420,000	38,550,000
Maldives National Oil Company Ltd			
- letter of credit	Society General Singapore	-	771,000,000
Fuel Supplies Maldives Pvt Ltd			
- overdraft	State Bank of India Male'	-	30,000,000
Maldives Gas Pvt Ltd			
- overdraft	State Bank of India Male'	-	8,000,000
- letter of credit	State Bank of India Male'	-	8,673,750
		<u>19,275,000</u>	<u>859,436,250</u>

(ii) Three policyholders have filed suits in Civil Court claiming insurance compensation which were not accepted by Allied Insurance Company of the Maldives Pvt Ltd. The cases are in progress. In the event the Court holds in favour of the policyholders, the Group will need to recognise liability in respect of those claims.

(iii) Two suppliers have made claims for demurrage charges of MRf 12,431,528 which have 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 shipments were on account of delay in issuance of delivery clearances by the suppliers. Therefore the Company is not liable for demurrage charges. Negotiations are in progress with the suppliers and in the event the Company accepts the demurrage liability, the Group will need to recognise this liability in respect of the demurrage claims.

(iv) 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

(v) Maldives National Oil Company Limited has made a claim for demurrage charges of MRf 9,961,613 which has not been accepted by the customer. 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. In case it is proved otherwise, the customer will be liable to pay for demurrage charges. Negotiation is in progress with the supplier and in the event the customer accepts the demurrage liability, the Group will need to recognise an asset in respect of the demurrage claim.

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

38 Commitments

Capital commitments

	Group		Company	
	2011	2010	2011	2010
(i) Capital expenditure contracted as of the balance sheet date but not yet incurred.	149,967,756	28,343,070	149,967,756	26,645,167
(ii) Shares subscribed as of the balance sheet date but not yet paid.	10,375,000	-	10,375,000	-
	<u>160,342,756</u>	<u>28,343,070</u>	<u>160,342,756</u>	<u>26,645,167</u>

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

Operating lease commitments

	Group		Company	
	2011	2010	2011	2010
Not later than 1 year	4,832,826	2,808,023	-	-
Later than 1 year and not later than 5 years	61,735,175	6,613,596	52,042,500	-
Later than 5 years	258,429,670	907,844,880	256,357,500	906,528,950
	<u>324,997,671</u>	<u>917,266,499</u>	<u>308,400,000</u>	<u>906,528,950</u>

The Company has entered into an agreement with Hulhumale Development Corporation Limited on 31st July 2007 for developing, operating and managing a five star tourist hotel in Hulhumale. The lease rental commitment of the said project has been amended on 27 June 2011.

Financing lease commitments

(i) The following finance lease commitments are outstanding as at balance sheet date

	Group		Company	
	2011	2010	2011	2010
Not later than 1 year	-	326,666	-	-
	-	326,666	-	-

(ii) Maldives Structural Products Pvt Ltd has an annual commitment to pay a sum of MRf 580,032 as rentals for the use of office premises and factory land. The office rental agreement is cancellable by two months notice from either party and factory land agreement is cancellable by six months notice by the Company and two years notice by the lessor (Government of Maldives).

39 Related party transactions

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

	2011	2010
Allied Insurance Company of the Maldives Pvt Ltd (Subsidiary Company)		
- sale of goods	37,438	165,117
- services obtained	(14,354,699)	(13,155,538)
- rent received	1,111,183	1,005,231
- dividends received	10,049,933	9,299,938
Maldives National Oil Company Ltd (Subsidiary Company)		
- sale of goods	-	28,597,929
- purchases of oil	-	(69,813,645)
- advances granted	900,000	470,876
- rent received	370,080	308,400
Maldives Gas Pvt Ltd (Subsidiary Company)		
- sale of goods	107,051	111,279
- purchases of goods	(6,924,902)	(156,837)
- rent received	536,533	535,273
- dividends received	-	2,263,885
- interest on advance	-	365,415
Fuel Supplies Maldives Pvt Ltd (Subsidiary company)		
- sale of fuel	2,240,620,949	1,696,836,781
- purchases of fuel	(38,633,087)	(74,710,637)
- dividends received	24,248,915	18,358,800
- rent received	1,194,395	1,058,521
Koodoo Fisheries Maldives Ltd (Government undertaking)		
- sale of goods	-	49,664,914
- purchases of foreign currency	-	52,042,500
Felivaru fisheries (Government undertaking)		

	2011	2010
- purchases of foreign currency	-	12,850,000
Maldives Structural Product Pvt Ltd (Joint venture company)		
- sale of goods	3,900	5,200
- purchases of goods	(23,537,808)	(49,219,410)
- dividends received	3,431,000	3,243,000
Lafarge Maldives Cement Pvt Ltd (Associate company)		
- purchases of goods	(80,730,570)	(35,128,082)
- sales of goods	7,240	93,444
- interest on advance	-	89,757
Maldives Industrials Fisheries Company Ltd (Investee company)		
- sale of goods	11,750,184	47,785,682
- purchases of goods	(5,122,381)	(5,761,011)
Ministry of Finance and Treasury (Majority shareholder)		
- loan settlements	-	(15,933,949)
- loan interest paid	-	(1,327,829)
- food subsidy income	259,099,519	120,315,785
- dividends paid	-	63,035,184
State Electric Company(STELCO) (company owned by MOFT)		
- purchases of goods	(9,261,744)	(5,655,069)
- sales of goods	25,672,504	632,188,395
Indhira Gandhi Memorial Hospital (Government undertaking)		
- purchases of goods	-	(148,241)
- sales of goods	152,839,912	50,750,308
Department of Medical Services (Government undertaking)		
- sales of goods	-	14,277,385
Rainbow Enterprises Pvt Ltd (Co-venturer of a Joint venture company)		
- purchases of goods	255,975	(187,837)

(b) Key management compensation

For the year ended 31 December 2011, the total remuneration of the directors for the Group was MRf 4,918,516 (2010: MRf 3,337,119) and total remuneration of the directors for the Company was MRf 1,231,667 (2010: MRf 1,165,560).

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

Receivables from related parties (Note 14):	Group		Company	
	2011	2010	2011	2010
STO Maldives (Singapore) Pte Ltd	-	-	6,455,154	5,476,000
Maldives Gas Pvt Ltd	-	-	8,384,650	4,906,587
Fuel Supplies Maldives Pvt Ltd	-	-	397,610,865	177,635,681
Allied Insurance Company of the Maldives Pvt Ltd	-	-	4,116,846	1,116,024
Rainbow Enterprises Pvt Ltd	32,912,853	29,308,233	-	-
Maldives National Oil Company Ltd	-	-	5,486,996	4,498,912
G.Dh Atoll Rayyithunge Cooperative Society	831,492	831,492	831,492	831,492
Ensis Fisheries Pvt Ltd	337,188	315,415	-	-
Maldives Industrials Fisheries Company Ltd	1,265,432	32,952,549	1,004,250	32,693,362
Ministry of Finance and Treasury	142,352,749	99,254,013	142,352,749	99,254,013
Koodoo Fisheries Maldives Ltd	2,626,929	11,560,726	2,626,929	11,560,726
State Electric Company (STELCO)	88,289,071	67,906,715	88,289,071	67,906,715
Male' Health Services Corporation Limited	164,023,628	51,100,092	164,023,628	51,100,092
Lafarge Maldives Cement Pvt Ltd	422,872	10,109	59,072	10,109
Maldives Structural Product Pvt Ltd	1,715,500	-	3,431,000	-
National Social Protection Agency	103,881,820	-	-	-
Addu International Airport	1,206,774	-	1,206,774	-
STO Hotels & Resorts Pvt Ltd	-	-	161,920,968	-
Other Government entities	153,535,296	13,682,764	153,535,296	13,682,764
	693,401,604	306,922,108	1,141,335,740	470,672,477

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. However receivables from Male' Health Services Corporation Limited is unsecured, carries an interest rate of 10% and is repayable over a period of 5 years.

Payables to related parties (Note 23):	Group		Company	
	2011	2010	2011	2010
Lafarge Maldives Cement Pvt Ltd	5,853,701	3,168,960	5,853,701	3,168,960
Maldives Structural Product Pvt Ltd	1,829,252	3,308,142	3,658,503	6,616,284
Allied Insurance Company of the Maldives Pvt Ltd	-	-	1,026,418	3,771,012
Maldives National Oil Company Ltd	-	-	1,656,655	2,249,869
STO Maldives (Singapore) Pvt Ltd	-	-	1,806,027	2,068,686
Rainbow Enterprises Pvt Ltd	1,715,500	21,600	-	-
Fuel Supplies Maldives Pvt Ltd	-	-	11,373,742	3,497,689
National Social Protection Agency	69,335,411	48,356,241	-	-
Champa Oil and Gas Company Pvt Ltd	251,543	-	-	-
Maldives Gas Pvt Ltd	-	-	-	6,013
	78,985,407	54,854,943	25,375,046	21,378,513

The amounts due to related parties are unsecured, interest free, and have no fixed repayment period. Accordingly, these amounts have been shown as falling due within one year.

(d) Loans to related companies (Note 14):

	Group		Company	
	2011	2010	2011	2010
At 1 January	664,888	1,662,215	3,662,284	1,662,215
Loans advanced during the year	-	-	11,071,527	9,500,000
Loans repayments received	-	(997,327)	-	(7,499,931)
Exchange gain	132,978	-	132,978	-
At 31 December	797,866	664,888	14,866,789	3,662,284

Loans given by the Company to related companies represent an unsecured loan to Lafarge Maldives Cement Pvt Ltd at an interest rate of 9% per annum repayable in 12 monthly installments from 31 January 2012 to 31 December 2012 and a loan to Maldives Gas Pvt Ltd during the year at an interest rate of 9.5% per annum repayable in 12 monthly installments. As at the balance sheet date, the outstanding loan balances of Lafarge Maldives Cement Pvt Ltd and Maldives Gas Pvt Ltd were MRf 797,866 (2010: MRf 664,888) and MRf 14,068,923 (2010: MRf 2,997,396) respectively.

40 Post balance sheet events

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

Acknowledgements

The Board of Director's is thankful to the customers, suppliers, bankers, auditors of the Company for their continued support and patronage. The Director's 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, the Maldives Monetary Authority and other state institutions.

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

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 are listed in the Maldives Stock Exchange.

Board of Director's

- Mr. Abdulla Faiz - Chairman
- Mr. Shahid Ali – Managing Director
- Mr. Ahmed Niyaz
- Mr. Abdul Hadi Hussain
- Mr. Amir Mansoor
- Ms. Vizaad Ali
- Mr. Masood Ali

Audit Committee

- Mr. Abdul Hadi Hussain
- Mr. Ahmed Niyaz
- Ms. Vizaad Ali

Nomination and Remuneration Committee

- Mr. Masood Ali
- Mr. Amir Mansoor
- Ms. Vizaad Ali

Corporate Governance Committee

- Mr. Masood Ali
- Mr. Ahmed Niyaz
- Mr. Amir Mansoor

Company Secretary

Ms. Aishath Shaffana Rasheed

Auditors

PriceWaterHouseCoopers
P.O. Box. 2124
Thandiraimaage 3rd Floor, Henveyru
Roashanee Magu,
Male', Republic of Maldives

Bankers

- Bank of Ceylon, Male'
- Bank of Maldives Plc, Male'
- BNP Paribas, Singapore
- Habib Bank Limited, Male'
- HSBC, Male'
- Maldives Islamic Bank, Male'
- Nations Trust Bank, Colombo
- Seylan Bank, Colombo
- Societe General Bank, Singapore
- State bank of India, Male'

Shareholding Structure

	No. of shares	@ MRf. 50/-	%
Government	919,867	45,993,350	81.6
Public	207,043	352,150	18.4
Total	1,126,910	56,345,500	100.0
Authorized Capital (MRf)		100,000,000	
Paid-up capital (MRf)		56,345,500	
Premium		27,814,500	

Registered Address

State Trading Organization PLC,
Boduthakurufaanu Magu,
Maafannu,
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Republic of Maldives

Contact Details

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Company Directory

Main Departments of STO

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Email: finance@stomaldives.net

Corporate and Legal Affairs

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344394
Email: cla@stomaldives.net

Administration

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344225
Email: admin@stomaldives.net

Information Communication Technology

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344255
Email: ict@stomaldives.net

Procurement

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344399
Email: procurement@stomaldives.net

Transport

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344239
Email: transport@stomaldives.net

Business Development

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344209
Email: bd@stomaldives.net

Hotels and Resorts

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344388
Email: hotels@stomaldives.net

Company Secretariat

STO Head Office,
Boduthakurufaanu Magu, Maafannu,
Male', Republic of Maldives
Telephone: +960 3344383
Email: cs@stomaldives.net

Logistics

Handhuvarree Hingun,
Male', Republic of Maldives
Telephone: +960 3012561
Email: lgs@stomaldives.net

Planning and Replenishment

STO People Choice Home Improvement,
Haveeree Hingun,
Male', Republic of Maldives
Telephone: +960 3012510
Email: pnr@stomaldives.net

Sales and Marketing

STO Whole Sale Centre,
Haveeree Hingun,
Male', Republic of Maldives
Telephone: +960 3012177
Email: sm@stomaldives.net

STO's Main Stores

STO People's choice Whole Sale Centre

Faalandhoshu Hingun,
Male', Republic of Maldives
Telephone: +960 3012418
Email: wholesale@stomaldives.net

STO People's Choice Home Improvement

Haveeree Hingun,
Male', Republic of Maldives
Telephone: +960 3344173
Email: home_imp@stomaldives.net

STO People's Choice Supermart

STO Trade Centre,
Orchid Magu,
Male', Republic of Maldives
Telephone: +960 3012480
Email: supermart@stomaldives.net

STO People's choice Nippon Paint Showroom

Home Improvement Building,
Haveeree Hingun,
Male', Republic of Maldives
Telephone: +960 3012474

STO People's Choice Staple Foods

Block No. 393,
Handhuvaree Hingun,
Male', Republic of Maldives
Telephone: +960 3012606
Email: staple@stomaldives.net

STO People's Choice Pharmacy

Indhira Gandhi Memorial Hospital,
Kanbaisarani Hingen,
Male', Republic of Maldives
Telephone: +960 3344242
Email: pharmacy@stomaldives.net

STO People's Choice Fuel & Lubricants

Funadhoo Island,
Kaafu Atoll, Republic of Maldives
Telephone: +960 6645900
Email: fuel@stomaldives.net

Stores outside Male'

Ha. Atoll STO Trade Centre (Ha.Hoarafushi)

Ghaazee Hingun,
Ha. Hoarafushi, Republic of Maldives
Tel: +960 6500015
Email: sto122@stomaldives.net

STO Shop No. 165 (Hdh.Kulhudhuffushi)

Funavalu Magu,
Hdh. Kulhudhuffushi, Republic of Maldives
Tel: +960 6528277
Email: sto165@stomaldives.net

STO Kulhudhuffushi Pharmacy (Hdh.Kulhudhuffushi)

Kulhudhuffushi Regional Hospital,
Bandaara Magu,
Hdh.Kulhudhuffushi, Republic of Maldives
Telephone: +960 6528301

STO Shop No. 132, (B.Eydhafushi)

NolhiMagu, MedhuAvah,
B. Eydhafushi, Republic of Maldives
Tel: +960 660 8315
Email: sto132@stomaldives.net

STO Shop No. 162, (Hulhumale', Kaafu Atoll)

Hulhumale' Commercial Unit, Bageechaa Hingun,
Hulhumale',Kaafu Atoll, Republic of Maldives
Tel: +960 3350051
Email: sto162@stomaldives.net

STO Pharmacy (K.Hulhumale')

Hulhumale' Commercial Unit,
Huvadhuraa Hingun,
Hulhumale', Kaafu Atoll, Republic of Maldives
Tel: +960 3355605
Email: pharmacyhm@stomaldives.net

STO Shop No. 134, (L.Fonadhoo)

Block No. 32, MedhuAvah,
L.Fonadhoo, Republic of Maldives
Tel: +960 6800048
Email: sto134@stomaldives.net

Ga. Atoll STO Trade Centre, (Ga.Villingili)

Haveeree Hingun,
Ga.Viligili, Republic of Maldives
Tel: +960 6820110
Email: sto163@stomaldives.net

STO Shop No. 138 (GDh.Thinadhoo)

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

STO Shop No. 136 (Gn. Fuahmualh)

Velifaanu Magu, Maadhan'dhu,
Gn.Fuahmulah, Republic of Maldives
Tel: +960 6860038
Email: sto136@stomaldives.net

STO Shop No. 137, (S. Hithadhoo)

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

STO Shop No. 159, (S. MaradhooFeydhoo)

Shaafee Hingun,
S.MaradhooFeydhoo, Republic of Maldives
Tel: +960 6891831
Email: sto159@stomaldives.net

STO Shop No. 123 (S. Feydhoo)

Orchid Magu,
S.Feydhoo, Republic of Maldives
Tel: +960 6892098
Email: sto123@stomaldives.net

STO Shop No. 164 (S.Hulhumeedhoo)

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

Addu Paint Shop (S. MaradhooFeydhoo)

Shaafee Hingun,
S.MaradhooFeydhoo, Republic of Maldives
Tel: +960 6896120
Email: addupaint@stomaldives.net

STO Warehouses**STO Construction Materials Warehouse**

Boduthakurufaanu Magu,
Male', Republic of Maldives
Telephone: +960 3012630, +960 9012551
Email: construction@stomaldives.net

STO Electronics Warehouse

Block No.5, Ameenee Magu,
Male', Republic of Maldives
Telephone: +960 3012623
Email: saadhuna@stomaldives.net

STO Home Improvement Warehouse

Haveeree Hingun,
Male', Republic of Maldives
Telephone: +960 3012627
Email: zila@stomaldives.net

STO Medical Warehouse

Haveeree Hingun,
Male', Republic of Maldives
Telephone: +960 3012604
Email: medicals@stomaldives.net

STO Staple Foods Warehouse

Handhuvaree Hingun,
Male', Republic of Maldives
Telephone: +960 3012609
Email: staple@stomaldives.net

STO Supermarket Warehouse

Block No.07,
Ameenee Magu,
Male', Republic of Maldives
Telephone: +960 3012615
Email: shafeenaz@stomaldives.net

STO Hulhumale' DC (K.Hulhumale')

Plot No. M2-01, M2-02, M2-03
Midhili Magu,
Hulhumale', Kaafu Atoll, Republic of Maldives
Telephone: +960 3012586

STO Thilafushi DC (K.Thilafushi)

Block 120,
K.Thilafushi, Republic of Maldives
Telephone: +960 3012599
Email: thilafishi@stomaldives.net

STO South DC (S.Gan)

Block 290,
S.Gan, Republic of Maldives
Telephone: +960 6890875
Email: stog21@stomaldives.net

Subsidiary Companies

STO North DC (Hdh.Kulhudhuffushi)

Bandaara Magu,
Hdh.Kulhudhufushi, Republic of Maldives
Telephone: +960 6528277
Email: northdc@stomaldives.net

Fuel Supplies Maldives Pvt Ltd

(99.99% STO shares)
Block A, 4th Flr, STO Aifaanu Building
Boduthakurufaanu Magu,
Male' 20-05, Maldives
Tel: +960 336655
Email: info@fuelmaldives.com
Website: www.fuelmaldives.com

Maldives National Oil Company Ltd

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

STO Maldives (Singapore) Pte Ltd

(99.99% STO shares)
10, Anson Road,
#39-10 International Plaza,
Singapore 079903
Tel: (65) 6324 4668
Email: stosing@stomaldives.com.sg

Maldivian Gas Pvt Ltd

(90.00% STO shares)
1st Floor,
STO Trade Centre,
Orchid Magu,
Tel: +960 333 5614
Email: info@maldivegas.com
Website: www.maldivegas.com

Allied Insurance Company of the Maldives Pvt. Ltd

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

Maldives Structural Products Pvt Ltd

(50.00% STO shares)
G.Marline Spike Building
2/10 Alikilegefaanu Magu
Tel: +960 3337720, +960 3316914
Email: msroof@dhivehinet.net.mv

Lafarge Maldives Cement Pvt Ltd

(75.00% STO shares)
01-01 STO Trade Centre,
Orchid Magu
Tel: +960 3315313
Email: mimcgm@dhivehinet.net.mv

STO Hotels and Resorts Pvt Ltd

(99.99% STO shares)
STO Building, 6th Floor,
Boduthakurufaanu Magu,
Maafannu
Tel: +960 3344388
Fax: +960 3344259
Email: hotels@stomaldives.net

