ANNUAL REPORT 2012

Building Our Future

STATE TRADING ORGANIZATION PLC

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STATE TRADING ORGANIZATION PLC

THE GLOBAL COMPACT
WE SUPPORT

بسم الله الرحمن الرحيم

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 (IFRS). References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2012. 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.

CONTENTS

VISION

Be a leading business creating enduring value for all stakeholders, whilst being a catalyst of economic growth & supporting sustainable development.

MISSION

To be committed in providing customers with reliable products and services at affordable prices through an efficient distribution network, whilst ensuring the security of essential commodities and maximizing shareholder returns.

OUR PRESENCE

The STO Group of Companies aims for the growth of the Country by strategically placing themself in this geographically dispersed island nation. With over 1851 employees across 15 islands nation-wide, STO remains one of the largest commercial organization in the Country.

02

INSURANCE

Allied Insurance is one of the largest financial institutes and the most prominent insurance brand contributing to the growth and development of the Country. With Allied Insurance, we have got you covered.

06

WAREHOUSE

The strategically placed warehouses in North, South and central Maldives ensures the continuous supply of essential goods such as fuel, staples and medicals through an efficient distribution channel throughout the Country.

05

FUEL

Fuel Supplies Maldives (FSM) is the market leader in the distribution of fuel and related services. FSM ensures the highest international safety standards and the quality of services in all aspect of their work.

03

GAS

Maldive Gas is the industry leader in gas supply and its solutions including medical and industrial gases. The Company provides LPG to the majority of the households and medical gas to 95% of all hospitals throughout the country.

18

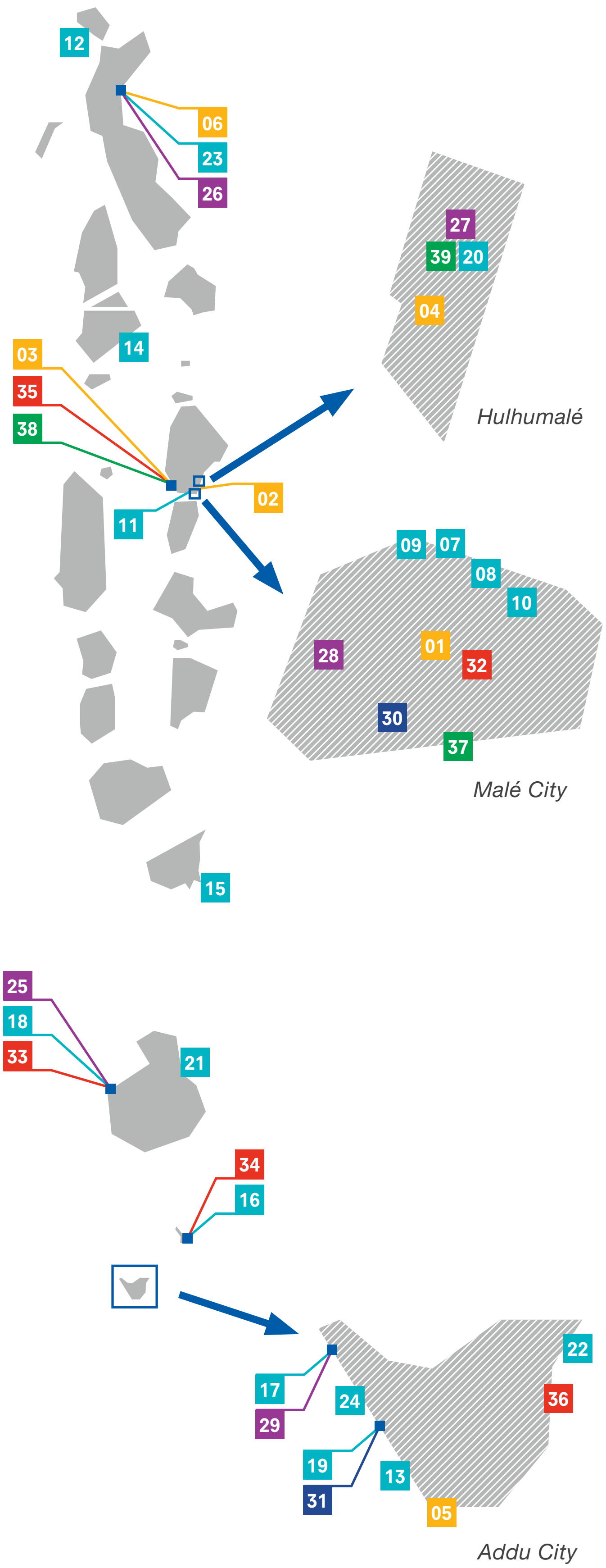
STORES

With 20 stores nationwide STO provides a dispersed platform to provide the services in various different lines of business – including Home Improvement, Electronics, Supermart, Construction materials, Staple Foods and Service Center.

05

PHARMACY

STO Pharmacies play an important role to provide high quality pharmaceuticals and medical items to the consumers and corporate clients at an affordable price nationwide. In addition STO pharmacies ensure the continuous availability of certain essential and controlled drugs to the whole nation.



KEY

- 01 Central
- 02 Fuel
- 03 Construction
- 04 Hulhumalé
- 05 South
- 06 North

- 07 Home Improvement
- 08 Service Center
- 09 Construction Material
- 10 Supermart
- 11 Vilimalé Shop
- 12 Hoarafushi
- 13 Feydhoo
- 14 Eydhafushi
- 15 Fonadhoo
- 16 Fuvahmulah
- 17 Hithadhoo
- 18 Thinadhoo
- 19 Maradhoo Feydhoo
- 20 Hulhumalé
- 21 Viliingili
- 22 Hulhumeedhoo
- 23 Kulhudhuffushi
- 24 Maradhoo Feydhoo Paint Shop

- 25 Thinadhoo
- 26 Kulhudhuffushi
- 27 Hulhumalé
- 28 IGMH
- 29 Hithadhoo

- 30 Malé City
- 31 Addu City

- 37 Malé City
- 38 Thilafushi
- 39 Hulhumale

- 32 Malé Branches
- 33 Thinadhoo Storage
- 34 Fuvahmulah Storage
- 35 Thilafushi Dockyard
- 36 Addu Branches

STO IN 2012

2012 was a successful year for STO and the Group. We achieved a good financial performance with record high revenue and earnings.

Company

PERFORMANCE

Revenue
in MVR millions

2011 6826
2012 9059
+33%

Gross profit
in MVR millions

2011 605
2012 1005
+66%

Profit before tax [PBT]
in MVR millions

2011 157
2012 163
+04%

Profit after tax
in MVR millions

2011 147
2012 158
+07%

SHAREHOLDER'S VALUE

Earnings per share
in MVR

2011 130
2012 140
+08%

Dividend per share
in MVR

2011 72
2012 75
+04%

Return on equity
in %

2011 14.6
2012 14.4
-0.2

Net asset per share
in MVR millions

2011 890
2012 971
+09%

FINANCIAL POSITION

ROCE
in %

2011 20.1
2012 43.2
+23.1

Net debt
in MVR millions

2011 3123
2012 3367
+08%

Total assets
in MVR millions

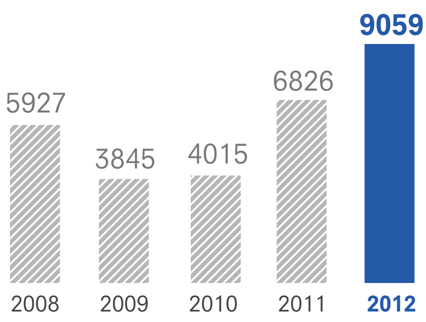
2011 4971
2012 5214
+05%

Shareholders funds
in MVR millions

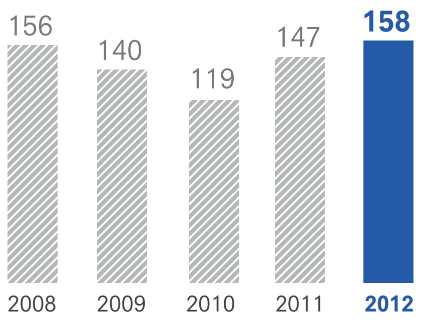
2011 1003
2012 1094
+09%

*in MVR millions

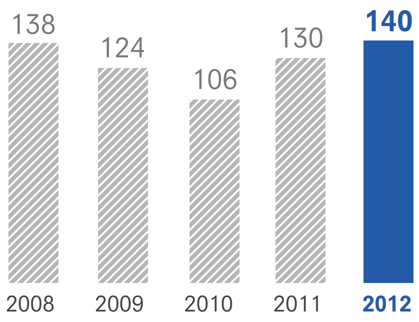
Revenue



Profit after tax



Earning per share, MVR



Group

PERFORMANCE

Revenue
in MVR millions

2011 9465
2012 9307

-02%

Gross profit
in MVR millions

2011 828
2012 1229

+48%

Profit before tax [PBT]
in MVR millions

2011 208
2012 267

+28%

Profit after tax
in MVR millions

2011 192
2012 239

+24%

SHAREHOLDER VALUE & POSITION

Earnings per share
in MVR

2011 171
2012 211

+23%

Return on equity
in %

2011 15.7
2012 17.1

+1.4

Net debt
in MVR millions

2011 3322
2012 3469

+04%

Net worth
in MVR millions

2011 1224
2012 1395

+14%

GROUP STRUCTURE

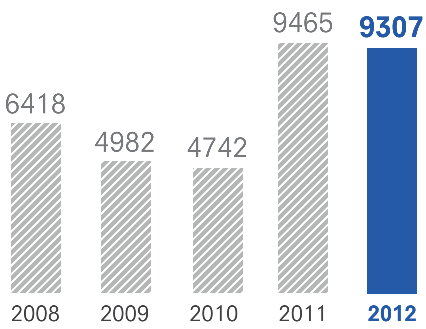
Subsidiary companies	% shares
MALDIVE GAS	90.00
ALLIED INSURANCE COMPANY	99.99
STO MALDIVES (SINGAPORE)	99.99
FUEL SUPPLIES MALDIVES	99.99
MALDIVES NATIONAL OIL COMPANY	99.99
STO HOTELS & RESORTS	99.99

Investment in associates	% shares
LAFARGE MALDIVES CEMENT	25.00
ADDU INTERNATIONAL AIRPORT	32.00
AASANDHA	60.00

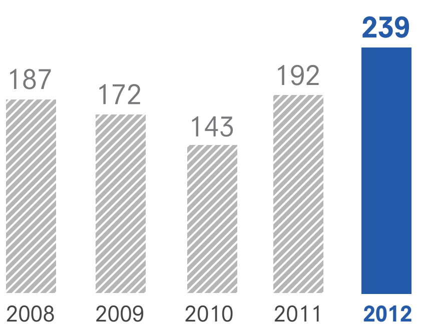
Joint venture	% shares
MALDIVES STRUCTURAL PRODUCTS	50.00

*in MVR millions

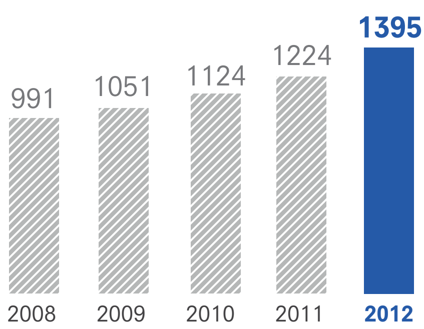
Revenue



Profit after tax



Net worth



TO OUR SHAREHOLDERS

Abdulla Faiz, Chairman of State Trading Organization Plc.

Our values are the **foundation for everything STO achieved** in 2012. STO will **continue to adhere to our values** and encompassing **service excellence** in **providing essential goods**.

Overview

My first year as the Chairman of STO has passed, and it would be an understatement to say that 2012 had been a challenging year for the Company, particularly against the backdrop of an uncertain economy and a volatile political environment. Despite these challenges the Company performed very well in 2012. We have achieved record revenue and profit. However, our net profit was impacted, primarily due to higher finance cost due to the acute dollar shortage in the economy and increased Government debt. STO will always strive for the shareholders benefit and it is reflected in all aspects of our strategic decision making. To you, our shareholders, we would like to assure that STO remains dedicated and committed to take the Company to a brighter future.

New Strategic Direction

2012 marked a year in which we took a number of strategic decisions that will be highly significant for our long term development. We are confident that the decisions to venture in to tourism sector would soon prove to be crucial to our sustainability. Despite the economic, operational and financial challenges over the past couple of years, STO's business model has proved to be resilient. However, it was vital that we change our strategic direction to sustain the business for the future. There is no doubt that the new strategic direction by the Board will guide the Company to attain its vision of the future.

Values & Governance

Our values are the foundation for everything STO achieved in 2012. STO will continue to adhere to our values encompassing service excellence in providing essential goods. We are honest and ethical in all of our business dealings, we respect one another, we care for our society and we protect the health and safety of our employees. We believe that strong governance is integral to our success. We continue to assess our governance structure to ensure its effectiveness while continuously disclosing the matters against compliance. As part of this process we have widened the remits of our Board Committees, which has allowed the Board to focus more broadly on strategic issues.

Gratitude

Our staff continues to do their part to ensure that STO remains in a position of strength. I would like to congratulate all our employees for another remarkable year in sales and thank all for their loyalty and dedication. I would also like to express my sincere appreciation to my fellow Directors for their commitment in the past financial year, during which we welcomed Mohamed Farshath to the Board. This followed the replacement of Masood Ali, who has been a Director since June 2008. I take this opportunity to thank for the valuable contribution by the Board members who have parted with us.

As we enter 2013, **we remain cautious** in the **short term** and **highly optimistic** about our **long term future**.

Future Outlook

As we enter 2013, we remain cautious in the short term and highly optimistic about our long term future. 2013 is likely to be another challenging year for the Company. Despite this we are confident in our ability to continue to deliver strong results.

Above all, I wish to convey my thanks to our shareholders and assure you that we will never become complacent and rest on our success. We have a team of committed employees who live our values every day. These are the kind of reasons that drive our team everyday. Leading STO in these times is a great privilege. We strive to find new ways to deliver value, consistently and responsibly for our shareholders, our customers, our society and our employees.

I believe the theme of this Annual Report clearly reflects Company's performance and actions of past year. Our contribution to the society and the country truly represent the theme – Building our Future.

Abdulla Faiz
Chairman

AN INTERVIEW WITH SHAHID ALI

Managing Director of State Trading Organization Plc

My **future aspiration for the Company** is to see STO becoming a **self-sustainable company** which operates on a **strong financial backbone**. That is my vision for the Company.

Q **As highlighted by the Chairman, the past 12 months has been a challenging period for the organization. What is your general impression of 2012?**

A 2012 has been a challenging year in terms of managing company's finances. Company's business performance was better than the expectations and the overall result was very good. Our sales revenue and operating income increased in comparison to 2011, while we were able to contain the operational expenses at the same level as the previous year. However, the Company's short-term financial burden increased during the year; this was, mainly due to the fact that we did not receive a significant amount of the due payments from the Government and from a number of State Owned Enterprises (SOE's). This had a significant impact on the Company's bottom line as the Company had to bear a huge financial cost to overcome the cash flow shortage. The major challenges in 2012 were, depleting our working capital due to cash flow shortage and the unavailability of foreign currency to finance imports of fuel and other trading goods.

Q **Over the years STO has been successful in most of the Line of Businesses (LOB's) which they have entered. Why do you think it is important for STO to enter a new line of business in tourism at this point of time?**

A STO's core business is and has always been, importing basic commodities such as fuel, staple foods, medicals and pharmaceuticals that are needed for the country. The major constraints for these core businesses have been the shortage of foreign currency. So establishing a sustainable mechanism to earn foreign currency is seen as a must for the Company.

The current situation puts STO at the dependency of banks to fulfill the foreign payments, and we often face the situation where we have to continually request the Central Bank (MMA) through Ministry of Finance and Treasury (MoFT) for assistance in getting the required foreign currency. It had been almost impossible to source any foreign currency from the market.

As such, it is imperative that STO establishes its own source of foreign currency. Tourism is a sector where we could earn foreign currency, and that is the reason why the Company decided to diversify in to tourism business. By creating a foreign currency source the Company takes a strategic approach towards mitigating the currency risk.

Q **Given the current global economic situation, what do you expect to see in 2013?**

A If we look at the global economic situation there are a lot of serious challenges facing the world's major economies. For example there is a debt crisis in the Euro zone coupled with declining economic growth in European economies. This will directly impact the Maldives local economy as tourism will be negatively affected due to declining tourist arrivals from European countries.

However, there are signs that the global economy may recover from the current situation as there are positive signs that US and Chinese economy is doing well. Overall, there are positive signs for the global economic outlook. Hence, we are expecting a better year in 2013.

Q **You are a strong advocate of a healthy economy. Are you worried by the country's economic uncertainty?**

A Maldives local economy has some serious concerns, especially the Government's fiscal situation, which is very worrisome. One point to note is that even this year's government budget deficit is huge. The higher the government deficit, the higher Government will spend on borrowings. Most of the times these borrowings are from financial institutions. If the Government borrows then it greatly reduces the opportunity for the private sector for such borrowings. If that is the case then the private sector growth will stagnate. Therefore, if the Government is operating with such a huge budget deficit then the possibility of private business growth could be limited. The latest reports from IMF and the World Bank already shows that the Maldivian debt standing is in red. This could significantly reduce the country's borrowing capacity. So there are some negative indicators for the local economy.

In order to rectify the current situation, and improve the local economy, some drastic measures needs to be taken. For example the Government needs to take steps to reduce the budget deficit, put constraints on government spending and improve balance sheet by reducing the liabilities and increasing assets. Given the current economic condition, additional borrowings would not be favourable for the economy. So the local economy can only be improved by addressing these areas of concern. Hence it is critical that we do so.

Q **In 2012 STO had a difficult cash position, does this affect growth initiatives and other investment opportunities.**

A The reason why we had come to a difficult cash flow position is due to the receivables increasing over the year or so. The implication of this is; firstly, company's working capital has depleted and cost of short-term financing increased. Right now we are funding the working capital using a number of bank facilities in terms of either borrowings, over-drafts and other short term funding.

We believe that the **benefit to society** from such activities will eventually return as **benefit to STO as good will** and as **opportunities to develop our business.**

The second impact is that our capital investments have to be scaled down or deferred as our capacity to inject equity funding to projects is becoming limited. Currently we do not have the capacity to inject the required equity to a number of planned projects because we do not have enough funds in hand. So a lot of projects which we had planned before, such as the Muthaafushi Resort development, had been either differed or alternate developments plans have to be made. In Muthaafushi case now we have to consider going for a sublease of the island or to form a joint venture between a potential investor as the Company cannot inject equity funding to the project. Similarly, we are forced to defer or change a number of other capital investments we had planned, until at least we recover the receivables. Some of these projects are ones required to improve our overall business infrastructure such as purchase of heavy vehicles like lorries, cranes, and vessels. This would impact our potential for future growth and expansion.

Q **This year's World Oil Outlook (WOO) demonstrates that oil will continue to play a major role in satisfying world energy needs. Are you concerned about the demand uncertainties that blur the future of oil supply and the fluctuating global oil prices?**

A Global oil prices or the fluctuation of oil price in the global market is actually one of the biggest concerns for STO. 85% of STO's business is importing and trading of oil. So the value of our imports is directly proportionate to the oil prices in the world market. For example a 10% increase in the price of oil in the world market means our cash outflow would increase by the same factor.

To be honest, the future of oil market is very uncertain, especially due to the conflicts in the Middle East. There are many issues in Syria, at the same time Iraq still has not stabilized. Iran is a big oil producing country, however, due to the sanctions there are lots of limitations to exporting from Iran. Libya is also a big oil producing country, but due to the events that took place last year the oil production has still not stabilized in Libya.

From a demand perspective, demand for oil is continuously going up. For instance the Chinese economic growth is driving the energy demand today. Likewise there is an increase in demand for oil in India. With that the world and regional energy demand growing. Hence, we can always assume that the oil prices would continue to rise, unless there is a significant economic downturn that would drive down the demand. We have seen a continued growth in imports of oil to Maldives at an approximate rate of 7 – 10% year on year. Given that the foreign currency shortage remains the same and if volume increases together with the price then there would be a double impact. The foreign currency outflow would increase and the demand for foreign currency will also increase. So this would have a huge impact on the Company's operation.

Q **STO is building its business around a world re-known ERP system. Does STO have the talent it needs to grow and move forward?**

A STO has an exceptional team of employees who are highly dedicated, hardworking and consistently performing well. From the very early days of STO a lot of effort has been made on staff development. The company has invested hugely on staff training and development either by sending them abroad for higher studies, short term trainings or even in-house local trainings. As a result the current team at STO is very talented, capable and energetic in all aspects of the Company's work.

It has been almost two years since we moved to the SAP platform. What I keenly and proudly remember is that during the SAP implementation, the consultants also pointed out the commitment, dedication, and hard work of the STO team. They also highlighted that the project was an exemplary roll-out. So it shows that STO's team has that talent and capability to go forward. But that does not mean that we should stop what we are doing for staff development. Rather we will continue the work that we are doing to develop and train the staff.

Q STO has a tight business relation with its subsidiaries. How do the subsidiaries contribute to the success of STO?

A All STO's subsidiaries play a key role in STO's business perspective. For instance, the responsibility of distributing imported oil to Male', atolls, and the whole country is taken by Fuel Supplies Maldives and their success is directly related to 85% of STO's business. So they are one of the most critical subsidiary companies.

Maldive Gas provides a very basic need for the people. Nowadays, everybody relies on LPG for cooking, whether they are resorts, industries or households. So providing LPG becomes a critical service. Therefore it is very important to sustain this service while operating profitably.

Another important business is Allied Insurance. Allied has always generated a positive cash flow and in-turn pays a good dividend every year. Allied is also important for the fact that they strengthen the business portfolio of STO.

Maldives Structural Products (MSP) produces around 85% of all roofing sheets produced in the country. They directly support the construction line of business. It is very important to sell roofing sheets together with aggregate, metal, river sand in order to provide a complete solution to the customers. So the success of MSP's operation is very important for our construction materials trading business.

STO Maldives (Singapore) and Maldive National Oil Company's most important function is to provide at least the basic foundation for STO's efforts to establish an overseas business. For instance to establish oil trading in the international market, which a good potential for future growth.

Lafarge is an important associate company with 25% of shares. They are one of the most well-known brands in the Maldives which imports bulk cement and bag it for distribution across the country at a large scale.

As explained it is very important for all STO's subsidiaries to operate profitably, in a sustainable and efficient manner to ensure the success of STO. It is also important to highlight that most of these companies do pay a significant dividend for STO thereby improving our shareholder returns.

Q **STO has always been a peoples company. How has the 2012's event contributed to the society and business?**

A STO's corporate social responsibility is a very big component. Last year we have spent and contributed to causes like 'Kudakudhinge Hiyaa', 'Miskithu fandu', 'Autism Society' 'Blood donation', to name a few. We believe that the benefit to society from such activities will eventually return as benefit to STO with an improved good-will among the public. So 2012 was a year in which CSR activities were carried out very well in accordance to our organization's mission.

Q **Year 2013 would be your 5th year as the Managing Director of STO. How do you reflect on what you have achieved and what are your aspirations for the future of the Company?**

A Past 4 years have not been easy in STO's history, especially with the foreign currency shortage and with the changes in the country's politics.

One thing that I consider as an achievement is, the Company's operations in the past 4 years has continued to be successful in a sustainable manner. Especially 2011 and 2012 net results were the best in STO's history. I consider that as an important achievement.

In addition, we completed some major projects very successfully. For example the SAP ERP implementation, Fuvahmulah Airport Project, STO fuel tanker purchase, and Kick-off of Radisson Blu Hotel; these are things which I personally feel very satisfied about. To be in the most responsible position of such a big company and to achieve these goals gives a personal sense of satisfaction.

My future aspiration for the Company is to see that STO becomes a self-sustaining company which operates on a strong financial backbone. That is my vision for the Company. This means STO would need to have a sustainable source of foreign currency sufficient to cater all the imports. This would also include expanding into the tourism sector and other business sectors, diversifying into different regions as well. Even the fuel business needs to be structured to operate in a manner that will be most beneficial to the Company. For example to create a proper fuel reserve in the north and south of Maldives and develop a large storage capacity, so that we could mitigate the current stock shortage risk in fuel operations.

Q **To sum up, the title of this annual report is "Building our Future". What does this mean for you and STO as a whole?**

A STO as a business entity, is providing a very basic service to the economy by supplying essential commodities to the country. Providing fuel, staple foods and medicines in a sustainable, affordable manner; without any supply disruptions is a critical factor for the sustainability of our economy. Hence, the improvement in STO's operations and its business will directly contribute to the country's economic development. So the work we do now would be a great contribution towards the nation's future and development. This means our effort to build and strengthen the Company is directly linked to the future of every Maldivian citizen. That is the reason why this theme is important for us. We will together strive for a better future for the Company and for the nation.

Shahid Ali

Managing Director

The services we provide are **not only at National level** but more as **good will to our society**. Our Core values are shown out through our personality and work ethics. **STO staffs are proud to serve the Nation** towards its progress.

FINANCIAL DISCUSSION

The financial performance of the STO and the Group was strong and the company outperformed previous year in almost all aspects.

ECONOMIC CONDITIONS & CHALLENGES

2012 was a challenging year for STO due to unfavourable economic and fiscal conditions. However, the Company strived to undertake its operations to the best of its ability by adopting restrictive strategies; thereby containing costs, rationalizing orders and limiting capital expenditure.

During the year, the country's economy slowed down affecting most businesses. The economic growth slowed from the estimated 5.5% to 3.4% for the year, mainly due to lower than expected growth in the tourism sector. Tourism, country's main contributor to GDP was declined in 2012, with growth falling from 9.1% in 2011 to 3% in 2012.

The global and national macroeconomic factors remained unsettled. Economic uncertainty and changes in political dynamics in 2012 resulted in slowing down of business activities and major investments, rise in inflation, and decrease in tourist arrivals in the first half of the year. This was partially offset by increased earnings in fisheries export activities and recovering construction industry.

Additionally, the fiscal deficit of the country rose to 13% of GDP in cash terms. The increased budget deficit has implied a severe fall in domestic production and increased public debt ratio to nearly 80%, coupled with severe foreign exchange shortages in the economy.

Prices of petroleum imported by STO remained stable during the year, despite the global financial crisis and the unstable situation in the Middle East.

STRONG EARNINGS & STABLE DEVELOPMENT

COMPANY

Despite the difficult operating and economic environment, STO succeeded in achieving operational enhancements and the company continued to operate prudently in order to support its long term sustainability.

KEY FINANCIAL FIGURES

MVR millions	2012	2011
Revenue	9059	6826
Gross Profit	1005	605
Operating profit	520	230
Profit before tax	163	157
Net Profit	158	147
Earnings per share, MVR	140	130
Net cash from (used in) operating activities	-33	36
Return on Capital Employed %	43%	20%
Net debt	3367	3123
Debt/equity ratio	3.77	3.95
Interest cover ratio	2.14	1.69
Interest yield %	7.0	6.96

Revenue & developments in segments

The Company registered record revenue of MVR 9.1 billion for the year, compared to MVR 6.8 billion in 2011. This increase was largely due to high volume of fuel sales, increased sales of medical supplies and better performance of Supermart segment.

9.1 MVR billion

IN 2012 REVENUE

33% REVENUE GROWTH

Having nearly two decades of experience in supplying Jet Fuel to Maldives Airports Company (MACL), once again STO was successful in winning an international bid for the supply of Jet Fuel to MACL and securing a prestigious US$ 114 million contract for the period April 2013 to March 2014.

Expanding on the expertise of Jet Fuel supply, STO ventured into supplying Jet Fuel to the Maldives Regional Airports for the 1st time during mid-year 2012.

Fuel and lubricant segment continued to grow on the strong momentum of the previous financial year. The segment as the major contributor, recorded a turnover of MVR 7.7 billion, which was 38% higher compared to previous year.

Staple foods sales during the year, which contributed 4.9% to the company's revenue, amounted to MVR 444 million. The products sold in this segment, primarily subsidized by the government do not contribute to profit of the company, despite 19% increase in sales volume.

Revenue from medical and pharmaceutical products during the year represented 3.5% of the Company's total revenue, amounts to MVR 320 million. This was an increase of 62% compared to the previous year. STO continued to be the sole supplier to Male' Health Service Corporation in 2012, under the two year agreement entered on 15th January 2011.

Electronics and Home improvement reported sales of MVR 49 million and MVR 175 million respectively, the combined sales is an increase of 5% compared to 2011.

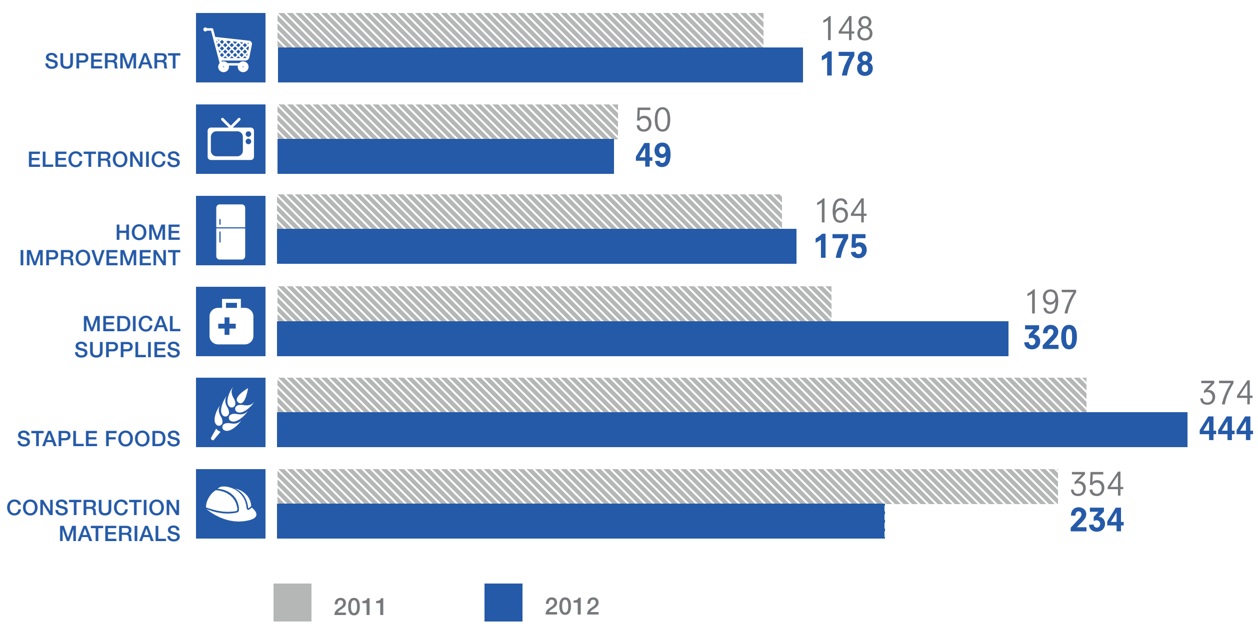
Construction materials segment reported revenue of MVR 234 million (2011: 354 million). There was a reduction in revenue compared to the previous year, however, revenue in 2011 was due to special projects carried out for SAARC summit held in 2011. As such the sale of 2012 is seen to have a positive trend. The opportunities associated with this segment considered to be significant and expect to generate new business in 2013.

7.7 MVR billion

TOTAL FUEL REVENUE IN 2012

84.5% OF TOTAL REVENUE

COMPARISON OF REVENUE FROM NON-FUEL SEGMENTS



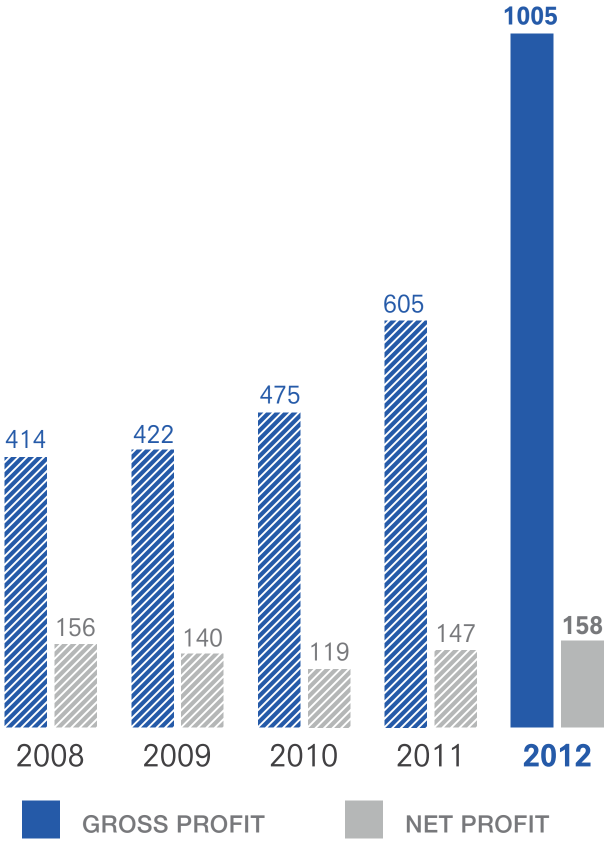
Revenue from Supermart segment rose to MVR 178 million from MVR 148 million in 2011. A substantial part of this increase was achieved as a result of pricing actions and improved promotional activities focusing on quality imported brands during the year.

Growth through new stores remains a priority in line with continued business expansion activities to different regions in the country. STO Vilimale' Shop and Thinadhoo Pharmacy opened during the year 2012 and four new pharmacies planned to open next year which will bring additional revenue and growth to the company.

Earnings

The Company delivered a record result in 2012, in terms of gross profit, operating profit and net profit. The gross profit reached to MVR 1 billion, compared to 605 million in 2011. Profit before tax was MVR 163 million, compared to MVR 157 million in 2011. Profit after tax increased by 7% to MVR 158 compared to 147 million in 2011.

GROSS PROFIT & NET PROFIT 2008 - 2012
[MVR millions]



The total operating expense for 2012 was MVR 513 million (2011: MVR 429 million). The increase in MVR 84 million compared with 2011 was mainly due to 8% increase in selling and marketing expenses and 33% increase in administrative expenses. The expenses increased were primarily driven by the growth in the business, including the provisions created for bad and doubtful debts and inventory totalling MVR 74 million. In addition, bank charges increased by 32% to MVR 32 million (2011: MVR 24 million).

158 MVR million

NET PROFIT IN 2012

07% GROWTH

A major salary review was undertaken in the middle of 2012. As a result staff expenses classified under both selling and marketing, and administration expenses increased from MVR 133 million in 2011 to MVR 157 million. The changes were made to offer a competitive salary package for the employees and to attract and retain the professional staff in the Company.

The adverse effects of increased operating expenses were cushioned by increased operating profit (PBIT) of MVR 520 million (2011: MVR 230 million) resulting from improved operational efficiency.

Finance Cost

The net financial cost has amounted MVR 357 million in 2012 compared to MVR 73 million in 2011, an increase of MVR 284 million. Although the company made a healthy bottom-line by maintaining better margins, the finance cost burden was higher, due to U.S dollar shortage prevailing in the country. The Company was forced to opt for bank facilities to enable timely foreign supplier payments.

The main elements of increased interest costs were related on the bank borrowings and interest on extended credit terms from fuel suppliers partially offset by the interest income from STO credit scheme and dividend income for the year.

STO focused on projects with dollar income streams through investing into hotels and resorts businesses in order to address foreign currency shortages. These are strategic measures to invest in business that would increase the foreign currency earnings, such as the on-going Radisson Hotel project in Hulhumale' is expected to contribute significantly to the company's performance in the coming financial years.

Taxation

Tax on profit for the year amounted to MVR 4.9 million, corresponding to an effective tax rate of 3% against 6.7% in 2011. The decrease in the effective tax rate was primarily due to adjustments of tax assets temporary differences and group tax relief.

The Company is liable to pay full year business profit tax of MVR 29.7 million in 2012 compared to MVR 16 million in 2011. In addition, the Company paid MVR 27.9 million towards other taxes and fees to the Government during the year. These mainly comprised of Goods and Services Tax (GST), Import license fee and land lease rent, comparative details of which are shown below.

MVR thousands	2012	2011
Goods and services tax (GST)	12,862	1,626
Import License /stamp duty	4,224	3,624
Withholding tax	3,649	-
Bunker royalty	1,483	3,332
Land lease rent	4,832	6,891
Registrations and permit fee	115	36
Vehicle and vessel Fee	316	874
Visa Fee	422	262

Cash flow

The cash outflow associated with operating activities in 2012 was MVR 33 million compared to net cash generated MVR 36 million in 2011. The major change was attributable to increase in trade receivables, higher interest expense and taxes, the effect of which was partially offset by increased trade payables and decreasing inventory.

Net cash generated from investing activities was MVR 121 million (2011: MVR -400 million). There were no major investing activities except for property, plant and equipment, which amounted to MVR 226 million, an increase of MVR 170 million, reflecting major spend on capital working progress.

Net cash outflow associated with financing activities was MVR 339 million in 2012 compared to cash inflow of MVR 822 million in 2011, reflecting considerable cash outflow for the repayment of proceeds of borrowings held previous year.

The overall end of the year cash balance was MVR 351 million in 2012 compared to MVR 602 million in the previous year.

Balance Sheet

The Company continues to ensure the balance sheet remains strong to enable it to respond to changing economic and financial conditions. The total asset increased by 4.9% to MVR 5.2 billion, while shareholder's fund increased to MVR 1.1 billion, an increase of 9% from MVR 1 billion in the year 2011. This increase is mainly accounted for by the net profit for 2012 net of dividend distribution for 2011 made in 2012. Return on total assets slightly declined to 3.1% compared to 3.2% in the previous year, while Return on Capital Employed (ROCE) increased to 43% compared to 20 % in 2011.

The non-current asset increased by MVR 205 million compared to 2011, mainly accounted for capital expenditure. An investment was made in Maldives Stock Exchange (MSE), which has increased the assets classified as held for sale in 2012. The deferred tax asset was also increased by MVR 20.7 million compared with the position as at year-end 2011.

In 2012, net debt of the company was MVR 3.4 billion, against MVR 3.1 billion in 2011. The gearing or net debt-to-equity remained on par with the position as at year-end 2011, however the company was able to reduce the interest bearing net-debt (excluding trade payables) by 12% to MVR 601 million (2011: MVR 684 million).

1.1 MVR **billion**

SHAREHOLDER'S FUND

09% INCREASE IN **2012**

The current assets of the Company was MVR 3.6 billion, whilst the current liabilities were maintained at MVR 4 billion during the year creating a current ratio of 0.9:1 during the year. The unfavourable changes in working capital were mainly related to increases in accounts receivables, which consist primarily of amounts due from Government and State Owned Enterprises (SOE's), partially offset by an increase in accounts payable related to extended credit term of suppliers.

The company continues to monitor and evaluate opportunities to optimize its liquidity position and capital structure in order to strengthen the balance sheet.

GROUP

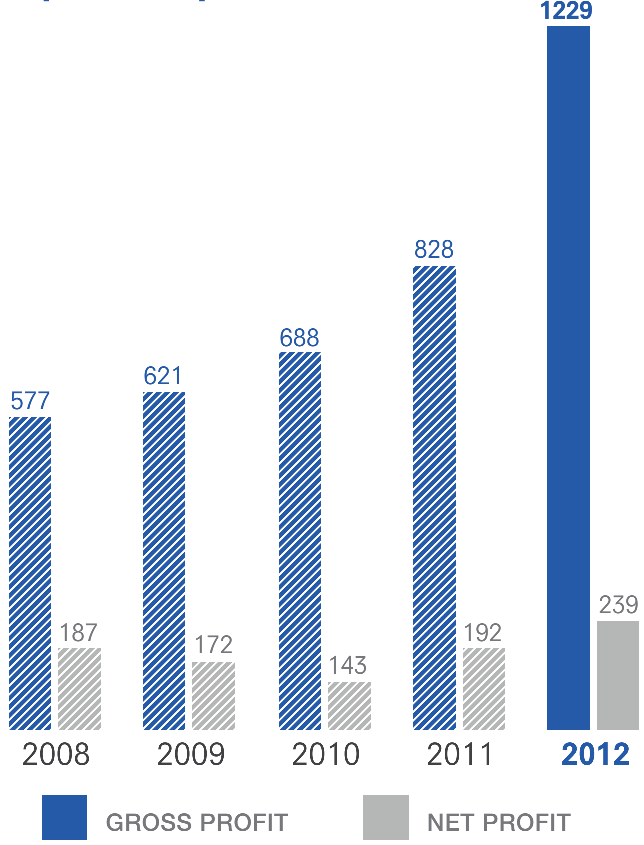
STO PLC contributed the highest to the Group revenue with 76% (2011: 58%), and the Group revenue decreased from MVR 9.5 billion in 2011 to MVR 9.3 billion in 2012. The table below shows the revenue contribution of the group companies (excluding STO PLC, before adjusting intercompany transactions):

GROUP REVENUE CONTRIBUTION

MVR millions	2012	2011
State Trading Organization Plc.	9059	6826
Allied Insurance Company of the Maldives Pvt. Ltd.	143	152
STO Maldives (Singapore) Pte. Ltd.	0.21	0.23
STO Hotels & Resorts Pvt. Ltd.	1.05	0
Maldive Gas Pvt. Ltd.	162	144
Fuel Supplies Maldives Pvt. Ltd.	2,564	2,294
Maldives National Oil Company Ltd.	0	2,345
Maldives Structural Products Pvt. Ltd.	42	19

The major part in revenue contribution from Group companies apart from STO was from Fuel Supplies Maldives Pvt. Ltd, amounting to MVR 2.6 billion or 21% of total revenue contribution to the Group before intercompany transaction adjustments. This is an increase of 12% from 2011. In addition, Maldive Gas Pvt. Ltd. contributed MVR 162 million or 1.4%, together with STO PLC contributing over 98.4% percent of Group revenue. Further, Maldives Structural Products Pvt. Ltd. achieved significant revenue contribution with growth by 117% to MVR 41.5 million (2011: MVR 19 million).

GROSS PROFIT & NET PROFIT 2008 - 2012
[MVR millions]



KEY FINANCIAL FIGURES

MVR millions	2012	2011
Revenue	9307	9465
Profit before tax	267	208
Profit after tax	239	192
Gross profit	1229	828
Net worth	1395	1224
Earnings per share , MVR	211	171

The group gross and net profit after tax for 2012 was MVR 1.2 billion and MVR 239 million, respectively. The gross profit margin of the group increased to 13%, whilst Company's gross profit margin increased to 11% (2011: 9%). The net profit margin also increased from 2% in 2011 to 3% in 2012.

239 MVR **million**
NET PROFIT IN 2012

Group net worth increased from MVR 1.22 billion in 2011 to MVR 1.4 billion in 2012, and continued the positive trend in increasing shareholder wealth in 2012.

SHARE INFORMATION

Shareholders

The share capital structure of the Company remained unchanged for the last two years. At the end of 2012, a total of 1,126,910 shares have been issued and paid, of which Government owned 81.6% and remaining 18.4% is owned by general public. No single party other than the Government directly or indirectly, owned more than 5% of the shares of the Company. The nominal value of the share is MVR 50 and each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend.

SHAREHOLDING STRUCTURE

	No. of Shares	% owned
Government	919,869	81.63
Public	207,041	18.37
Total	**1,126,910**	**100.00**

The Company's market capitalization, calculated using the closing price MVR 400 of the last trading day of the year was MVR 450.8 million (2011: MVR 507.1 million).

The Company has continuously succeeded in achieving structural and operational developments and the Company continued with cautious investments to support its long-term performance. Since year 2008 the net asset per share has increased by 30% to MVR 971.

75 MVR **per share**

THE PROPOSED DIVIDEND FOR **2012**

4% DIVIDEND GROWTH

Share performance

SHARE KEY FIGURES

MVR	2012	2011	2010	2009	2008
Earnings Per Share	140	130	106	124	138
Price Earnings Ratio (P/E)	2.9	3.4	4.6	4.8	4.7
Net asset per share	971	890	843	800	747
Dividend per share	75	72	68	68	65
Payout ratio %	54	55	64	55	47
Dividend yield %	19	16	14	11	10

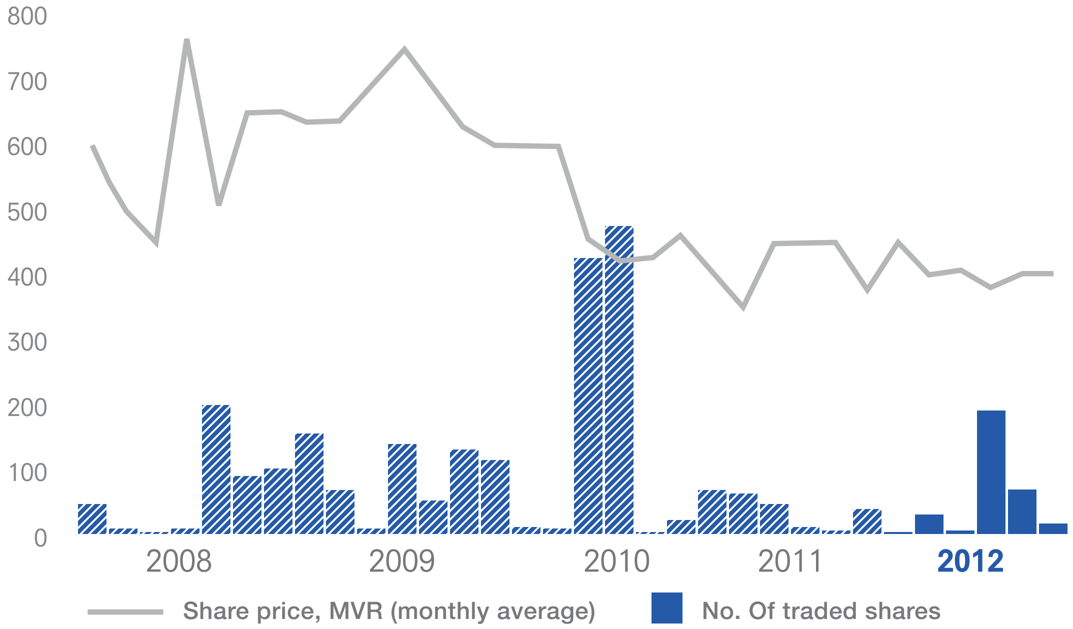
STO Plc's share has been listed on Maldives Stock Exchange (MSE) since 14th August 2001.

During 2012, a total of MVR 133, 945 shares were traded in MSE (2011: MVR 74, 847). The highest price quoted for the reporting period was MVR 450, the lowest MVR 350, and the weighted average of MVR 387.

SHARE PRICE PERFORMANCE

MVR	2012	2011	2010	2009	2008
Highest	450	450	600	760	775
Lowest	350	300	400	600	450
Weighted Average	387	390	429	640	564
No. of Trades	17	14	12	46	17
No. of Shares Traded	346	192	931	775	353
Last Trading Price	400	450	489	600	650
No. of Shares Issued	1126910	1126910	1126910	1126910	1126910
Market Capitalization (millions)	450.8	507.1	551.1	676.1	732.5

SHARE TRADING 2008 - 2012



Dividend

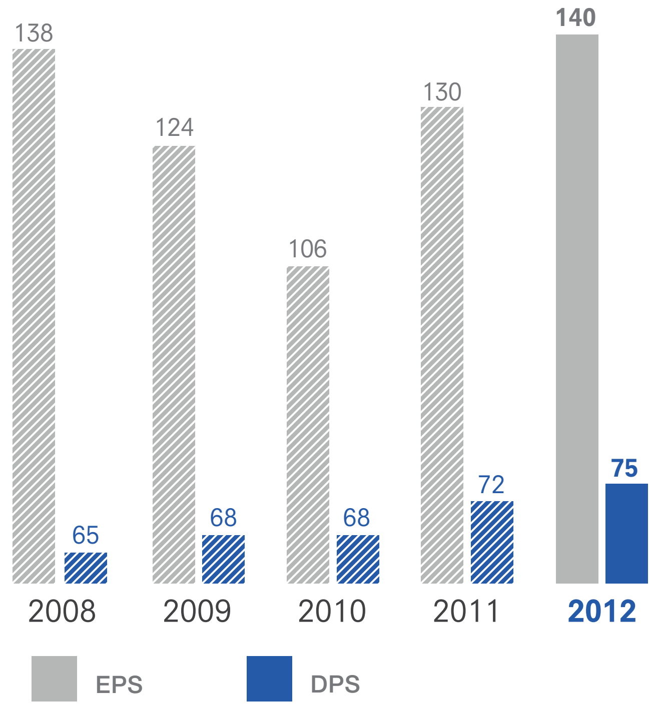
The Company's net profit after tax for the year increased by 7 % to record high MVR 158 million, which has enabled the Board to propose a dividend pay-out of MVR 75 per share at the Annual General Meeting (AGM) compared to that of MVR 72 in 2011 AGM.

In terms of the Company's dividend pay-out ratio, i.e. the fraction of net profits paid out as dividends, it has climbed further 4% in 2012 comparable that of previous year.

STO paid a dividend for the 11th consecutive year, making one and only public listed company to have delivered uninterrupted dividends since 2002. Over the last 11 years STO has paid and proposed MVR 954 million in dividends.

The Annual General Meeting for 2012 will be held on **16th May 2013** at **Traders Hotel - Male'**

EARNINGS PER SHARE & DIVIDEND PER SHARE 2008 - 2012 [MVR]



954 MVR **million**

IN DIVIDENDS 2001 - 2012

Despite **the difficult operating and economic environment**, STO and the Group **succeeded in achieving operational enhancements** and continued to operate prudently in order to **support its long term sustainability**.

MANAGING RISKS

In today's turbulent business environment where uncertainty is at its peak, STO identified management of business risk as one of the key components to business growth and sustainability. Subsequently from the first day onwards, the Company has been in the front line when it comes to risk management through good public relations, viable financial models and proactive marketing actions.

STO's Methodology

The initial step of risk identification is an ongoing process in STO, undertaken by each department throughout the organization from sales outlets to supporting functions of the business such as ICT. Each and every department is responsible for identification and management of risks related to and arising from their respective department. Moreover, risks that require attention of the top management would be presented to the Board for a decision.

Name of the risk	Risk Owner/ Department Responsible	Likelihood of occurrence	Possible Impact	Mitigation and Avoidance
Inventory risks	Planning and replenishment Department Sales and Marketing Department	Highly probable	Inventory risk: ▪ *Under estimation* ▪ *Over estimation* ▪ *Seasonal stock shortage due to foreign currency shortage* Impact: ▪ *Increased slow or non-moving items* ▪ *Stagnated performance in some business units*	▪ *Better strategic approach – retain and manage a optimal inventory through carefully planned methodology* ▪ *Order screening prior to purchase to avoid slow or non-moving stocks* ▪ *Prioritize purchase of fast moving goods with the help of SAP ERP system* ▪ *Increase stock turnover and reduce spoilage or breakage*
Reputation/brand image risks	Corporate and Legal Affair Department	Possible	Reputational risk: ▪ *Negative publicity* ▪ *Boycotting products and the Company* ▪ *Tighter control measures from regulatory bodies* Impact: ▪ *Loosing regular customers* ▪ *High expenditure* ▪ *Loss of brand image and good will of the Company*	▪ *Being approachable, honest, vigilant and proactive in all business aspects* ▪ *Maintain good relations with media and customers.* ▪ *Follow local and international regulations together with ethical standards* ▪ *Invest to build and maintain consumer awareness and brand image*

...from the first day onwards, the Company has been **in the front line when it comes to risk management** through **good public relations**...

Name of the risk	Risk Owner/ Department Responsible	Likelihood of occurrence	Possible Impact	Mitigation and Avoidance
Hazard risks	Administration, Transport and Logistics department	Possible	Hazardous risk: ▪ *Natural disasters* ▪ *Malicious acts / Vandalism* Impact: ▪ *Damage to business properties, assets and stocks* ▪ *Disruption to business continuity*	▪ *Safety Committee implements preventive measures against possible disasters* ▪ *Fire alarm system is implemented in all premises* ▪ *User friendly operational manuals and check lists are in place to prevent human errors* ▪ *Insurance covers are maintained to recover any losses that may arise* ▪ *High safety standards are exercised all throughout the working environment*
Personnel or human resources risks	Human Resources Department	Unlikely	Human resource risk: ▪ *Losing key personnel in strategic positions* ▪ *Work place disharmony* Impact: ▪ *Loss of brand and distributorship* ▪ *Disruption to business continuity* ▪ *Decline in productivity and efficiency*	▪ *STO has a good system in place to retain and develop staff* ▪ *Established Annual bonus schemes and incentive plans* ▪ *Stronger connection with educational institutes to attract the required talent* ▪ *Continuous improvement of workplace environment throughout the organization*
IT risks	Information, Communication and Technological Department.	Unlikely	ICT risks: ▪ *Infrastructural damage due to natural disasters, social engineering, cyber and malware attacks* Impact: ▪ *Possible halt in operations due to loss of equipment* ▪ *Loss of confidential information and data*	▪ *Regular maintenance and update of anti-virus software and firewall* ▪ *Regular backup of important transactional and relevant application data* ▪ *Remote backup location for data security and hardware redundancy*
Financial risks	Finance Department	Possible	Financial risks: ▪ *Credit risk* ▪ *Cash flow risk* ▪ *Foreign exchange risk* Impact: ▪ *Increasing in bad and doubtful debts* ▪ *Possible termination and fall-out in trust with suppliers and bankers* ▪ *Delay in loan repayment, extended credit terms and higher interest rates*	▪ *Strict guidelines over credit control* ▪ *Check for credit worthiness by the credit committee* ▪ *Improve the collection procedure* ▪ *Enhance mechanism to improve cash collection from debtors* ▪ *Invest access cash in treasury bills* ▪ *Increasing local purchase of non-branded products* ▪ *Swap arrangements*

BUSINESS STRATEGIES

Our new strategic focus on new ventures in shipping, logistics, warehousing, re-exporting and oil trade will ensure business growth and create a sustainable business model for the Company.

In **pursuit of success**, the Company consistently and continuously tries its maximum **to keep its' business development goals in-line with national interests**.

Sales & Marketing Report

In sales and marketing point of view, 2012 was one of the most successful years for the Company. A total of 28 effective marketing campaigns were conducted in 20 different sales outlets, along with twenty-three brands imported and distributed by the Company.

These marketing activities were conducted in line with the long term marketing plans to achieve greater result in the long run.

The main objective behind increased number of sales and marketing activities was, to strengthen and build STO's market share, while improving stock turnover ratio of the Company.

Centralized Sales & Marketing:

A centralized Sales & Marketing Department was formed during 2011, and the fruits of centralization started to bear during 2012. Centralization facilitated the Company to conduct it's marketing activities in a more efficient manner.

As a result, turnover of the Company jump to a record level. Sales teams of different business segments worked as a team in providing more complete solutions from company's products portfolio, thus the resources which were used in sales activity for one particular brand contributes to the sales of other brands.

Better Shopping Experience:

STO believes that offering a service friendly shopping experience is essential in retaining and expanding the vast customer base of the Company. Keeping this in mind, the Company relocated operation of two new retails outlets, followed by the opening of two regional pharmacies in south and north of the country. Likewise, some of the shops were redesigned to improve space for the customers.

Improved Services:

Satisfied customers are the foundation to build a confident and loyal customer base. In such, the Company emphasized on improving the after sales services provided on the products sold from Home Improvement segment.

Service Centre

State-of-the-art, STO Service Centre was opened in 2012, equipped with skilled and experience technicians. With the new Service Centre, the Company announced warranty extensions on key products, which in turn has built customer confidence on our products.

Call Centre

Being the largest trading company in the country, with scattered distribution network, significance of a Call Centre was essential. During 2012 STO Call Centre was opened in Addu City; with the main objective of further enhancing the service we offer to our customers.

Future business moves

After venturing in to the tourism industry, STO is looking into other sectors in which the Company could thrive, expand and develop its businesses and contribute to the national economy. In pursuit of success, the Company consistently and continuously tries its maximum to keep its' business development goals in-line with national interests. In that aspect, STO is determined to capitalize on new ventures and growing demand in shipping, logistics, warehousing, re-exporting and oil trade.

Explore shipping

Being the largest public trading company in the country, in order to import numerous diverse commodities from different parts of the world, a more reliable and economically viable International logistics network is a vital need for STO.

Thus, the Company has a strategic focus on increasing the number of vessels in its fleet by acquiring a semi-container vessel which would help to improve logistics of staple food and medicine significantly. On the same page, the Company is determined on capitalizing from the ever growing demand that exists on the Male-Colombo-Singapore route.

In addition to this, the shortage of small to medium size clean product tankers is continuously amplifying market freight of fuel, resulting in huge foreign currency payments to ship brokers/owners. As a result, a study is being conducted to examine the feasibility of acquiring another clean product tanker for oil trade.

Enhance National Logistics

STO acknowledges the geographical dispersion of islands in the country as one of the major challenges for national economic growth. Currently, movement of goods is tightly constrained between the islands and within the Country. Consequently, the Company is seeking to build up a sound national logistic arrangement that will stimulate company growth and assist local traders by providing a faster and more reliable infrastructure for transportation of commodities.

Multi-storey Warehouse in Male’

Significant effort is being made to utilize the land acquired by the Company. As such, a comprehensive study is under way to assess the practicality of building a multi-storey warehouse in Male’.

It is assumed that such an investment would provide a permanent fix for in-house warehousing in Male’ zone as well as generate reasonable profit by leasing out additional space to local businesses at a more affordable rate.

Multi-story Warehouse in Male’

Umar Shopping Arcade

Future focus on Wholesaling

STO is gradually changing its strategic focus from retailing to wholesale trade. Buying in bulk quantities and selling them to numerous local retailers at a discounted rate is the main idea.

This would help to stabilize the price level in the market thus creating better range of more affordable choices for the customers.

Oil Trade Expansion

Expansion of oil trade is prioritized as it is the most profitable opportunity available for the Company.

Due to the high capital and technical know-how required for such an endeavor, the Company is working with a strategic partner on how to go forth with the expansion plan. Along the same line, feasibility of establishing a bunker point in Haa Alif Atoll is being studied.

A successful execution of such a plan would allow vessels passing the 7 degree channel to stop by for bunker. In addition to this other services like, ship chandelling and workshops could be established to cater to potential customers which would create new business opportunities in the region for locals.

Re-exporting

It is the Company's vision to establish a strong foothold in the international market. The Company is on the lookout for opportunities to re-export commodities to the neighboring countries, especially Sri Lanka and India. In fact, the Company has successfully re-exported fuel to Sri Lanka in the past few years.

...**will stimulate company growth** & **assist local traders** by providing a **faster and more reliable infrastructure** for **transportation of commodities**.

OUR PROMOTIONS IN 2012

First Quarter

- POWER WITH MAKITA PROMOTION
- PHILIPS SURPRISE
- BLEND IT WITH PHILIPS
- PHILIPS FOR YOUR LIVING ROOM
- COOL COOL HITACHI PROMOTION
- NIPPON BIG PAINT PROMOTION
- AL MUDHISH WIN ‘N’ WIN PROMOTION
- ECO CAMPAIGN
- CHOCOLATE WEEK
- DEVONDALE BUTTER & CHEESE SPECIAL OFFER
- PURITY & KRUGER SPECIAL OFFER
- FRAGATA SPECIAL OFFER
- KDD JUICE OFFER
- TOM MILK SPECIAL OFFER

Second Quarter

- PHILIPS GO GEAR OFFER
- EUROPHORIA
- PHILIPS RAMAZAN CARNIVAL
- RAMAZAN BAZAAR
- ICE CREAM WEEK 2012
- TIFFANY SPECIAL OFFER
- OSK GREEN TEA SPECIAL OFFER

Third Quarter

- HITACHI RAMAZAN ROADHI
- ROBERT RAMAZAN PROMOTION
- CONSUMER FAIR

Fourth Quarter

STO BODU SALE

The above promotions are arranged in order of the Promotion start date


NIPPON




TOUCHING LIVES

STO cares for the well-being of the society. The Company believes that the availability of healthier products is significant in shaping a healthier community.

STO's vast presence in the nation puts an enormous responsibility to lead on issues that make a difference for the communities, associates and the nation as a whole. STO's culture and its values ensure that such differences are made at all aspects of the business operations. To fulfil such a requirement, today STO's major focus is on ethically sourcing high-quality products, reducing environmental impact and contributing positively to the communities.

Official Declaration of STO's commitment to Corporate Social Responsibility and Sustainable Development and signing the UN Global Compact was the most significant highlight of STO's social calendar.

Already a champion in serving the community, the company agrees to commit to, assess, define, implement, measure, and communicate corporate sustainable strategies to achieve its objectives.

As such the Company officially started following the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

A Health Conscious Partner

STO cares for the well-being of the society. The Company believes that the availability of healthier products is significant in shaping a healthier community. As such the Company is dedicated to acquire and market products that are beneficial to the customers' health.

In consideration of such, the Company has introduced a Hitachi air-conditioner that comes with an air refreshing system which enables anti bacterial sanitizing. Likewise, the newly introduced Hitachi Refrigerator range has a special feature known as Minus-Zero Cooling system which preserves the nutrition and fresh taste of food for a healthier life style, thus providing a solution for the health conscious community.

An Environment Friendly Partner

In identifying the importance of protecting environment, STO encourages the development and diffusion of environmentally friendly technologies. As such the Company has introduced a range of products in washing machines, refrigerators and air-conditioners that utilize R410 and R600 gases which are recognized as ozone free.

Similarly, the new inverter technology in STO marketed Hitachi Products are one of the most energy efficient technologies available in the market.

On a similar line, STO is seeking to reduce consumption of materials, re-use rather than discard where possible and promote recycling and the use of recycled materials.

Protecting the Marine Environment

The Company keeps complying with the requirements of IMO "International Convention for the Prevention of Pollution from Ships (MARPOL)" in the operation and management of its own vessels. Hence, oil pollution is prevented by continuously updating, monitoring and controlling the mechanism.

Valuing Youth Development

As part of the interaction with the society, STO values and rewards the effort students make throughout their academic years. In the year 2012, STO was the main sponsor and promoter of Top Achievers Award. One of the major reasons behind such a contribution was the Company's determination to create a better youth for the future of the Nation.

Likewise, considerable efforts were made to develop a healthier society for youth through sports. Development of Hitachi Futsal Area in K. Hulhumale' was one of the major highlights along with sponsorships given to 6 football first division teams. Similarly, STO was a partner and the main sponsor of National Badminton Tournament and National Tennis Tournament respectively.

Apart from sports, the Company has invested and worked with Department of Penitentiary and Rehabilitation Services of Maldives in setting-up Brick Factory in K. Maafushi Jail with the intention of offering a better rehabilitation for the inmates.

Assisting Local Farmers

Converting the crops into cash has been identified as the most concerning challenge for the local farmers. The geographical dispersion of islands makes it extremely difficult for some of the local farmers to distribute their products, especially in the North region. In order to bridge the gaps for the local farmers, STO has opened its Isle Fresh Shop in 2012, which offers a much reliable means for local farmers in distributing their crops.

Stabilizing Price Level

Inflation fueled by oil price hike since 2009 has had a negative impact in the day-to-day lives of every Maldivian. In order to assist the community during such a difficult period especially in Ramazan, STO has identified 27 essential commodities together with Ministry of Economic Development. The Company took sole responsibility of stabilizing the price level of said commodities and was successfully managed to do so throughout the Ramazan. As such the Company is determined to continue stabilization of prices for the community, through newly introduced “Preferred Partner Program”.

Through this program retailers are enjoying 2% discount that enable them to sell the same product at the same price as STO Supermart. Therefore, the consumer is benefited as the product is available at their door steps.

Enhancing Distribution of Pharmaceutical Products Though Out the Nation

STO has seen a drastic change in health sector of the Maldives during the year 2012, which was mainly due to the introduction of Aasandha– public health insurance package. With Aasandha, the requirement for medication surpassed the initial forecast by creating a huge demand for medical consumables and pharmaceuticals. To cater to such a demand, STO has expanded its pharmaceutical distribution network in Northern and Southern parts of the country, enhancing the availability of pharmaceuticals. During 2012, two pharmacies (Hdh. Kulhudhuffushi Pharmacy and Gdh. Thinadhoo Pharmacy) were opened. At the same time, the company intends to build five more pharmacies in the near future. These outlets will directly make life easier for the Maldivian community as a whole.

A Generous Contributor

STO is always a catalyst in developing the community through its generous contributions. STO recognizes investment in the development of the society as its responsibility towards the people. As such considerable financial assistance was given in the year 2012. The following list details the organizations, events and programs that the company contributed to.

- STO Top Achievers Award 2012
- KudaKudhinge Hiyaa
- Parents Awareness Programs
- VeshiJamiyyaa
- Drug Rehabilitation Centre
- Deaf Association of Maldives
- Educational Field Trips
- Hemophilia Society of Maldives
- Blind and Visually Impaired Society of Maldives
- EcoCare Maldives
- Department of Penitentiary and Rehabilitation Centre
- Dhivehi – English Conversation Book 1
- Advocating the Rights of Children
- Independence Day Celebrations
- Maldives Autism Association
- Miskithu Fund
- Maafushi Jail Project

A Promoting Agent

The company is well known for its participation, celebration and promotion of CSR related activities. In the year 2012, considerable effort and time has been spent on promoting and participating in the following events;

- Earth hour march
- World Autism Day
- World Environment Day
- Blood Donor Day
- Blood Donation camp (held by voice of Maldives) – staff participated
- STO Isle Fresh Fihaara Opening

Today, being one of the **earliest adopter of UN Global Compact in Maldives**, we have officially declared **our commitment to corporate social responsibility and sustainable development** thus creates enduring trust for our customers.

THE PILLARS OF STO

STO's philosophy is simple: in order to brighten the Company's future, the Company must provide all employees a quality work environment and the opportunity to develop their career path. These are some core values which lays the foundation to all the work done by the HR department of the Company.

Key Highlights of 2012

- SAP HCM implementation - For the Human Resources Department (HRD) the year 2012 marked the implementation of SAP HCM module. The project kicked off with a minimal number of staff on 1st September 2012. However, the dynamic and dedicated staff of HRD ensured that project met its tight deadline. The commitment shown by the staff during the project meant that the system went live on 31st January 2013, well within the estimated period.
- Document Management System implementation - The implementation of the document management system (DMS) ensured the safekeeping of crucial staff documents for the Company. The digitization of the documents promises efficiency in document retrieval and easy maintenance of staff documents. DMS is one crucial step towards acheiving a paperless working environment.

Staff Training & Development

Since 2004 STO has given an extensive effort on staff training and development. This shows that career development is a priority of STO HR strategies. There is a gap in staff training which STO's HR department is continuously trying to fullfill. Hence, the Company's employees are capable of making informed decisions and deliver the best service to the customers.

Year 2012 has been no different to past years where close to MVR 5 million was spent on staff training and development. While such a high amount is spent for staff development, the Company ensures that it provides the necessary return to the organization by retaining the staff at the Company.

Reward & Motivation

With the revised wage structure of the Company, STO is placed competitively among the top industry tiers. Year 2012 was also a year during which the employees received their annual bonus according to the Company's bonus policy. This was a just reward to the hours of hard work and effort by the organization's staff to improve the Company's net result. In addition the Company gives a high importance to create a better work environment for the employees. Last year, Logistics, Sales & Marketing, Planning & Replenishment department staff were moved to a much more modern, spacious and lively work environments. STO also gives a keen importance to staff empowerment by providing the opportunity for employees to work as leaders. While at the same time STO's HRD create the opportunities to move up the ladder in their respective field.

Search for New Talent

With the number of graduates increasing in the Country, STO finds it difficult to get the best (the cream) amongst them. However, STO being one of the largest organizations in the Country makes the best use of its stature, to recruit the best from the local society. STO sponsors a number of students in the universities and the institutions of the Country. This indirect association with the educational institutions helps to project the image of STO as an auspicious employer among the students, which in turn results in a lot of job interests from the students. The past couple of years has shown the benefits of such indirect relationships, where many students who has partially or fully completed their professional studies has applied to various different posts in STO.

STO being a large organization with a structured hierarchy confirms ethical standards and continuity for its employees. Also being a rather established company, ensures the job security for the employees.

Skill Development

One of the core businesses of STO is to provide controlled drugs, medical equipment and other pharmaceuticals at an affordable, efficient manner to the public. In this regard, it is common to see new pharmacies opening all across the Country.

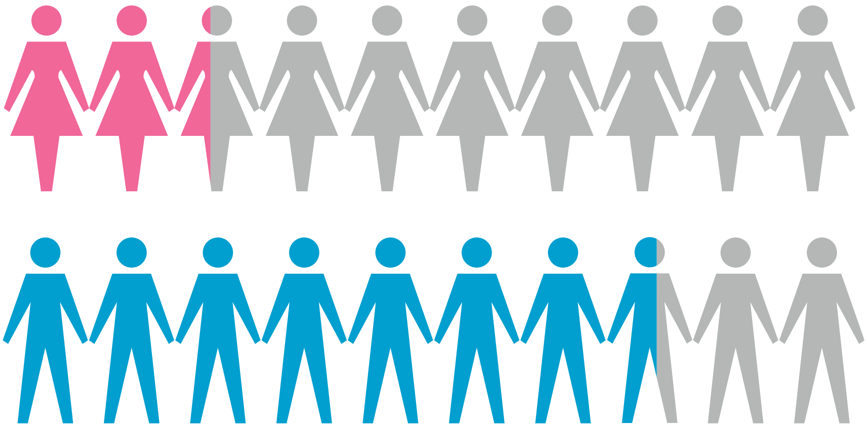
With STO pharmacy chain expanding across the Country, STO faces a major challenge in recruiting technically qualified staff. Authorities require that the pharmacists should at least have an Advance Diploma in Pharmacology. With the limited number of qualified pharmacists in the Country, the Company faces the situation to hire foreigners to proceed with operation.

STO has identified this lack of resource in the Country and has worked hard to fulfill this need by introducing Advanced Certificate in Pharmacology training to the public. It is mostly noted that the applicants for these courses does not meet the re-

EMPLOYEES*

24%
FEMALE

76%
MALE



** Local employees only.*

EMPLOYEES

17%
FOREIGN

83%
LOCAL

quired educational qualification. In order to overcome these challenges STO is working closely with the Faculty of Health Sciences to train people for these potential job opportunities. It is the wish of the Company that all STO pharmacies are being operated by Maldivian pharmacists.

Importance of SAP Certified Staff

The entire operation of STO is now built on the SAP ERP platform. As a result, the Company has identified the need for SAP trained professionals in the organization. The Board has directed the Company to give priority for SAP related trainings to fill this skill gap. Last year the Company worked towards the target of training at least one staff per each SAP module to the level of SAP certified associate consultant. Even with the recent budget constraints, the Company has given a high importance to achieve this. The effort given to train staff (MVR 1.65 million - 23% of total training budget) on SAP has resulted in producing 5 SAP certified associate consultants in the Company. These world renowned certifications ensures the professional qualification of STO staff among the highly coveted world of SAP professionals.

The SAP qualifications achieved includes:

- SAP Certified Technology Associate – System Administration with SAP NetWeaver 7.0
- SAP Certified Technology Associate – Financial Accounting with SAP ERP 6.0 EHP5
- SAP Certified Application Associate – Business Intelligence with SAP NetWeaver 7.0
- SAP Certified Application Associate – Procurement with SAP ERP 6.0 EHP5
- SAP Certified Application Associate – Human Capital Management with SAP ERp 6.0 EHP5
- SAP Certified Development Associate – ABAP with SAP NetWeaver 7.02

Human Capital Management

Human Capital Management (HCM) module of SAP is the latest addition to the SAP platform.

The HR department of STO worked extensively through the later stages of 2012 and early stages of 2013 to implement SAP HCM module. As a result of this hard work, STO went live on HCM module on 30th January 2013, with in just 5 months of project initiation.

With the implementation of HCM the Company expects the staff expenses to be managed on a day to day basis. Especially, processes such as staff time management and processing of payroll. HCM promises more efficiency on staff monitoring in terms of over-time and leave management. STO's staff salary contributes to a large portion of the Company's administrative expenses, which makes staff cost monitoring very important for the Company. While employ management and payroll is the first phase of HCM project, the Company has the long term target of implementing knowledge management and performance appraisal modules as well.

Healthy Work Environment & Staff Well Being

The existence of a Health & Safety Committee in STO shows the importance given to the staff well-being by the management. The committee is continuously working on various policies to ensure the safety standards and the health of the employees. In addition, the Grievance & Disciplinary committee and the whistle blower policy ensures that the staff's concern and their voices are heard by the management. Furthermore, some of the departments follow international best practices and ISO standards which ensure that the Company follows the best guidelines in terms staff safety and well-being.

STO also provides interest free loans for the employee which is a significant step in terms of staff welfare. The staff sales discount introduced in 2012 also compliments to the staff well-being. The Company has no doubt that these loans helps to improve the standard of living and contribute to the well-being of their families.

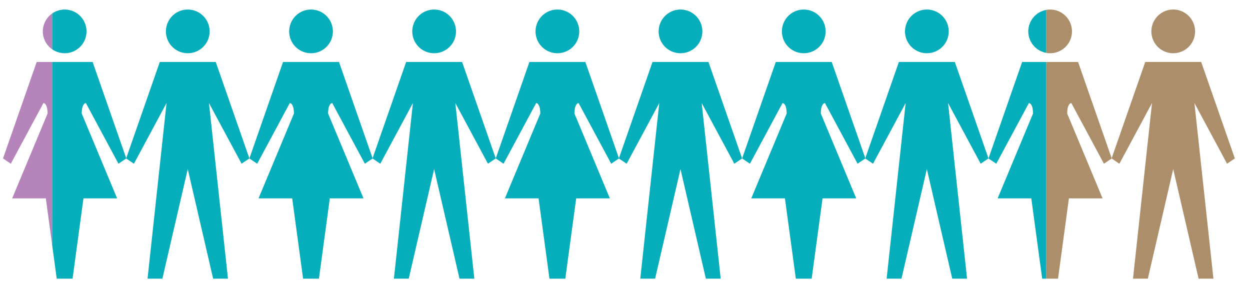
Some of the activities related to employee well-being from last year include:

- Firefighting classes
- First Aid & Lifesaving classes
- English classes
- Child abuse Awareness session
- Road safety and regulation session
- Diabetes awareness session
- Autism awareness session

Insight into the Future

The Human Resources department of STO remains committed to serve its employees in order to take the Company forward. The department strives to adopt the best practices and technology in order to improve the service to the customers – the employees. 2013 would be a transition year for the department in which the Company is migrating to SAP HCM module. STO believes that the HR department is more than ready to take on this challenge and excel on this platform. As with the previous SAP implementations, HR department expects that SAP HCM platform will take the department to a higher level and to a new standard. SAP HCM module elevates the Company as one of the most efficient HR departments in the Country.

EMPLOYEE DISTRIBUTION



04% NORTH REGION

81% MALÉ REGION

15% SOUTH REGION

Recreation Club
faces.unite.joy

STO RECREATION CLUB

STORC strongly believes that recreation is beneficial for both physical and psychological well-being of employees in STO.

Overview

"All work and no play makes Jack a dull boy." This saying has lasted in time for quite long and for good reasons. If you work all the time, and do not have time for occasional recreation, you will simply tire yourself. STO Recreation Club is a firm believer in this proverb. STORC strongly believes that recreation is beneficial for both physical and psychological well-being of employees in STO.

Faces. Unite. Joy

Faces. Unite. Joy. – This is what STORC represents and what it strives to achieve. Year 2012 was of no difference in such that STORC organized and conducted various activities to instill teamwork, togetherness and unity across the employees of the organization. These activities also create a sense of belonging, affection and respect towards the Company. STO being one of the largest organizations in the Country has its work force distributed across the regions of the Country. STORC plays a key role in creating unity across the employees by bringing these different faces to a common social gathering.

Activities organized by STORC for the employees in 2012 includes

- Inter-department Futsal tournament
- STORC PS3 tournament
- STORC SPL (Score Prediction League) – EURO 2012.
- STORC Annual Trip

ACHIEVEMENTS FOR STORC IN 2012:

Won the 44th National Volley tournament (1st Division). STO team also won the awards for best player (final match) and the best player (tournament)

Won the Championship of the 3rd National VolleyLeague (1st Division). STO team players were also awarded Best Blocker, Best all-around player, Most Valuable Coach and Best player awards

Champions of National Beach Volleyball tournament (Men’s Division)

18/30 women futsal fiesta

Champions of Club maldives

STO won the Championship of Capital City Eid Futsal Cup. The team also had 3 of its members in tournament top 5 and STO team won top scorer award as well

Ladies doubles champion in inter-office Carom tournament

Open Singles Champion in Inter-office Carom tournament

STO team achieved No.1 ranking at National Volleyball league

Runners-up for STO’s Men’s team at 23rd National Carom Tournament

Runner’s-up in Wataniya Club Maldives Cup

2nd Place in men’s single in inter-office Carom tournament

STO Men’s Volleyball team qualified for the 2nd round of national volleyball league as the top scorer at 1st round

Runners-up in Pascual 21st Volleyball Association Cup (Both Men's & Women's Division)

3rd place in dream team in inter-office Carom tournament

3rd place in Male's team event in inter-office Carom tournament

4th place for STO's Women's team at the 23rd National Carom Tournament

5th place in inter-office Volleyball tournament Quarter Finals

Participated in the 39th National Badminton Tournament

Contribution to the sport

The value and benefit of the activities conducted by STORC is not only reflected at the organizational level. It is also reflected as a major benefit to the entire sport of the Country. For example, STO's passion in football has resulted in a number of male and female employees representing the nation at international level. Likewise, there is no doubt that STO's participation in the National Volleyball Tournament and the National Carom Tournament has improved the quality and the standard of these competitions.

Future Outlook

STORC remains committed to evolve with the ever changing work environment. However STORC will remain committed to its core values, to bring joy through unity across employees and society. STORC intends to plan its future activities in such a way that would ensure a higher participation from the regional outlets. In addition STORC would give a greater emphasis to serve the community through social responsibility.

STORC believes Recreation helps in staying healthy, achieving a peace of mind, reduce hypertension and improves the quality of life. The Company believes that STORC is crucial to its journey to achieve the greater vision.

CORPORATE GOVERNANCE

"**Good governance** is not merely following a **set of rules**, but **ensuring that we give the highest priority to disclosure and openness** even in the **most challenging times** for compliance."

IN THIS SECTION

CHAIRMAN'S INTRODUCTION

The Capital Market Development Authority's (CMDA) Corporate Governance Code States that the Code ensures that the Companies are directed and managed at board and management level in a fair and transparent manner. For us, this means not merely following a set of rules, but ensuring that we give the highest priority to disclosure and openness even in the most challenging times for compliance. Good governance takes different forms; whether it be, adopting best practices early — such as conforming to all the codes, or being open about non-compliance during such times.

The past year has been a challenging time for STO Board in terms of governance and operation as well. The government being the majority shareholder meant that the changes in the government had a direct affect on the composition of the Board as well. However, I am now pleased to inform that with time the Board has stabilized and the work has resumed with much greater speed and motivation. I am privileged to work with the current Board of Directors. We believe that diversity in the boardroom in terms of background, skills and experience, encourages independent and challenging debate and leads to better decision making.

During the year, four members have left the board and we have welcomed five new members as non-executive directors. The newly appointed directors have excellent business track records; hence, I have no doubt that their input will drive the organization forward. I would also like to take this opportunity to thank the Board members who have parted with us, during the year, for their valuable contribution.

In 2012, - we intensified out commitment to train our Directors to ensure that the group works professionally with relevant knowledge - more details on page 59.

We are pleased to confirm that we have complied with most of the Code for the period under review. STO has taken the necessary action in informing the non-compliances to the relevant authorities. STO strongly believes in good governance practices and would continue to pursue to attain the highest standards throughout the organization.

Board effectiveness

The Board of Director's is the governing body of the Company. The Board takes all major decisions regarding the affairs of the Company.

As Chairman, I manage the Board and oversee the operation of its Committees. My aim is to ensure that they operate effectively enough with the relevant range of skill sets and experience to ensure that they are fit for their purpose. In this report I will explain how we cultivate a talented, diverse board whose performance is reviewed and improved.

Achievements against 2011 board effectiveness action plan

	Action plan on improving Board conduct through 2011 evaluation highlights	Action plan update in 2012
Strategic business plan	The strategic plan developed by Board and management needed Board endorsement.	Since the Government changed and the strategies given by new board varied from that agreed with the previous board, new strategy meeting was held at the end of the year.
Improving Board meeting effectiveness	Provided iPads and notebooks for directors to ensure timely provision of board material	Successful implementation with a high percentage choosing electronic over paper copies
	Enhance appropriate information flow to Directors to allow for a more focused board agenda	Ongoing – board paper cover sheets were changed this year, however, board paper presentation guidelines and revision to the cover sheet is still being developed
Director's knowledge in CG. Finance and Legal matters	To conduct Board trainings and refresher courses	All directors have completed the directors training program organized by CMDA. On top of this, every director has completed a directorship, finance related or legal course. Company lawyers have enlightened the Board on relevant laws and regulations.
Performance of NED's	Board induction	Board has now adopted a Board director training policy and in accordance to that, the directors have been provided with a basic induction program.
	Site visits	Board directors have visited most of the outlets and STO offices in Male' and Villingili.
Committees	The absence of adequate financial persons in Audit committee	The new committee appointed in 2012 includes members with exceptional financial background.
Delegation of the powers of MD	Delegation of power of MD was transferred to the respective officer through email in case MD was on leave or official leave	A document on delegation of MD's role was approved and signed by MD and Chairman

An online internal evaluation of the Company, Board, Chairman, Managing Director, Directors (peer evaluation), the Committees and the Company Secretary was done towards the beginning of 2013. This 360 degree evaluation consisted of a questionnaire which was evaluated, marked and commented. The evaluation marks, together with the comments was presented to the Board so that the members could focus on what needs to be corrected and improved. This process also provides an opportunity to review the personal performance of a director on a one-to-one basis. Following that, I am happy to confirm that each board member's performance is effective and they each continue to demonstrate full commitment to the role.

The achievements against the action plan flowing from the 2011 board effectiveness review are detailed in the table above. The table clearly reflects on steps taken to attain the suggested improvement.

In relation to non-executive Directors involvement in developing the long term strategy of the Company, a workshop was held in which the entire Board and senior management participated. The workshop was very productive and it provided key insights to areas that would be most beneficial for the Company from a strategic point of view.

Corporate governance is and will always be a set of guidelines to which STO will pay the utmost importance to. My aim in this report is to illustrate our openness towards the challenges we face in adopting the governance best practices. I would also like to illustrate our commitment to creating value with the right people making the right decisions within a board and committee environment that promotes challenge and debate.

Abdulla Faiz
Chairman

BOARD OF DIRECTORS

CHAIRMAN

Abdulla Faiz

Faiz was appointed to the Board as the Chairman by the majority shareholder (Government) on 7th May 2012.

He is a well-known business figure who has held executive positions in many well-known organizations.

Abdulla Faiz is also a non-executive independent Director who as the Chairman is responsible for overseeing the Board of Directors and the respective committees.

He is recognized as a highly experienced and independent Chairman who has played key roles as the founder member of key organizations such as - Maldives National Chamber of Commerce & Industry, Maldives Traders Association and Restaurant Association of Maldives.

MANAGING DIRECTOR

Shahid Ali

Shahid was appointed to the Board on 20th November 2008. He was appointed to his current appointment as the Managing Director on 6th January 2009.

He is a well-educated Director who brings extensive experience in financial matters. He has provided his financial expertise in many nationwide major projects as a financial specialist.

Other appointments held; Executive Director of Maldives Tourism Development Corporation Plc, Deputy Director Ministry of Finance and Treasury, Project Administrative Consultant at Ministry of Planning and National Development.

Shahid is recognized as a person who has provided his expertise to many multilateral agencies such as the The World Bank, Asian Development Bank and UNDP. He has also provided financial management and development consultancy during his freelance period to large organizations such as - Banyan Tree Maldives, Villa Group, Crown Company, AAA Company and Sun Travel & Tours.

From left to right: Ahmed Niyaz, Shahid Ali, Amir Mansoor, Abdulla Faiz, Mohamed Farshath, Vizaad Ali, Abdul Hadi Hussain Fulhu.

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.

Abdul Hadi Hussain Fulhu

Hadi was appointed an indepenedent non-executive Director by the majority shareholder (Government), in May 2012.

He spent the earlier part of his career serving STO for more than a decade. He rose through the ranks of STO and was a Deputy Director when he was released to Fuel Supplies Maldives.

Hadi has a wealth of knowledge in the financial sector and served as the Head of Accounts Department at STO. In addition, during his time at FSM he served as the Head of Department of Administration, Human Resources and Legal Depatment.

Additional positions held: Represented STO as a Board Member at Maldives Industrial Fisheries Company Private Limited.

Hadi holds a Bachelor in Commerce while Majoring in Accounting.

Ahmed Niyaz

Niyaz was appointed a Director in May 2012 by the majority shareholder (Government).

Niyaz is a non-executive independent Director. Currently working full-time for Maldives Tourism Development Corporation, as the operation and development Manager. He provides expertise on strategic planning, project management, financial analysis, policy implementation, operations.

With an educational background in economics, sociology and political science, Niyaz has served as Headmaster in various regional schools. Niyaz holds Bachelor of Arts in Economics, Sociology and Political Science from University of Myosre, India.

Vizaad Ali

Vizaad was appointed to the Board as an independent non-executive Director in May 2012 by the majority shareholder (Government).

With educational background in computer science, information systems and public finance, she brings a wealth of knowledge to the Company.

Her career started in Maldives Customs Service where she worked her way through various ranks to the current post of Deputy Chief Superintendant.

Vizzad holds a Masters in Public Finance from Graduated Institute of Policy Studies - Japan, and a Bachelor in Computer Science from Christ College - India

Mohamed Farshath

Farshath was appointed to the Board in the 2012 AGM as the only Director elected by the public shareholders.

Farshath currently holds the post of Secretary General of Maldives Media Council. He has also provided his services to Civil Service Commission, Maldives Tourism Development Corporation, Ministry of Tourism and Civil Aviation, Ministry of Tourism, Foreign Investment Services Bureau and at Clique Training Center.

Farshath has an educational Background in Tourism, Business Administration and Information Technology. Farshath holds a Bachelor (Hons) in Business Administration from Northumbria University- UK, Masters in Tourism Management from University of Westminster- London, Diploma of Higher Education from Middlesex University – UK and a Diploma in Information Technology from Wollongong University – Australia.

Amir Mansoor

Amir was appointed to the Board as an independent non-executive Director in May 2012 by the majority shareholder (Government).

Amir is a well known business figure who has founded and performed in various large companies. He is currently the Chairman of Carpedien Maldives Pvt. Ltd., and the Managing Director of Lily International Pvt. Ltd. and Managing Director (owner) of Grape Expectation Pvt. Ltd.

EXECUTIVE MANAGEMENT

The Company has an Executive Committee consisting of the Heads of Departments. The committee meets weekly and is responsible for formulating strategy for discussion and approval by the Board, monitoring performance and managing the Company's portfolio. The committee is also responsible for developing and implementing Companywide policies and procedures for the adoption of industry best practices.

Executive committee members

Shahid Ali

Managing Director

Shahid Ali was appointed as the Managing Director on 6th January 2009, and has been a Board Director since 20th November 2008 (see page 54 for a detailed profile of Shahid)

Sana Mansoor

Chief Financial Officer

Sana Mansoor joined STO in 1988 and was appointed the Chief Financial Officer in January 2009. She had been a Board Director of the Company from November 2008 to May 2012.

Sana holds a Bachelor's Degree in Commerce (Accounting and Finance) from Griffith University, Australia. She is a Certified Practicing Accountant and is also a senior member of CPA, Australia.

She currently serves as a Board Director of Maldives Stock Exchange Company Pvt. Ltd. and Maldives Security Depository Company Pvt. Ltd. She is also the Chairperson of Allied Insurance Company of the Maldives Pvt. Ltd.

Ibrahim Shareef Mohamed

General Manager - Corporate and Legal Affairs

Ibrahim Shareef Mohamed joined STO in 1986, and is currently in charge of Corporate & Legal Affairs. He had been a Board Director of the Company from June 2008 to November 2008.

Shareef Holds a Post Graduate Diploma in Shipping Management, from Humberside Polytechnic, UK.

Shareef is a Board Director of Dhiraagu PLC. He is also the current Chairman of Fuel Supplies Maldives Pvt. Ltd.

From left to right: Sana Mansoor, Ahmed Niyaz, Ibrahim Shareef Mohamed, Ashraf Ali, Fathimath Ashan, Shahid Ali, Ahmed Shaheer, Aishath Shaffana Rasheed, Ibrahim Ziyath, Mohamed Nabeel Abdullah, Ahmed Shifan, Adam Azim, Abdullah Shafeeu Mahmood.

Ahmed Shaheer

General Manager - Business Development & Transport

Ahmed Shaheer joined STO in 1994 and is currently in charge of Business Development Department and Transport Department.

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.

Shaheer is the current Chairman of the Board of Lafarge Maldives Cement Pvt. Ltd.

Mohamed Nabeel Abdullah

General Manager - Hotels and Resorts

Mr. Mohamed Nabeel Abdullah joined STO in 1995 and is currently in charge of Hotels and Resorts Department.

Nabeel holds a Master's in Information Technology and Business from University of Lincolnshire and Humberside, UK and a Bachelor of Science with Honors in Software Engineering from University of Shefield, UK.

He is also the Managing Director of STO Hotels and Resorts Pvt. Ltd. and currently serves as a Board Director of Fuel Supplies Maldives Pvt. Ltd.

Fathimath Ashan

General Manager - Human Resources

Fathimath Ashan joined STO in 1994 and is currently in charge of Human Resources Department.

Ashan holds a 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.

She previously served as the Company Secretary of STO and is a current Board Director of Allied Insurance Company of the Maldives Pvt. Ltd.

Abdulla Shafeeu Mahmood

General Manager - Procurement

Abdulla Shafeeu joined STO in 2009 and is currently in charge of Procurement Department.

Shafeeu is a Chartered Management Account and a Chartered Global Management Accountant. He is an Associate Member of Chartered Management Institute, UK and a Senior Member of CPA Maldives. He had also previously served as the President of CPA Maldives.

Shafeeu currently serves as the Chairman of Maldive Gas Pvt. Ltd.

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.

Adam holds an MBA from University of Nottingham, UK and BA Accounting Finance from University of East London. Adam is an associate member of Certified Institute of Marketing, UK and a Senior Member of CPA Maldives.

Adam is a Board Director of Bank of Maldives PLC and also the Chairman of Maldives Structural Products Pvt. Ltd. He is also the current Chairman of STO Recreation Club (STORC).

Ashraf Ali

General Manager - Administration

Ashraf Ali joined STO in 1990 and is currently in charge of Administration Department.

Ashraf holds a Master's in Business Administration from University of Ballarat, Australia and a Post Graduate Diploma from Chartered Institute of Marketing, UK.

Ashraf had been the Managing Director of Maldive Gas Pvt. Ltd. from 1996 to 1997. Currently he is a Board Director of Maldive Gas Pvt. Ltd.

Ahmed Shifan

General Manager—Information Communication Technology

Ahmed Shifan joined STO in 2004 and is currently in charge of Information Communication Technology Department.

Shifan holds a 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.

Shifan currently serves as a Board Director of Fuel Supply Maldives Pvt. Ltd.

Ahmed Niyaz

General Manager—Logistics

Mr. Ahmed Niyaz joined STO in 1998 and is currently in charge of Logistics Department.

Niyaz holds a Bachelor's in Engineering (Electrical & Electronic) from Northumbria University, UK.

He served as the Chairman of STO Recreation Club (STORC) in 2012 and is also a Board Director of Allied Insurance Company of the Maldives Pvt. Ltd.

Aishath Shaffana Rasheed

General Manager - Company Secretariat

Aishath Shaffana Rasheed joined STO in 2004 and is currently in charge of Company Secretariat. Shaffana is also the Company Secretary of STO.

Shaffana holds Bachelor's in Business (Marketing and Management) from Edith Cowan University, Australia.

Ibrahim Ziyath

General Manager – Planning and Replenishment Department

Ibrahim Ziyath joined STO in 1997 and was appointed the General Manager in charge of STO Planning & Replenishment Department in 2012.

During his tenure Ziyath had previously served in STO, before being transferred to FSM as a General Manager. He previously held the post of Deputy Managing Director and acting Managing Director of FSM and also served as a Board Director at FSM.

Ziyath holds a Master's Degree in Business Administration from the University of Ballart, Australia and Bachelor of Business (Major in Management and Marketing) from Edith Cowan University, Australia.

WHAT IS THE ROLE OF THE BOARD?

The Board of Directors has a duty to promote the long term success of the Company for its shareholders. Its role include the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposal and capital expenditure and overseeing the Company's systems of internal control, governance and risk management.

Last year, the Board held 42 meetings during which the Directors worked directly and indirectly to achieve the Company's objectives:

- To tackle major challenges and provide strategic guidance towards the development of the Company.
- To review and endorse the Company's policies and financial statements.
- Safeguarding the rights of shareholders, employees and other stakeholders such as - customers, suppliers and creditors.

Every year the Board holds at least one strategy meeting and a non-executive director's meeting (NEDs). These meetings help to gather different opinions and independent perspective in developing the strategy of the Company.

How is the board composed?

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 Directors of which 6 are non-executive Directors. The only executive Director is the current Managing Director.

Role of the Chairman

The Board is chaired by Abdulla Faiz. The Chairman is responsible for ensuring effectiveness of the Board.

Role of the Managing Director

Shahid Ali is the Managing Director and is responsible for the execution of strategies and organizing day-to-day management of the Company, supported by the Executive Committee.

The current composition of the Board does not comply constitute according to the CMDA Corporate Governance Code, due to the absence of one executive director.

Independence of Directors

All NED's fully comply with CMDA Governance Code requirements of being an independent director. However, Amir Mansoor is a relative of the Company's Chief Financial Officer. Upon appointment to the Board, this information has been disclosed by the Director. STO has taken the necessary action in informing this Conflict of Interest to all the relevant authorities.

None of the NEDs have served on the Board concurrently for more than a year. There are no unexpired service contracts of any directors proposed for election at the forthcoming AGM.

There are no significant contracts in which a Director of a company had any direct or indirect material interest in regard to the company or any subsidary.

STO will continue to ensure that the Board displays all of the qualities of independence pursuant to the criteria set out in the Code.

How are Directors Trained?

All STO Board Directors are provided the training opportunities according to the Board Directors Training Policy.

Each Director has the opportunity for three scheduled training programs per year. These training are categorized as follows:

- Financial Training
- Corporate Governance training
- Professionalism / Personnel training

This ensures that the Directors has significant knowledge in financial, commercial, corporate governance best practices, and professionalism.

Upon appointment, as part of the Directors' formal induction process, a basic induction program is carried out. This program contains:

- An induction manual
- Briefing on Corporate Governance Code, CDOI regulation and other relevant guidelines
- Briefing on Listing Rules, share trading and other relevant information
- Briefing on the relevant laws and regulations concerning the business
- Briefing on the current affairs of the Company
- Briefing on the financials and Company performance
- Briefing on the Company policies, guidelines, executive committees and Articles of Association
- Briefing on departmental structures and mandate

Within six months of completion of the basic induction program the Director will be given training as an extension of the basic program. This program includes:

- Meeting with the Subsidiary Board and top management regarding the performance of the Subsidiary performance.
- Visiting STO sites all across the Country, where necessary.

Furthermore, all Directors are given the opportunity to discuss their development needs with the Chairman and request for trainings if required.

The Company Secretary facilitates all the Directors trainings. During the year 2012, based on their availability Directors attended

- Professionalism in Directorship Program
- Finance for Non-Finance Managers

How does the board deal with conflicts of interest

Upon appointment all Directors declared their conflicts of interest in writing on the Declaration of Interest form. These in turn are submitted for verification and additional information to the Registrar of Companies. The declared information is passed to the relevant department for the necessary action.

In addition it is also mandatory for Directors to sign the disclosure agreement. If Directors become aware that they have a direct or indirect interest in an existing or proposed transaction with STO, they notify the Board immediately and gets themselves excused for those relevant discussions and decisions. During 2012, all Directors obliged to these regulations and excused themselves from any discussions and decision in which they had interest.

Directors have a continuing duty to update any changes in these interests. During the year 2012 conflicts and disclosure statements were signed, conflicts register was updated and conflict management procedures were adhered to and operated effectively.

iPads & laptops for productivity & efficiency

As part of our commitment to best practices and innovation, iPads and laptops were provided for Directors to review board papers, ensuring fast and timely provision of information whilst at the same time reducing the environmental and financial impacts due to paper wastage. The majority of the Directors use the iPads for reviewing their board papers.

- To develop ideas for strategic planning to improve the business growth in the future.

How do we communicate with our shareholders?

We place a great deal of importance on maintaining an active dialogue with our shareholder base around the Country. We plan to increase our interactions in 2013 by further exposing our operations management to shareholders.

Board Meetings	Position in Board	Appointed	Resigned	Attendance	%	Type of Director
Abdulla Faiz	Chairman	07-May-12	-	36/36	100	Non- Executive, Independent
Shahid Ali	Managing Director	20-Nov-08	-	42/42	100	Executive
Amir Mansoor	Director	07-May-12	-	36/36	100	Non- Executive, Independent
Mohamed Farshath	Director	14-Jun-12	-	21/21	100	Non- Executive, Independent
Ahmed Niyaz	Director	07-May-12	-	28/36	77	Non- Executive, Independent
Vizaad Ali	Director	07-May-12	-	36/36	100	Non- Executive, Independent
Abdul Hadi Hussain	Director	07-May-12	-	36/36	100	Non- Executive, Independent
**The current board members*						
Farooq Umar	Chairman	20-Nov-08	09-Feb-12	3/3	100	Non- Executive, Independent
Sana Mansoor	Director	20-Nov-08	07-May-12	6/6	100	Executive
Ahmed Arif	Director	20-Nov-08	09-Apr-12	6/6	100	Non- Executive, Independent
Mohamed Ahmed	Director	20-Nov-08	06-Mar-12	4/4	100	Non- Executive, Independent
Arif Abdul Samad	Director	20-Jan-11	09-Apr-12	6/6	100	Non- Executive, Independent
Masood Ali	Director	26-Jun-08	14-Jun-12	21/21	100	Non- Executive, Independent

**Former board members*

BOARD IN ACTION

The Board of Directors made it a top priority to visit most of the departments and outlets in Male' in the year 2012. They have also met with the Directors of the subsidiaries.

Such visits are high priority for the Directors as it provides an opportunity:

- For board directors to introduce themselves to the employees
- To understand the entire operation of the Company. And to have hands on experience on how the operations side of the Company functions
- To identify the difficulties or issues the employees or customers may have
- To assess the work environment, the risk and the safety of the employees
- To observe whether the strategic overview of the board is implemented throughout the Company

The Company already maintains an active program of communication with the shareholders by sharing the financial and operation details quarterly via our website. The Company makes it a top priority to share all the relevant information to the shareholders through the National Media. This includes the local TV channels, radio and newspaper as well. STO initiates regular news conferences throughout the year. This ensures that the key information reaches all shareholders as well as potential Investors. In addition the Company takes forward steps in welcoming investors by arranging the necessary meetings with the Management and the Board if required.

The Company makes it a **top priority** to **share all the relevant information** to the shareholders **through the national media**.

Shareholders have many means in which they could communicate with the Board. For instance, they have the option to send e-mails, letters and communicate through the website and the Company Secretariat. However the preferred method for shareholder complaints is by letters, which are received at MD's Bureau. Any significant concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board. Shareholders are always welcome to get generic information they require by contacting the Company Secretariat.

During the year there were regular meetings with major shareholders and some public shareholders as well. Most of these meeting were with the majority shareholder - Ministry of Finance and Treasury. The majority shareholder being the government, the Company discusses all its important decisions with them. The public shareholders discuss issues about the Company's operations and management during their meetings which are in turn discussed at the Board by the Managing Director. We are happy that most of these meetings with public shareholders consist of some constructive discussions which eventually end up with good suggestions and recommendations from them. We strongly believe that shareholders input will have a big impact on improvement and way forward.

The Annual General Meeting is the most important event in STO's annual calendar. It is the one opportunity that the Company gets to meet its valued shareholders. Each year, STO gives a lot of emphasis to make the AGM event successful. We are happy to inform that the AGM held last year was a very successful event in which the Company answered a lot of shareholders questions to their satisfaction.

We are happy that most of these **meetings with public shareholders** consist of some **constructive discussions** which eventually **end up with good suggestions**...

DECLARATION BY THE BOARD OF DIRECTORS

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.

The Board of Director are pleased on the adequacy of the internal controls including financial, operational, compliance controls and the risk management systems implemented in the Organization.

Financial Statements

The consolidated financial statement 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 2012 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 has declared MVR 75 per share for shareholders' approval in the upcoming Annual General Meeting, 2012.

On behalf of the Board of Director's

Abdulla Faiz
Chairman

Shahid Ali
Managing Director

CORPORATE GOVERNANCE COMMITTEE

We **plan to increase our interaction** in 2013 by **further exposing our operations management** to shareholders.

Composition & Frequency of Meetings

Meetings	Designation	Appointed date	Till	No. of meetings attended in 2012
Ahmed Arif	Chairman	June 13, 2011	April 9, 2012	1/1
Masood Ali	Member	June 13, 2011	May 8, 2012	1/1
Mohamed Ahmed	Member	June 13, 2011	March 6, 2012	-

** Following the changes to the Government, the Committees were reconstituted on 9th May 2012. Accordingly Corporate Governance Committee was reconstituted to include the following members.*

Name	Designation	Appointed date	Till	No. of meetings attended in 2012
Masood Ali	Chairman	May 9, 2012	June 14, 2012	1/1
Mohamed Farshath	Chairman	June 18, 2012	till date	3/3
Amir Mansoor	Member	May 9, 2012	till date	4/4
Ahmed Niyaz	Member	May 9, 2012	till date	4/4

Roles and responsibilities

In accordance to Corporate Governance Code of CMDA and the Articles of Association of the Company, the CG Committee's mandate consists of the following:

- Develop and monitor the Company's overall approach to corporate governance issues and, implement, administer, and continue to develop a system of corporate governance within the Company.
- Undertake an annual review of corporate governance issues and practices for the Company and make recommendations for improvements where necessary.
- Advise the Board or any of its committees on corporate governance issues.
- Develop and implement an orientation and educational program for new recruits to the Board.
- Develop a process for assessing the effectiveness of the Company, Board, individual directors, and its committees and ensure that the Board conducts these evaluations annually.
- Ensure that board and its committees review its charters, annually.
- Develop and ensure implementation of a conflict of interest disclosure policy for the directors, executives and employees of the Company.
- Develop and constantly monitor a policy for issuing dividend to shareholders of the Company.
- Ensure that an appropriate business code of ethics is established and reviewed necessarily for the Company.
- Ensure that appropriate methods are being established for the stakeholders to submit their recommendations and inquiries to the necessary established regulatory bodies in the Company.

What did the Committee discuss in 2012?

- Discussed on the issues identified in the previous year's CG audit and further recommended steps for correction.
- Endorsed the Board Directors training policy.

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.

Mohamed Farshath

Chairman

NOMINATION & REMUNERATION (N & R) COMMITTEE

The **N & R Committee aims to build** on the **existing diversity of the board** and to ensure that **directors who deliver significant value** for the shareholders are **appropriately remunerated** and **the talent is retained.**

Composition & Frequency of Meetings

The Company has a combined Nomination Committee and Remuneration Committee for the purpose of expediency, since the same members are entrusted with the functions of both the Nomination and Remuneration Committees. Members of the N & R Committee are mindful of their dual roles, which are clearly reflected and demarcated in the agendas of each meeting.

Name	Designation	Appointed date	Till	No. of meetings attended in 2012
Arif Abdul Samad	Chairman	June 13, 2011	April 9, 2012	1/1
Masood Ali	Chairman*	May 9, 2012	June 14, 2012	1/1
Ahmed Arif	Member	June 13, 2011	April 9, 2012	1/1
Mohamed Ahmed	Member	June 13, 2011	March 6, 2012	1/1

** Following the changes to the Government, the Committees were reconstituted on 9th May 2012. Accordingly N & R Committee was reconstituted to include the following members.*

Name	Designation	Appointed date	Till	No. of meetings attended in 2012
Masood Ali	Chairman	May 9, 2012	June 14, 2012	2/2
Vizaad Ali	Chairperson*	May 9, 2012	till date	6/6
Mohamed Farshath	Member	June 18, 2012	till date	6/6
Amir Mansoor	Member	May 9, 2012	till date	9/9
Abdul Hadi Husain	Member	May 9, 2012	till date	6/6

** Ms Vizaad Ali was an appointed member of the commitee from May 9, 2012 to June 14, 2012. She became the Chairperson of the committee upon resignation of Mr Masood Ali at the AGM on June 14, 2012.*

Roles and responsibilities

In accordance to Corporate Governance Code of CMDA and the Articles of Association of the Company, the N & R Committee's mandate consists of the following:

- Develop a policy on employee remuneration and for fixing the structure and the amount of remuneration packages of individual directors and general employees of the Company.
- When setting this policy and structure, no director or manager shall be involved in any decisions as to their own remuneration.

- In determining such policy, the committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the CMDA Governance Code and associated guidance.
- Review the ongoing appropriateness and relevance of the remuneration policy.
- Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.
- Determine the policy for, and scope of, pension arrangements for the Company as required by law.
- Ensure that contractual terms of termination, and any payments made, are fair to the individual, and the Company.
- Oversee any major changes in employee benefit structures throughout the Company.
- Regularly review the structure, size and composition (including the skills, knowledge experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- Give full consideration to succession planning for directors and other senior executives in the course of its work, taking in to account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board and management in the future.
- Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- Be responsible for identifying and nomination for the approval of the Board, candidates to fill board vacancies as and when they arise.
- Ensure that all directors disclose any business interests that may result in a conflict of interest with the Company.
- Review the Board performance evaluation process from time to time.

What did the Committee discuss in 2012

The N & R committee had a productive year in which the following key decisions were taken.

- Salary structure changes were studied and discussed at R&N before presenting to the Board for Approval
- Interested parties for the public representing directorship was evaluated by committee
- Interviewed the candidates who applied for Maldives Gas MD's post
- Reviewed board size, structure and composition. Decided that size was appropriate, but raised concerns on the non-compliance of board composition to current Corporate Governance Code.
- Reviewed and approved remuneration policy
- Instructed management to compile a Conflict of Interest (COI) policy for all staff of the Company and to combine it with the existing COI policy

Conclusion

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

On behalf of N & R Committee

Vizaad Ali
Chairperson

REMUNERATION REPORT OF THE DIRECTORS

This report sets out the Company's remunerations policy and provides details of their remuneration and share interests for the year ended 31 December 2012.

Roles and responsibility of the remuneration committee

As defined in the Remuneration Policy of STO, the remuneration Committee is responsible to provide advice and make recommendations to the Board on the following matters

- Propose Changes to the remuneration policy
- Propose recommendations for remuneration of directors
- Propose appropriate remuneration for Managing Director and top management
- Incentive plans and performance related components of remuneration
- The full policy on remuneration is available on the Company's intranet and copies are available to shareholders on request.

Policy on directors and top management's remuneration

- The Company's remuneration policy is formulated to attract and retain high-calibre executives and to motivate them to develop and implement the Company's business strategy in order to optimize long-term shareholder value creation.
- Non-Executive director's remuneration policy consists of the following key points:
- At least half of the Board should be Non-Executive Directors, with majority of such Directors being independent
- Non- Executive shall be remunerated by the way of fees paid, including fees paid in recognition of their membership on the Board and its sub-committees.
- Executive Director's remuneration policy consists of the following key points:
  - Executive Directors should be paid the same fee as that received by Non-Executive Directors for Board membership
  - Executive Directors shall also receive variable salaries in addition to Board membership fees. This salary is a market median of companies of comparable size, market sector, business complexity and international scope. The executive's personal performance is also considered where performance is related to the fulfillment of various improvement targets and attainment of certain financial objectives.

A similar approach is taken for Managing Director's remuneration as well. According to the Company's policy a written employee contract is maintained between the Company and the Managing Director. The terms of employment is described in the contract is renewed annually. The amount of salary and other payments to the Managing Director is decided on the basis of education qualification, experience and previous occupations. Other terms of employments are also specified specifically in the contract.

All members of the Board are entitled to other benefits which are mentioned in the Company's remuneration policy.

In 2012 1,053,094.50 MVR was paid to Directors as remuneration

Name	Designation	Total MVR in 2012
Mr. Farooq Umar	Chairman	29,017.24
Mr. Shahid Ali	Managing Director	43,000.00
Ms. Sana Mansoor	Director/CFO	44,935.48
Mr. Ahmed Arif	Director	37,500.00
Mr. Mohamed Ahmed	Director	25,435.48
Mr Arif Abdul Samad	Director	37,000.00
Mr. Masood Ali	Director	68,167.00

Name	Designation	Total MVR in 2012
Mr. Abdulla Faiz	Chairman	182,436.45
Mr. Shahid Ali	Managing Director	98,000.00
Mr. Ahmed Niyaz	Director	96,565.00
Mr. Amir Mansoor	Director	103,565.00
Mr. Abdul Hadi Hussain	Director	102,565.00
Ms. Vizaad Ali	Director	104,065.00
Mr. Mohamed Farshath	Director	80,842.85

The Managing Director is the only Executive Director who performs non-executive roles in Addu International Airport Pvt. Ltd. (AIA), Maldives National Oil Company Ltd., STO Maldives (Singapore) Pte. Ltd. and STO Hotel and Resorts Pvt. Ltd. No earnings has been made for the above directorships except for AIA which is MVR 500.00 per board sitting. Shahid Ali is also the Board appointed Managing Director of AIA for which he does not recieve any remuneration.

The Top Management's remuneration falls under the Employee Remuneration section of the Policy. All employee remuneration comprises of two basic principles – fixed and performance based components. The HR department establishes a systematic evaluation methodology to evaluate each single employee's performance annually to assess the degree to which each employee is satisfying the requirement of their role and performance objectives.

There were no service contracts, notice period, severance fees given to the Directors or Top Management. No stock options were given to the Directors or top Management.

In 2012 MVR 8,122,274.68 was paid to the top management as basic salary and allowance. Due to the salary disparities in the current employment market the Board of Directors has decided not to disclose the individual remuneration of top management.

Director's shareholding

The Directors have the right to subscribe for company equity or debt securities. However, they do not have the right to subscribe for equity or security of the subsidaries

Director's shareholding as at 9th March 2012

Name	Direct Share	Indirect Share
Farooq Umar	5	-
Shahid Ali	40	-
Sana Mansoor	100	200
Masood Ali	5	-
Ahmed Arif	-	-
Mohamed Ahmed	-	-
Arif Abdul Samad	-	-

Director's shareholding as at 31st December 2012

Name	Direct Share	Indirect Share
Shahid Ali	40	-
Abdullah Faiz	-	-
Ahmed Niyaz	-	-
Amir Mansoor	-	-
Abdul Hadi Hussain	60	220
Mohamed Farshath	50	-
Vizaad Ali	-	-

Bonus plan

The Bonus plan of the Company is established for the purpose of providing annual bonus eligible to designated employees in an equitable manner which serves as a motivational tool in the Company. The bonus plan is intended to:

- Improve levels of individual performance that will assure focus by employees on continued company profitability.
- Encourage the employees who strived hard to work harder in the future for the success of the Company.
- Rewarded employees who had performed better with a reasonable incentive.

According to the Bonus plan, a bonus payment shall only be rewarded once the Company has achieved its given targets by the Board. STO recorded a profit of 149 million as Net Profit for the year 2011. And as per the guideline and the bonus plan, 3% of Net Profit – MVR 4.7million was approved by the Board to be distributed among 956 eligible employees. As endorsed the bonus was distributed to all eligible employees by the month of April 2012.

Pension

STO joined the national pension scheme on 1st January 2012 in accordance to the laws and regulation of the Country. Since the inception of the pension scheme STO has paid MVR 8.2 million.

AUDIT COMMITTEE

The **Audit Committee** plays a **pivotal role in ensuring high standards** of corporate governance and provides **assurance to the Board** on its **reports to the shareholders**.

Composition & Frequency of the Meetings

Name	Designation	Appointed date	Till	No. of meetings attended in 2012
Masood Ali	Chairman	June 13, 2011	May 8, 2012	1/1
Ahmed Arif	Member	June 13, 2011	April 9, 2012	1/1
Mohamed Ahmed	Member	June 13, 2011	March 6, 2012	1/1
Arif Abdul Samad	Member	June 13, 2011	April 9, 2012	1/1

** Following the changes to the Government, the Committees were reconstituted on 9th May 2012. Accordingly Audit Committee was reconstituted to include the following members.*

Name	Designation	Appointed date	Till	No. of meetings attended in 2012
Abdul Hadi Hussain Fulhu	Chairman	May 9, 2012	Till date	6/6
Ahmed Niyaz	Member	May 9, 2012	Till date	6/6
Vizaad Ali	Member	May 9, 2012	Till date	6/6

Roles & Responsibilities

In accordance to Corporate Governance Code of CMDA and the Articles of Association of the Company, the Audit Committee's mandate consists of the following:

- Monitoring the integrity of the annual and interim financial statements, the accompanying reports to shareholders and corporate governance statements.
- Reviewing and monitoring the effectiveness of the Company's internal control to ensure that adequate measures are taken to safeguard company's assets.
- Overseeing the Company's relations with the external auditors.
- Making recommendation to Board on the appointment, retention and removal of the external auditors.
- Ensure the independence and credentials of independent auditors.
- Review performance of the internal audit function and independent auditors.
- Approving the terms of reference and plans of the internal audit function.
- Approving the internal audit plan and reviewing regular reports from the head of internal audit on effectiveness of the internal control system.
- Ensuring compliance to statutory requirements and ethical standards.

What the Audit Committee discussed in 2012

As in previous years, the Committee devoted its attention to internal controls and inventory control issues. This included various process audits, surprise audits and special audits were conducted and their findings and recommendations were reported.

During the first quarter the key decisions made include:

- Presentation and finalization of SAP ERP post implementation audit date.
- Evaluation of the proposals received to provide internal audit for subsidiaries and joint ventures.
- Deciding the payment terms for external auditors.

The main activities undertaken during the second quarter include:

- Endorsement of the internal audit charter.
- Nomination of external auditors and recommending their remuneration for the year 2012 – 2013.
- Reviewed the annual report.

The key decisions of the last quarter of the year include:

- Adoption of the new audit committee charter and internal audit department charter.
- Presentation of investigation reports.

In addition the Committee completed the following tasks in accordance to their mandate:

- Quarterly review of financial statements.
- Risk Management - Identification of potential risk to the management and recommended actions to further strengthen risk management in the organization.
- External audit – It was resolved in the 2011 Annual General Meeting to appoint PWC as the external auditor. The Company met with the external auditors to discuss the audit plan and the concerns emphasized in the previous year's Management Letter.

Throughout the year, Audit Committee gave a key importance to address the issues related to audit as recommended by the auditors. Audit Committee is satisfied with the activities carried out by the Committee during the past year.

On behalf of Audit Committee

Abdul Hadi Hussain

Chairperson

AUDIT COMMITTEE REPORT

An item of **key interest to the Audit Committee** will be to **understand how the risk committee will perform** to assess the **potential risks and the measures taken to mitigate** them.

Q **Does STO follow any ethical or professional standards when it comes to auditing?**

A STO's Internal Audit department consists of a team which at least holds post-secondary qualifications in areas relating to auditing, accounting, finance or business. This educated team is either students of professional accounting associations or members of such, while most completing the final stages of their professional certification.

As students and members of professional accountancy bodies, the staff are trained and advised to demonstrate ethical and professional conduct when carrying out audit assignments. In addition, the STO audit team regularly refers to International Standards on Auditing to ensure the best practices, professionalism and ethical conduct is maintained.

Q **How often do we review our audit policy?**

A STO has a formulated Audit Department Charter which is presented to the Board each year. As mentioned in the audit department charter, audit assignments are carried out based on the Board Audit Committee's approved Annual Audit Plan. The Plan is flexible and formulated using appropriate risk based methodology, including any risks or control concerns identified by the management. This plan is endorsed, approved and periodically reviewed for updates. The charter was revised by the Audit committee during the past year. The charter is reviewed by the Board every year and approved accordingly.

Q **How is the external auditors appointed?**

A Three of the big four audit firms operate in the Maldives. Three audit firms are invited to send their proposal to become the external auditors of the Company. In accordance to the mandate of the Board Audit Committee, the proposals get evaluated by the Committee. Based on this evaluation, the Audit Committee selects an audit firm to be presented to the shareholders in the AGM for approval. Hence, the ultimate power to appoint the external auditors lies with the shareholders of the Company.

Q **How do we ensure independence of the external auditors?**

A STO's policy on auditor's independence is consistent with the ethical standards and guidelines proposed by the CG code.

A key factor that ensures the auditors independence is that the audit firms which conduct internal audit assignments of the Company are separate from the external auditors of the Company. STO also imposes strict controls over non audit services provided by the auditors as well. In accordance to the CG code STO does not assign any non-audit service to the external auditors. These controls are regularly reviewed in order to ensure integrity.

Q **What is the role of the Internal Audit?**

A As described in the definition provided by the IIA (Institute of Internal Auditors), the role of internal audit is - "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The responsibility of Internal Audit in STO lies with the Internal Audit Department. The department work towards achieving the objectives mentioned in Internal Audit definition. Further to this the responsibilities of Internal Audit Department is defined in the Audit department charter.

Q **How is the effectiveness of internal control and risk management assessed?**

A Currently the Audit Committee is striving to achieve a formal risk management framework at STO, so that this would assist the Internal Audit department to assess the risk management process. The Internal Audit department carries out numerous audit engagements throughout the year. These audit engagements are designed to assess the strength of internal controls designed by the Management. In such assessments the possible risks of failure of the internal controls, effectiveness of internal controls and areas where more controls are required are noted and reported along with internal audit recommendations to board audit committee. The reports are also passed to Management to improve the internal controls

Q **How is assurance obtained on the internal control environment?**

A The system of internal control, which is embedded in all key operations, provides reasonable assurance that the Company's business objectives will be achieved.

The Board also receives assurance from the Audit Committee, which derives its information in part from regular internal audit reports and external audit reports on the internal controls and risks throughout the organization. The reports were written after testing the effectiveness of internal controls and risk management policies established by the Management.

In 2012 Internal Audit Department of STO also carried out internal audits of Subsidiaries and Joint Venture companies too.

Q **What is the system to raise concerns?**

A During the past year, the Company has revised its whistleblowing program. The program, which is monitored by the Audit Committee, is designed to enable employees to raise concerns on a confident basis in cases where conduct is deemed to be contrary to the Company's values, policies and guidelines.

Q **What did the audit committee conclude for 2012?**

A The Audit Committee has satisfied itself with the Annual Audit Plan for the year 2012. The Committee is also pleased with the work done by the internal audit team to ensure the internal controls and risk management in the organization.

With no non audit service acquired from the external auditors, the committee concluded that there is no threat to the external auditors' independence.

The Audit Committee held discussions with the external auditors and regular meetings with the internal audit team during the past year.

Q **What will the audit committee do in 2013?**

A During 2013 the Audit Committee will continue its role in monitoring the integrity of the financial statements and reviewing the effective of the Company's internal control and risk management system. An item of key interest to the Audit Committee will be to understand how the risk committee will perform to assess the potential risks and the measures taken to mitigate them.


State Trading Organization Plc
Evolving with you
Boduthakurufaanu Magu
Male', Republic of Maldives

OUR GROUP

STO groupof cf companies as a whole did remarkably well in the year 2012. While most companies generated significant net profit, other comapies took major strides towards developing thier business strategies towards the corporate vision.

MALDIVE GAS PVT. LTD.

GAS DISTRIBUTOR

03/OCT/1999
REGISTERED DATE

STO 90%, CHAMPA OIL & GAS 10%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

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ALLIED INSURANCE COMPANY OF THE MALDIVES PVT. LTD.

INSURANCE COMPANY

01/NOV/1984
REGISTERED DATE

STO 99.99%, MGPL 0.01%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

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MALDIVES NATIONAL OIL COMPANY LTD.

FUEL TRADER

06/OCT/2003
REGISTERED DATE

STO 99.99%, ALLIED INSURANCE 0.01%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED IN

SINGAPORE
OPERATED IN

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FUEL SUPPLIES MALDIVES PVT. LTD.

FUEL DISTRIBUTOR

18/DEC/2000
REGISTERED DATE

STO 99.99%, MNOC 0.01%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

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MALDIVES STRUCTURAL PRODUCTS PVT. LTD. **

ROOFING SHEET MANUFACTURER

23/OCT/2000
REGISTERED DATE

STO 50%, RAINBOW INVESTMENT 50%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

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STO HOTELS & RESORTS PVT. LTD.

TOURISM SECTOR

07/FEB/2012
REGISTERED DATE

STO 99.99%, FSM 0.01%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

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STO MALDIVES (SINGAPORE) PTE. LTD.

TRADING COMPANY

30/NOV/1997
REGISTERED DATE

STO 99.99%
SHARE% AS AT 31/DEC/2012

SINGAPORE
INCORPORATED & OPERATED IN

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LAFARGE* MALDIVES CEMENT PVT. LTD.

CEMENT DISTRIBUTOR

07/JAN/2002
REGISTERED DATE

STO 25%, LAFARGE (ZURICH) 75%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

ADDU * INTERNATIONAL AIRPORT PVT. LTD.

AIRPORT MANAGING

21/MAR/2011
REGISTERED DATE

GACL 10%, MACL 10%, STO 10%, GOVT. 01%, UNALLOCATED 69%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

AASANDHA* PVT. LTD.

UNIVERSAL HEALTH SCHEME ‘AASANDA ADMINISTRATOR’

01/JAN/2012
REGISTERED DATE

ALLIED INSUARANCE 60%, GOVT. 40%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

** *Joint Venture*

* *Associate Company*


NO NAKED FLAME
MALDIVE GAS
11.3
1.4

MALDIVE GAS

162
MILLION [MVR]
TOTAL REVENUE

11
MILLION [MVR]
NET PROFIT

68
LOCAL STAFF
57
FOREIGN STAFF
EMPLOYEES

90%
SHARE OF STO

MVR millions	2012	2011
Revenue	161.6	143.6
Profit before tax	17.7	(2.4)
Profit after tax	11.1	(2.3)
Gross profit	56.5	48.0
Net assets	66.7	55.6
EPS, MVR	163.1	(33.8)

Overview

With a considerably good profit for the year 2012, Maldive Gas Pvt Ltd remains a strong subsidiary for STO. Maldive Gas operates with similar values as to it's parent company by providing a modern day basic need for the whole country at an affordable and efficient manner.

The main reason behind the recent profit for the company was, due to various steps taken to strengthen the management of the Company. Particularly in terms accounting and financial aspects of the Company. The Company also made it a top priority to reduce the high financial cost bared in 2011. In this regard, the management had numerous discussion with many local banks to find a solution to the foreign currency need. Such discussion and meetings had bared its fruit and as a result the Company's financial shows a significant reduction in the financial cost for the year 2012.

Distribution Network & Customer Service

Despite the best efforts, the Company faces several challenges in terms of service delivery to the customers. Though most challenges are beyond control (such as road restriction in Male' city), the Company is taking major strategic decisions to expand the distribution network and improve the service to the customers.

With over more than 300 agents, Maldive Gas has reasonably good distribution network across the country. However the Company needs to increase its storage capacity which remains as the major hurdle to achieving the business potential of the Company. The distribution points in both north and south the regions would further increase the efficiency in distribution.

Growth Strategies & Development

- Increase storage capacity to 2500-3000 MT by the year 2014, which would greatly reduce freight cost and thus resulting in spill over benefits to the Company.
- The Company knows the importance of improving the distribution network. Developing distribution points in the north and south of the country remains key to the Company's growth.
- Plans to introduce a 2KG cylinder together with the normal 10KG cylinder to ensure no disruptions to LPG household cooking gas service. In addition the Company also has plans to introduce gas measuring device which would assist the customer to arrange the order before it run out.

...Company is **taking major strategic decisions** to **expand the distribution network** and **improve the service to the customers**.

- The Company identifies Hulhumale' as a potential market with the increasing population growth. Talks are being carried to provide service right up to residential door step through a central infrastructural system.
- Despite the technical difficulties the Company is exploring option to improve the 96% pure medical oxygen to 99% to meet the Food and Drug Authority Standard (US standard)
- A better facility for resorts is being derived to make a stronger foothold in the resort market.
- The Company would be supplying Entonox to all the hospitals in the country in the near future.

Community & Well Being

Over the years, the Company has conducted many activities for the well being of the society. In addition to catering for the entire medical oxygen need of the country, the Company also provides industrial gas for the various business sectors in the country.

Customer safety is and always will be top priority for the Company. The Company has contributed in many ways over the years ensuring the safety of its customers. Customer safety is reflected even at an operational level in such that the product safety is marketed aggressively in all of Maldive Gas products.

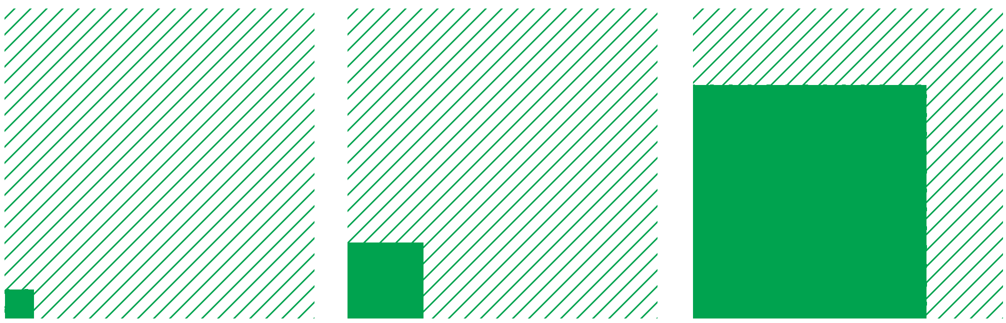
Future Outlook

With the negative financial of past years being wiped out in 2012, the Company's future looks bright for the coming years. The Company is taking the maximum benefit of a closer working relation with the parent company. With the plans to increase storage by 2014, the Company will be set to establish distribution point in the north and south by 2015.

As the market leader in providing LPG household gas, the Company is taking necessary steps to provide a better service to its customers. Different products such as Entonox, Nitrox and many more are planned to be introduced.

In the future, if there is a need for gas, Maldive Gas would be the answer.

Customer safety is **reflected** even at an **operational level** in such that **the product safety** is **marketed aggressively** in all of **Maldive Gas products**.



INDUSTRIAL & OTHERS 4.4%

MEDICAL 20.3%

LPG 75.3%


MALDIVES

ALLIED INSURANCE

203
MILLION [MVR]
TOTAL REVENUE

102
MILLION [MVR]
NET PROFIT

201
LOCAL STAFF
04
FOREIGN STAFF
EMPLOYEES

99.9%
SHARE OF STO

MVR millions	2012	2011
Net Income	202.9	171.8
Result of operating activties	73.9	22.4
Profit after tax	102.3	28.0
Net assets	189.0	104.8
EPS, MVR	682.2	186.7

Overview

To have earned a record profit for the year 2012 might not come as a surprise to stakeholders of Allied Insurance. Such has been the Company's performance over the years. A positive financial from the very beginning of the Company makes Allied Insurance one of the most successful subsidiaries of STO.

Year 2012 has been no different to previous years in the sense that the Company has taken significant strides in all aspects of its business. While revenue, market position, clients, staff training and CSR has all increased, the Company has managed to restrain its overheads. This resulted in another remarkable year for the Company.

With Aasandha, Allied Insurance becomes the only subsidiary of STO which has a subsidiary of itself. This subsidiary company created with the Government is the biggest highlight of the year 2012. Even with the numerous challenges and the cash flow difficulties from the Government, Aasandha ended the year with positive financials.

From the inception of Aasandha, Allied Insurance has been doing a lot to improve the services of the program. A state of the art IT system has been launched to integrate the hospitals, pharmacies, customers and even the doctors, which is already providing valuable information to its users. Allied Insurance will keep on improving and increasing its effort so that the end users could reap the maximum benefit of the system

Strategic Planning & Growth

2012 was a year in which Allied Insurance took major steps in terms of its strategic growth and development. Of the various steps taken, the following highlights some key decisions, projects and actions

- Third Party Motor Insurance: As the leader in Insurance, Allied was an example to others in introducing third party motor insurance to the country. Allied insurance lead by example in giving huge importance to introduce the service to the atoll islands, rather than just cover Male'. Though this was not as lucrative as other insurance types, it benefits the Company with an increase in the number of clients and improving the brand image.
- Diving Insurance: Introduced yet another insurance type to cater to the need of professional and recreational divers.
- Islamic Insurance: Took an important decision to introduce Islamic insurance in the coming year. Being Shariah complaint would open up another client base for the Company and it also answers a growing need of the society.
- Online Services: While many companies feel that the dispersed geographical nature of country as an obstacle, Allied insurance looks it as an opportunity where it could use technology to provide an online service to everyone across the country.
- BML Linkup: The Company is formalizing its association with BML to sell its policies through the many BML branches across the country. This extends the reach of Allied insurance throughout the country.
- Customer Service Office: The Company gives a high importance to customer retention while customer loyalty and relationships remain key objectives for the Company. Hence the decision to open a customer service office will not only retain customers, but increase customers as well. This would in turn help the company to take a step ahead of its competitors.

Importance of Society & Insurance Awareness

Allied Insurance is well known as a company which always contributes to its society. While it is mostly renowned for its contribution to education, it also contributes to public awareness and environment as well. The national debate programs and renewable energy projects are just two examples in which the Company contributes to the society.

'The Interns' which gained a lot of praise from the public was not just a TV program. It created a lot of job opportunities from well-known companies for the participants. It helped them to be better prepared for competitive work environment. The winning team recruited by Allied Insurance proved to be the success of this program by showing a different level of performance in their everyday work.

As a country relatively new to insurance as a basic necessity, it becomes a must for Allied Insurance to make the society aware about the importance of insurance. A lot of activities were conducted to fulfil this need. This included :

- Online Awareness
- Student Awareness – whereby a number of students from the regional schools are brought to Male' to give information about insurance as a subject in their syllabus

Allied Insurance follows its parent company by providing a valuable service to the society in terms of insurance. The recent association with the Government in Aasandha opens up a bright new chapter for the Company. The Government being the biggest client for the Company gives further assurance about the future of the Company.

Allied Insurance remains committed to ensure that all Maldivians can rely on the Company for Insurance needs. The Company also remains dedicated to retain lucrative types of insurance such as Fire Insurance while meeting the needs of the individual as well. The Company's vision is to become the most broad based insurance provider by providing a greater range of insurance policies to a greater number of client base. It is the aim of the Company to become a household brand in the future.

Allied Insurance is driven by a young and passionate team who are dedicated to attain the goals and objectives of the Company. It is this passion and enthusiasm which ensures a bright future for the Company. It is the loyalty of employees and the strategic guidance from the Board which propels Allied insurance to set more records and lay more benchmarks for others to follow.

The **Company's vision** is to become the **most broad based insurance provider** by providing a **greater range of insurance policies** to a **greater number of client base**.

FIRE
96.4%

HEALTH
33.7%

MARINE CARGO
12.5%

ACCIDENT
59.2%

MARINE HULL
09.7%

LIFE
135.2%


NO SMOKING
SAFETY FIRST
MNOC

MNOC & STO MALDIVES (SINGAPORE)

0.2
MILLION [MVR]
TOTAL REVENUE

-7.3
MILLION [MVR]
NET PROFIT

02
LOCAL STAFF
02
FOREIGN STAFF
EMPLOYEES

99.9%
SHARE OF STO

Overview

Realizing the opportunities existing in International market for oil trade, Maldives National Oil Company Ltd (MNOC) was established in the year 2003. Over the years the Company has set up a successful platform in the International market for oil trade by securing competitive spot tenders and term contracts. Particularly the term contract with Bangladesh Petroleum Corporation to supply fuel and gas oil to Bangladesh was a major achievement in the International arena.

However, 2012 cannot be accounted as a good business year in terms of performance. This was partly due to the uncertainty created with the changes in the management and the Board. Consequently, the Company's regular participation in tenders was put on hold.

Despite the changes, the Company picked up its operation during the last quarter of 2012 by securing two more Structured Commodity Finance (SCF) arrangements with International first class banks, and by increasing number of trade partners.

Growth Strategies & Development

The Company forecasts revision and enhancement of business relation with trade partners as one of the key performance indicators for 2013. Negotiations are in progress with current and potential partners for future improvement.

- Equal importance is given to increase the number of SCF arrangements with financial institutions. Such an increment will facilitate and ensure more participation in international tenders.
- Research and further studies are being conducted in pursuance of the Company's long term vision of exploration of oil. Next few years will be crucial in terms of achieving such a dream.

Challenges

Intense competition with major oil traders is the major challenge for the Company's growth, particularly considering the financial strength of these competitors.

- When it comes to exploration, the cost of investment is significantly high for MNOC to invest. Therefore, the most viable option available is to get an investor, preferably a major oil company to invest in partnership with MNOC. However, the absence of petroleum law in Maldives has restricted such an investment so far.

Outlook for 2013

Despite the rivalry in the market, MNOC foresee 2013 as break through year. With the increase in SCF arrangement and growing opportunities in foreign market for oil trade, the Company is determined to generate a reasonable amount of profit for the year 2013.

Our sustainable business model of providing **essential goods to the community shapes the National Economy**. The fact we provide the essential goods in an **affordable reliable manner** is a major step towards the social and economic **development of the Country**.


8
Get Going.
FSM

FUEL SUPPLIES MALDIVES

2564
MILLION [MVR]
TOTAL REVENUE

21
MILLION [MVR]
NET PROFIT

215
LOCAL STAFF
34
FOREIGN STAFF
EMPLOYEES

99.9%
SHARE OF STO

MVR millions	2012	2011
Revenue	2,563.6	2,294.2
Profit before tax	25.6	65.1
Profit after tax	21.1	61.7
Gross profit	106.6	132.9
Net assets	157.7	154.1
EPS, MVR	1,380.2	4,030.0

Overview

FSM is one of the most important subsidiaries of STO, who distributes more than 50% of oil imported by STO. FSM strives to provide an easy access to the basic need of fuel to the entire country.

Year 2012 was a comparatively good year for the Company, despite the constraints in the specific industry and general to the local and global economy. Year 2012 showed an upward trend in the world fuel market, a foreign currency shortage and a considerable under performance in the local economy. Despite all these challenges in the market, the effort given by the hard working staff of FSM made 2012 a fruitful year for the Company.

The economic frailty of the country resulted in some cash flow shortages for customers which resulted in major operational difficulties for the Company. However the adverse effect of this was nullified by important strategic decisions taken by the management. As directed by the Board, the highest importance in 2012 was given to managing the cash flow without hindering the quality of service provided to the customers. This increased the customer base, market growth and ensured the customer loyalty towards the Company. On overall, 2012 was a year in which the Company excelled in its core business by providing an improved quality of service.

Distribution Network

FSM has a growing distribution network which has major presence across the entire country. Despite the geographical difficulties in the country FSM has its reach to all the atolls and islands. FSM has a wide of customer base which buy and distribute to end users all across the country.

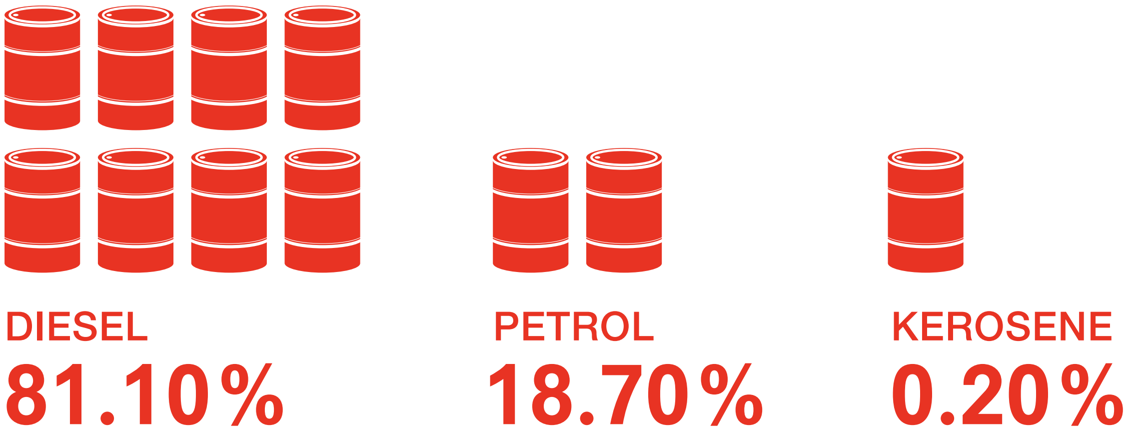
In order to overcome the logistical difficulties FSM has a storage location in Addu atoll. The Company has also built a new Storage tank at Fuvahmulah which greatly reduces the logistic and operation cost thus reducing overheads.

Strategic Growth & Development

In terms of strategic growth, FSM is at a transition stage. FSM has taken its very first steps to restructure its strategic growth. By 2013, the Company would revise a new strategic plan to take the Company forward. Other major decisions in terms of growth and development includes

- ERP system: The Company has decided to implement an ERP system to improve customer relationship management and to answer the lack of information in terms of various types of reporting. The Company believes it is vital for the growth and better management of the Company.
- Training: The Company gives a very high importance to the continuous improvement and development through different training programs so that it can provide a better service to the customers through its employees.
- Vessel upgrade: Despite the tight financial situations, the Company is in need of replaceing most of its vessels. Hence the Company looks at upgrading these vessels so that it would be fit enough to provide an offshore bunkering to fleets as well.
- Storage Location: New storage location in Fuvahmulah to ease the logistical difficulties.

The **Company notes** this issue in the **society and continuously strives to raise** the **awareness of customers to such potential danger** through **promotions and CSR activites**.



Quality of Fuel & Society

Today we find that most of the marine service centers in the Country recommend the fuel distributed through FSM. This is mainly due to the consistent quality of product being provided to the Customers. The Company gives a high importance to bring this comparative advantage by explaining the added value of clean petroleum products to its customers. Recent data shows that the effort given on public awareness in oil safety and cleanliness has shown its positive effect to the Company. However, the Company identifies that much needs to be done to make the customers aware about the potential hazards to their assets from unclean oil. The Company continuously strives to raise the awareness of customers to such potential danger, through promotions and CSR activites.

FSM being in the oil supply business always gives its utmost importance to the safety of the environment. Much of the CSR activities and support provided is mainly focused on benefitting the environment. The Company always goes one step ahead of the regulation to ensure there is minimal effect to the environment.

FSM always considers the society as an important part of their business solution. This is cleanly reflected when it comes to the recruitment process of the Company. FSM gives the utmost importance to hire locals for all the posts across the Company. This clearly shows the trust and faith the management has towards the local talent. This in turn contributes to the local society by improving reducing unemployment and improving the quality of life.

Outlook

The Company foresees that 2013 is going to be challenging; however, the Company remains committed to retain its strength in the industry and to perform as the leading fuel distributor in the country. The trend of past year looks to continue in 2013, with the local and global challenges in the market. However, FSM has its sight set beyond these challenges to take the Company forward to the next level. The decision to implement an ERP system is an important decision which promises to raise the quality of service provided by the organization. The Board and the Management has no doubt that such a system would elevate the Company to a higher standard in business and deliver greater returns. FSM remains committed to perform as the highest contributor to the parent Company.


M S P
Manufacturer of Roofing Products

MALDIVES STRUCTURAL PRODUCTS

83
MILLION [MVR]
TOTAL REVENUE

16.5
MILLION [MVR]
NET PROFIT

09
LOCAL STAFF
10
FOREIGN STAFF
EMPLOYEES

50%
SHARE OF STO

MVR millions	2012	2011
Revenue	83.1	38.2
Profit before tax	18.7	1.5
Profit after tax	16.5	1.5
Gross profit	27.1	8.6
Net assets	76.5	60.8
EPS, MVR	175.0	15.7

Overview

After a challenging 2011, Maldives Structural Products Pvt Ltd (MSP), gain its' momentum during the year 2012. The improved performance was largely down to the efficient management of resources and persistent effort by the employees.

While giving credit to above, the excellent quality of roofing products is another key reason behind company's success up to today. The steals and machinery utilize in the production are of the best quality and technology.

MSP ends 2012 in good note by earning 91.04% increase in net profit.

Customers’ Choice

When it comes to the customer choice, MSP provide more choices for customer than the competitors. The following sums up the different choices available:

- Different qualities of roofing sheets at different prices providing the best value for money. Roofing sheet types available are:

    - MSP-SEADEK: premium quality range

    - MSP-GADHADECK: economic range

- Customized lengths of roofing sheets reduce wastage.
- Choice of wide range of colours is available and special colours can be provided upon request.
- MSP uses internationally recognized COLORBOND and ZINCALUME to produce the premium quality roofing sheets.

Challenges Ahead

Recently there have been new roll-formers entering the roofing sheet market. MSP will always counter the market challenges by taking the necessary steps. MSP will strive to be the leader in the market by supplying a higher quality product as well as making it easier to buy roofing sheets through an efficient retail and distribution system.

Growth Strategies

MSP’s overall goal of supplying quality roofing products at an affordable price will be the guiding philosophy of the Company in addressing future challenges and strategies.

The Company will be working out a medium term growth strategy to create innovative ways of dealing with competition as well as expanding the business by introducing new products and materials.

Forecast for 2013

With the appropriate steps taken to address the market challenges, it is expected that there will be a business growth of 10 -15% for the year 2013.

STO's presence throughout the Country **ensures the corporate vision** of delivering the **Group's value to each and every citizen** while being a catalyst of economic growth and **sustainable development** in the Country.


HOTELS & RESORTS

STO HOTELS & RESORTS

1.05
MILLION [MVR]
TOTAL REVENUE

-11.6
MILLION [MVR]
NET PROFIT

20
LOCAL STAFF
00
FOREIGN STAFF
EMPLOYEES

99.9%
SHARE OF STO

Overview

Difficulties in obtaining foreign currency and over-reliance on the success of petroleum sales are the two fundamental threats identified to STO growth and sustainability.

Diversifying into tourism sector was the first strategic move made by the company to mitigate those threats. This is why STO Hotel and Resort (H&R) was incorporated as a Special Purpose Entity (SPE) in the year 2011.

H&R first initiative was the acquisition and development of Fuamulak Airport. Followed by securing the lease right of Baa Atoll Muthafushi.

Challenging 2012

With the vision of Muthaafushi resort project, it was anticipated that 2012 will be the breakthrough year for the newly started subsidiary. Initially, with the positive cash flow that existed by the end of 2011, it was decided to invest company's own resources in the development of the leasehold island into a tourist resort until further sources of finance was acquired.

Likewise, two other projects were carried out to acquire tourist resorts which were already in operation. It is noteworthy that one of these projects was in the final stages of acquisition where all due diligence was carried out and on the verge of concluding the acquisition.

However, the unpredictable financial constraints confronted by STO PLC resulted in halting the acquisition of the resort and this hindered company performance significantly.

Particularly the tightening of cash flow prevented the company from investing further in the sector resulting in a temporary hold on all resort projects in progress.

Despite the financial barriers, H&R managed to operate Fuahmulah Airport smoothly. Like all resort projects, the installation of lights to facilitate night landing had to be put on hold due to the tight financial position of the company.

The operation of the airport did not result in a positive financial outcome as the number of flights being operated to Fuvahmulah was hardly enough to generate a positive cash flow from its operations. This might not turn out to generate positive results until tourism projects in Fuvahmulah starts its operations. However as part of STO PLC's corporate social responsibility, the company was committed to continue the operations smoothly for the well-being of the society by providing an easy means for transportation in the region.

Opportunity vs Transparency

With the nonstop effort from the management, H&R was able to attract potential partners in the development of Muthaafushi resort project. The most notable opportunity was a joint venture arrangement proposed by a reliable foreign investor seeking to invest in the tourism sector. However, after a lengthy discussion, it was decided that exploiting such an opportunity without going through a tendering process might contradict the very principle that the company is fighting for. Hence, an open and transparent tender process was chosen at the expense of the Joint venture deal.

Growth & Development

Despite the impediments that prevented H&R to operate in full swing, H&R is determined to fulfill the company's ambitions in a tactful manner.

The company is taking initiatives to increase the number of flights that operate to Fuahmulah Airport, which in turn will have a positive impact on the financial result of the company and also improve transportation options in the region. As such, the company is in negotiation with other potential flight operators to start operating their flights to Fuvahmulah.

On similar lines, H&R is making arrangements in every aspect to take over the management of Radisson Hotel as per the parent company's plan and in line with the progress of its construction which is being carried out by the STO PLC.

It is estimated that the hotel will be completed and operational in the first quarter of 2014. As such it is planned to start recruitment of key personnel in the last quarter of 2013.

Despite the various obstacles that are preventing the company from establishing a strong foothold in the tourism sector, the company is studying various options and opportunities to acquire a resort that is already in operation and also looking at other potential tourism businesses that could be carried out.

However it is the company's foremost interest to develop Muthaafushi Island in to a tourist resort and discussion is in progress with three potential investors in order to persuade them to take part in the tender process which will be announced in 2013.

H&R has also recognized travel agency service as a potential addition to the company's portfolio which will directly assist the company's growth in the sector.

Future Outlook

2013 will be a challenging year for the newly started subsidiary. Apart from Fuvahmulah Airport, no project is expected to be completed. Nonetheless it is anticipated that the company's endeavor to achieve success will bear fruits in 2014. With the commencement of operation of city hotel and Muthaafushi resort, it is forecasted that the company will generate a considerable amount of foreign currency which will partly solve the foreign currency shortage encountered by the group. At the same time over dependency on petroleum sale will be reduced and numerous job opportunities will be created for the citizens.

Despite the impediments that prevented H&R to operate in full swing, **H&R is determined to fulfill the company's ambitions in a tactful manner**


SAHAA


SONEE HARDWARE
SM DELIVERY SERVICES
fresh logistics

FINANCIALS

2012 was a record year for STO and the Group.
We reported the **highest consolidated net result**
compared to preceding years.

IN THIS SECTION

pwc

Independent auditor's report

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

1 We have audited the accompanying financial statements of State Trading Organization Plc (the Company) and its subsidiaries (the Group) which comprise the balance sheet as of 31 December 2012, 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, requirements of the Companies Act, No. 10/96, of the Republic of Maldives and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

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

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

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Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, Ms. S. Perera ACA

Resident Partner Jatindra Bhattray ACA

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 2012 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 2012 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.

22 April 2013
MALE'

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
	Note	2012	2011	2012	2011
ASSETS					
Non-current assets					
Property, plant and equipment	6	1,454,077,367	1,310,198,503	1,179,930,463	1,021,519,884
Intangible asset	7	38,584,198	37,610,809	32,202,503	32,898,091
Deferred business profit tax assets	8	27,447,122	6,051,440	26,026,724	5,364,485
Investments in subsidiaries	9	-	-	117,249,835	117,249,835
Investments in associates	10	52,517,898	14,849,733	20,567,267	20,567,267
Investment in joint venture	11	-	-	4,700,000	4,700,000
Available-for-sale financial assets	12	166,653,410	151,810,318	156,653,410	141,810,318
Trade and other receivables	14	57,291,033	45,908,739	57,291,033	45,908,739
		1,796,571,028	**1,566,429,542**	**1,594,621,235**	**1,390,018,619**
Current assets					
Inventories	13	601,656,752	784,813,048	507,580,657	696,414,552
Trade and other receivables	14	2,302,834,867	1,801,817,879	2,358,489,604	1,764,222,696
Reinsurance contracts	16	92,493,780	76,017,331	-	-
Investment held to maturity	17	70,684,817	316,768,099	-	276,004,733
Cash and cash equivalents	18	868,928,424	943,754,316	753,499,927	844,780,184
		3,936,598,640	**3,923,170,673**	**3,619,570,188**	**3,581,422,165**
Total assets		**5,733,169,668**	**5,489,600,215**	**5,214,191,423**	**4,971,440,784**
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	17,465,979	11,162,078	-	-
Currency translation reserve	21	246,165	604,793	-	-
General reserves		373,969,167	342,439,071	373,969,167	342,439,071
Fair value reserves		27,112,898	12,941,806	27,112,898	12,941,806
Retained earnings		885,444,861	766,704,667	608,931,325	563,948,462
		1,388,399,070	**1,218,012,415**	**1,094,173,390**	**1,003,489,339**
Non-controlling interest	22	**6,668,110**	**5,558,725**	**-**	**-**
Total equity		**1,395,067,180**	**1,223,571,140**	**1,094,173,390**	**1,003,489,339**

The Notes on pages 112 to 172 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (Continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
	Note	2012	2011	2012	2011
LIABILITIES					
Non-current liabilities					
Borrowings	25	92,489,882	112,334,776	92,489,882	112,334,776
Deferred revenue	23	2,320,119	1,205,988	-	-
Derivative financial instruments	24	17,390,510	26,075,485	17,390,510	26,075,485
Deferred business profit tax liabilities	8	3,476,959	-	-	-
Current liabilities					
Current tax liabilities		30,703,292	21,703,179	16,735,224	15,966,937
Derivative financial instruments	24	8,296,975	8,268,975	8,296,975	8,268,975
Trade and other payables	23	2,780,725,563	2,522,169,687	2,748,655,540	2,422,797,045
Insurance contracts	26	159,360,955	168,537,758	-	-
Borrowings	25	1,243,338,233	1,405,733,227	1,236,449,902	1,382,508,227
Total liabilities		**4,338,102,488**	**4,266,029,075**	**4,120,018,033**	**3,967,951,445**
Total equity and liabilities		**5,733,169,668**	**5,489,600,215**	**5,214,191,423**	**4,971,440,784**

These financial statements were approved by the Board of Directors on 21 April 2013

Sana Mansoor
Chief Financial Officer

Abdulla Faiz
Chairman

Shahid Ali
Managing Director

Mohamed Farshath
Director

The Notes on pages 112 to 172 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
		Year ended 31 December			
	Note	2012	2011	2012	2011
Revenue	27	9,306,929,571	9,464,824,457	9,058,761,121	6,826,202,881
Cost of sales	30	(8,077,857,832)	(8,637,190,022)	(8,053,984,287)	(6,221,038,323)
Gross profit		**1,229,071,739**	**827,634,435**	**1,004,776,834**	**605,164,558**
Other operating income	29	107,829,402	93,907,592	28,652,495	53,875,512
		1,336,901,141	921,542,027	1,033,429,329	659,040,070
Selling and marketing costs	30	(305,643,039)	(291,664,520)	(235,271,377)	(217,367,961)
Administrative expenses	30	(397,248,445)	(321,186,880)	(275,087,836)	(206,884,649)
Other operating expenses	30	(2,001,634)	(4,589,827)	(3,114,842)	(4,914,131)
Operating profit		**632,008,023**	**304,100,800**	**519,955,274**	**229,873,329**
Finance income	32	42,163,301	71,372,873	76,071,760	78,689,086
Finance costs	32	(438,661,488)	(168,132,864)	(433,523,841)	(151,341,233)
Finance costs - net	32	(396,498,187)	(96,759,991)	(357,452,081)	(72,652,147)
Share of profit of associates	10	31,668,165	689,541	-	-
Profit before tax		**267,178,001**	**208,030,350**	**162,503,193**	**157,221,182**
Business profit tax expense	33	(28,356,905)	(15,651,739)	(4,852,714)	(10,602,452)
Profit after tax		238,821,096	192,378,611	157,650,479	146,618,730
Attributable to:					
- Equity holders of the parent / company		**237,711,711**	**192,606,862**	**157,650,479**	**146,618,730**
- Non-controlling interests	22	**1,109,385**	**(228,251)**	**-**	**-**
		238,821,096	**192,378,611**	**157,650,479**	**146,618,730**
Earnings per share attributable to equity holders of the parent / Company during the year (expressed in MVR per share) - basic	34	**210.494**	**170.92**	**139.90**	**130.11**

The Notes on pages 112 to 172 are an integral part of these consolidated financial statements.

STATE TRADING ORGANIZATION PLC
Financial statements - 31 December 2012

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - GROUP

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Attributable to equity holders									
	Notes	Share capital	Share premium	Claim equalization reserve	Currency translation reserve	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Group total
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 loss on available-for-sale investments	12	-	-	-	-	-	(15,999,620)	-	(15,999,620)	-	(15,999,620)
Transfer to general reserve		-	-	-	-	29,323,746	-	(29,323,746)	-	-	-
Transfer to claim equalization reserve	20	-	-	3,119,063	-	-	-	(3,119,063)	-	-	-
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**
Balance at 1 January 2012		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
Profit for the year		-	-	-	-	-	-	237,711,711	237,711,711	1,109,385	238,821,096
Translation loss during the year		-	-	-	(358,628)	-	-	-	(358,628)	-	(358,628)
Net fair value gain on available-for-sale investments	12	-	-	-	-	-	14,171,092	-	14,171,092	-	14,171,092
Transfer to general reserve		-	-	-	-	31,530,096	-	(31,530,096)	-	-	-
Transfer to claim equalization reserve	20	-	-	6,303,901	-	-	-	(6,303,901)	-	-	-
Dividends	35	-	-	-	-	-	-	(81,137,520)	(81,137,520)	-	(81,137,520)
Balance at 31 December 2012		**56,345,500**	**27,814,500**	**17,465,979**	**246,165**	**373,969,167**	**27,112,898**	**885,444,861**	**1,388,399,070**	**6,668,110**	**1,395,067,180**

The Notes on pages 112 to 172 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	Retained earnings	Total
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**
Balance at 1 January 2012		56,345,500	27,814,500	342,439,071	12,941,806	563,948,462	1,003,489,339
Profit for the year		-	-	-	-	157,650,479	157,650,479
Net fair value gain, on available-for-sale investments	12	-	-	-	14,171,092	-	14,171,092
Transfer to general reserve		-	-	31,530,096	-	(31,530,096)	-
Dividends	35	-	-	-	-	(81,137,520)	(81,137,520)
Balance at 31 December 2012		**56,345,500**	**27,814,500**	**373,969,167**	**27,112,898**	**608,931,325**	**1,094,173,390**

The Notes on pages 112 to 172 are an integral part of these consolidated financial statements.

STATE TRADING ORGANIZATION PLC
Financial statements - 31 December 2012

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
		Year ended 31 December			
	Note	2012	2011	2012	2011
Cash flows from operating activities					
Cash generated from operations	36	354,068,524	407,709,818	211,692,766	179,646,944
Interest paid		(222,327,699)	(142,105,878)	(219,660,945)	(136,101,502)
Zakat paid	33	-	(7,072,267)	-	(7,072,267)
Business profit tax paid		(37,275,515)	-	(24,746,666)	-
Net cash generated from / (used in) operating activities		**94,465,310**	**258,531,673**	**(32,714,845)**	**36,473,175**
Cash flows from investing activities					
Purchases of property, plant and equipment	6	(247,021,419)	(246,751,110)	(225,946,656)	(56,329,372)
Purchases of intangible assets	7	(4,128,169)	(1,480,422)	(4,004,061)	(729,199)
Proceeds from sales of property, plant and equipment	36	1,568,092	158,822	1,326,807	383,331
Loan repayments received from related parties	39	797,866	-	797,866	-
Loans granted to related parties	39	-	-	-	(11,071,527)
Investments in associates	10	(6,000,000)	(10,000,000)	-	(10,000,000)
Purchases of available-for-sale financial assets	12	(672,000)	(135,125,000)	(672,000)	(125,125,000)
Purchases of held-to-maturity financial assets		(544,838,940)	(2,404,098,709)	-	(2,223,504,733)
Proceeds from held-to-maturity financial assets		790,922,222	2,130,234,707	276,004,733	1,947,500,000
Interest received	32	23,780,506	40,203,858	25,169,590	40,959,238
Dividends received	32	12,514,454	-	48,635,454	37,729,848
Net cash generated from / (used in) investing activities		**26,922,612**	**(626,857,854)**	**121,311,733**	**(400,187,414)**
Cash flows from financing activities					
Proceeds from borrowings		2,766,505,655	3,293,936,697	2,766,505,655	3,298,101,199
Repayment of borrowings		(3,091,969,586)	(2,432,438,202)	(3,091,969,586)	(2,432,438,202)
Dividends paid to Company's shareholders		(13,973,926)	(43,368,682)	(13,973,926)	(43,367,030)
Net cash (used in) / generated from financing activities		**(339,437,857)**	**818,129,813**	**(339,437,857)**	**822,295,967**
Net (decrease) / increase in cash and cash equivalents		**(218,049,935)**	**449,803,632**	**(250,840,969)**	**458,581,728**
Cash, cash equivalents and bank overdrafts at beginning of year	18	677,477,283	227,673,651	601,728,151	143,146,423
Cash, cash equivalents and bank overdrafts at end of the year	18	**459,427,348**	**677,477,283**	**350,887,182**	**601,728,151**

The Notes on pages 112 to 172 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 2012 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 consolidated financial statements of State Trading Organization PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities including derivative instruments.

2.2 New accounting standards issued but not effective as at the balance sheet date

a] *New and amended standard adopted by the Company*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company. The new standard and amendment effective for the first time for period on or after 1 January 2012 is IAS 12 (Amendment), Income Taxes.

b] *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. A summary of new accounting standards are set out below:

- IAS 1 (Amendment), Presentation of Financial Statements (effective from 1 July 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. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc. 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 group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement.

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

b] *Transactions and minority interests*

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

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

c] *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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 legal or constructive 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. Accounting policies of associates 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 proportionately consolidated. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Accounting policies of joint ventures 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, are 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 upto the date of disposal, as follows:

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

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

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. Any impairment is recognised immediately as an expense and is not subsequently 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*

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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. 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.

“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 Private Limited, which is on first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable 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 assets."

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 recognised 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.

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.

e] *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 at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. 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 Current and deferred business profit tax

The tax expenses for the year 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 Business profit 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 returns 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 Group is liable to business profit tax at rate of 15%, if the taxable profit of the year exceeds MVR 500,000, with effect from 18 July 2011.

Deferred business profit tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred business profit 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 or loss. Deferred business profit tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred business profit tax asset is realised or the deferred business profit tax liability is settled.

Deferred business profit 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 business profit 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 business profit taxes assets and liabilities relate to business profit 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 sales returns, rebates, discounts, Goods and Services Tax (GST) 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 are 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 disasters. 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 Directors on specific areas, such as foreign exchange risk, credit risk and the liquidity risk.

a] *Market risk - Foreign exchange risk*

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

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Maldivian Rufiyaa and mainly in United State Dollars. As at the balance sheet date, the Group has approximately US$ 240,770,959 (2011 : US$ 121,210,807) as foreign currency liabilities, whereas foreign currency committed available credit line amounted to US$ 69,504,816 (2011: US$ 52,768,147) as at the same date.

State Trading Organisation Plc has purchased US$ 17,875,000 from Housing Development Finance Corporation (HDFC) by paying equivalent Rufiyaa at 1 US$ = MVR 12.85, US$ 3,500,000 by paying equivalent Rufiyaa at 1 US$ = MVR 15.38 and US$ 7,000,000 by paying equivalent Rufiyaa at 1 US$ = MVR 15.42. As at the balance sheet date there were four SWAP agreements with HDFC by which State Trading Organisation Plc is obliged to sell equal amount of US$ at the same exchange rate to honour the US$ requirement of HDFC. As at 31 December 2012, the outstanding commitment was US$ 19,658,603 (2011: 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 goods and 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. The Group did not have in place any instruments to hedge its exposure to interest rate risk, at the balance sheet date.

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 level established using statistical techniques.

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

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Group 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 Group 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 Group 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 Group'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

a] ***Frequency and severity of claims***

The Group 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 Group operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings. The Group does not underwrite property insurance contracts outside Maldives.

3.5 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide 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 and current tax liabilities 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 2012 and 2011 were as follows:

	Group		Company	
	2012	2011	2012	2011
Total borrowings	4,338,102,488	4,266,029,075	4,120,018,033	3,967,951,445
Less: Cash and cash equivalents (Note18)	(868,928,424)	(943,754,316)	(753,499,927)	(844,780,184)
Net debt	3,469,174,064	3,322,274,759	3,366,518,106	3,123,171,261
Total equity	**1,395,067,180**	**1,223,571,140**	**1,094,173,390**	**1,003,489,339**
Total capital	4,864,241,244	4,545,845,899	4,460,691,496	4,126,660,600
Gearing	71%	73%	75%	76%

There was no change noted in the gearing ratio of the Company during 2012 compare to 2011.

The decrease in the gearing ratio of the Group during 2012 resulted primarily due to increase in equity by virtue of the profit generated in the current year.

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.

5. Segment information - Group

The segment results for the year ended 31 December 2012 are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Structural products	Other services	Group Total
Revenue	1,402,807,873	152,121,536	123,525,554	7,613,493,218	13,935,722	1,045,668	9,306,929,571
Segment results							
Operating profit / (loss)	58,513,673	21,293,545	73,882,154	477,702,476	12,234,814	(11,618,639)	632,008,023
Net financing income / (costs)	(15,886,159)	(3,638,165)	262,936	(374,336,841)	(2,899,958)	-	(396,498,187)
Share of profit of associates	-	-	39,530,040	-	-	-	31,668,165
Profit / (loss) before tax	42,627,514	17,655,380	113,657,130	103,365,635	9,334,856	(11,618,639)	267,178,001
Business profit tax (expense) / credit	16,996,663	(6,561,526)	(11,349,349)	(26,333,751)	(1,108,942)	-	(28,356,905)
Profit after tax	59,624,177	11,093,854	102,325,781	77,031,884	8,225,914	(11,618,639)	238,821,096

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)	64,218,650	12,425,752	22,379,718	202,499,154	3,198,405	(620,879)	304,100,800
Finance income / (costs) - net	(19,260,692)	(14,795,954)	7,294,029	(67,572,716)	(2,424,659)	-	(96,759,991)
Share of profit of associates	-	-	-	-	-	-	689,541
Profit / (loss) before tax	44,957,959	(2,370,202)	29,673,747	134,926,438	773,747	(620,879)	208,030,350
Business profit tax (expense) / credit	(5,849,727)	71,171	(1,670,434)	(8,165,572)	(37,178)	-	(15,651,739)
Profit after tax	39,108,232	(2,299,031)	28,003,313	126,760,866	736,569	(620,879)	192,378,611

5. Segment information - Group

The segment results for the year ended 31 December 2012 are as follows:

The segment assets and liabilities at 31 December 2012 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	801,641,098	117,899,278	378,690,243	4,229,687,408	47,065,781	158,185,860	5,733,169,668
Liabilities	225,812,936	51,218,175	220,407,589	3,662,611,607	8,792,294	169,259,887	4,338,102,488
Capital expenditure	223,203,432	6,590,845	9,613,209	8,418,115	20,109	3,303,878	251,149,588
Depreciation and amortisation charge	55,077,913	8,973,385	4,650,861	13,012,767	486,156	8,695,851	90,896,933

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	646,953,692	119,260,189	359,099,441	4,162,250,759	39,736,045	162,300,089	5,489,600,215
Liabilities	189,232,188	56,747,980	255,067,394	3,591,918,821	11,141,724	161,920,968	4,266,029,075
Capital expenditure	582,675,105	13,596,546	6,109,690	11,027,622	-	162,920,969	776,329,932
Depreciation and amortisation charge	51,702,975	8,319,707	3,722,195	29,455,292	502,442	620,879	94,323,490

(All amounts in Maldivian Rufiyaa unless otherwise stated)

6. Property, plant and equipment - Group

	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
At 1 January 2011												
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**
Year ended 31 December 2011												
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
Transfer	-	7,929,745	-	-	7,687,302	-	73,750	931,011	254,510	2,788,287	(19,664,605)	-
Cost of disposals	-	-	-	(886,090)	-	-	(85,561)	(217,302)	(128,567)	(30,188)	(238,180)	(1,585,888)
Accumulated depreciation on disposals	-	-	-	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**

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6. Property, plant and equipment - Group (Continued)

	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
Year ended 31 December 2012												
Opening 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
Additions	-	24,001,518	20,600	1,655,668	4,663,512	9,454,638	1,065,330	20,492,465	1,014,292	1,871,295	182,782,101	247,021,419
Transfers	-	18,118,823	2,581,820	-	-	-	-	-	-	-	(20,700,643)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-	-	(8,085,095)	(8,085,095)
Cost of disposals	-	-	-	-	(975,027)	(42,705)	(211,336)	(581,711)	(421,836)	(253,990)	(1,008,485)	(3,495,090)
Accumulated depreciation on disposals	-	-	-	-	975,027	42,705	62,230	490,396	416,643	18,293	-	2,005,294
Depreciation charge (Note 30)	-	(26,085,358)	(2,852,408)	(5,186,807)	(20,720,688)	(3,081,447)	(460,103)	(11,163,217)	(1,475,055)	(8,631,975)	-	(79,657,058)
Exchange gain	-	-	-	-	-	-	-	4,122	-	-	-	4,122
Impairment loss	-	-	-	-	-	-	-	-	-	(3,765,206)	(10,149,522)	(13,914,728)
Closing net book amount	**767,354,400**	**283,188,048**	**16,137,522**	**38,506,845**	**58,716,049**	**11,155,254**	**2,033,706**	**34,148,367**	**3,654,192**	**22,477,617**	**216,705,367**	**1,454,077,367**
At 31 December 2012												
Cost	767,354,400	565,745,504	36,208,970	126,722,554	219,115,186	51,481,807	7,913,699	73,939,586	11,370,712	47,083,988	216,705,367	2,123,641,773
Accumulated depreciation	-	(282,557,456)	(20,071,448)	(88,215,709)	(160,399,137)	(40,326,553)	(5,879,993)	(39,791,219)	(7,716,520)	(24,606,371)	-	(669,564,406)
Net book amount	**767,354,400**	**283,188,048**	**16,137,522**	**38,506,845**	**58,716,049**	**11,155,254**	**2,033,706**	**34,148,367**	**3,654,192**	**22,477,617**	**216,705,367**	**1,454,077,367**

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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 2011											
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**
Year ended 31 December 2011											
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)	-
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**
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
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)
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 - Company (Continued)

	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
Year ended 31 December 2012											
Opening 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
Additions	-	21,127,286	1,568,545	3,700,800	8,954,638	747,118	16,639,333	522,409	1,562,249	171,124,278	225,946,656
Transfers	-	18,118,823	-	-	-	-	-	-	-	(18,118,823)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-	(5,397,000)	(5,397,000)
Cost of disposal	-	-	-	(975,027)	(42,705)	(162,661)	(560,627)	-	(1,958)	(1,008,485)	(2,751,463)
Accumulated depreciation on disposal	-	-	-	975,027	42,705	13,555	469,707	-	1,958	-	1,502,952
Depreciation charge (Note 30)	-	(18,450,972)	(1,038,523)	(17,407,975)	(2,003,537)	(614,640)	(8,224,761)	(774,339)	(2,226,297)	-	(50,741,044)
Impairment loss	-	-	-	-	-	-	-	-	-	(10,149,522)	(10,149,522)
Closing net book amount	**767,354,400**	**132,460,816**	**2,207,522**	**34,281,513**	**8,033,082**	**1,394,146**	**28,264,342**	**1,180,051**	**553,530**	**204,201,061**	**1,179,930,463**
At 31 December 2012											
Cost	767,354,400	403,468,586	57,695,075	135,610,620	38,997,983	5,196,227	54,092,395	5,215,949	9,083,109	204,201,061	1,680,915,405
Accumulated depreciation	-	(271,007,770)	(55,487,553)	(101,329,107)	(30,964,901)	(3,802,081)	(25,828,053)	(4,035,898)	(8,529,579)	-	(500,984,942)
Net book amount	**767,354,400**	**132,460,816**	**2,207,522**	**34,281,513**	**8,033,082**	**1,394,146**	**28,264,342**	**1,180,051**	**553,530**	**204,201,061**	**1,179,930,463**

6. Property, plant and equipment - Company (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 MVR. 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 Directors 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 MVR 294,344,121 (2011: MVR 278,193,415).

c. Depreciation expense of MVR 9,167,356 (2011: MVR 1,107,688) is included in 'Cost of sales', MVR 65,647,980 (2011: MVR 63,322,655) in 'Administrative expenses' and MVR 4,841,722 (2011: MVR 20,539,587) in 'Selling and marketing costs' in the income statement.

d. Borrowings from Nations Trust Bank, Bank of Maldives and HSBC Male' are secured on STO trade center building, on a vessel "MV Bonthi" and on oil tanks and funadhoo infrastructure of the Company, respectively. Bank overdraft of Maldives Structural Products Private Limited is secured by hypothecation of all buildings, machinery, equipment, stock and 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 MVR. 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 Directors 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 MVR 261,123,278 (December 2011: MVR 245,042,472).

c. Depreciation expense of MVR 50,741,044 (December 2011: MVR 51,147,275) has been charged to administrative expenses.

d. Borrowings from Nations Trust Bank and Bank of Maldives are secured on STO trade center building and on a vessel "MV Bonthi" respectively.

7. Intangible assets

	Group			Company
	Goodwill	Software implementation	Total	Software implementation
At 1 January 2011				
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
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**
Year ended 31 December 2012				
Opening net book amount	3,155,217	34,455,592	37,610,809	32,898,091
Additions	-	4,128,169	4,128,169	4,004,061
Transfer from fixed assets	-	8,085,095	8,085,095	5,397,000
Amortization charge (Note 30)	-	(11,239,875)	(11,239,875)	(10,096,649)
Closing net book amount	**3,155,217**	**35,428,981**	**38,584,198**	**32,202,503**
At 31 December 2012				
Cost	3,155,217	60,161,447	63,316,664	51,212,445
Accumulated amortization	-	(24,732,466)	(24,732,466)	(19,009,942)
Net book amount	**3,155,217**	**35,428,981**	**38,584,198**	**32,202,503**

a. The Group had capitalised implementation of premeia, ERP, ACCTRAC and RAY software in 2008, 2010, 2011 and 2012, respectively.

b. Amortisation charge of MVR 11,239,875 (2011: MVR 9,353,560) is included in 'Administrative expenses' in the income statement.

8. Deferred business profit tax

Deferred business profit tax are calculated on all differences under the liabilities method. The movement in deferred business profit tax accounts is as follows:

	Group		Company	
	2012	2011	2012	2011
Deferred business profit tax assets				
At 1 January	6,051,440	-	5,364,485	-
Reclassified into deferred business profit tax liabilities	(127,620)	-	-	-
Decelerated tax depreciation [Note 33 (a)]	21,523,302	6,051,440	20,662,239	5,364,485
At 31 December	**27,447,122**	**6,051,440**	**26,026,724**	**5,364,485**
Deferred business profit tax liabilities				
At 1 January	(127,620)	-	-	-
Accelerated tax depreciation [Note 33 (a)]	3,604,579	-	-	-
At 31 December	**3,476,959**	**-**	**-**	**-**

9. Investments in subsidiaries

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

	% of interest hold	Company	
Name of the company		2012	2011
Maldive Gas Private Limited	90%	61,200,000	61,200,000
Allied Insurance Company of the Maldives Private Limited	99.99%	807,000	807,000
STO Maldives (Singapore) Private Limited	99.99%	1,459,750	1,459,750
Fuel Supplies Maldives Private Limited	99.99%	42,783,185	42,783,185
Maldives National Oil Company Limited	99.99%	10,000,000	10,000,000
STO Hotels & Resorts Private Limited	99.99%	999,900	999,900
		117,249,835	**117,249,835**

10. Investments in associates

	Group		Company	
	2012	2011	2012	2011
At 1 January	14,849,733	4,160,192	20,567,267	10,567,267
Investments made during the year	6,000,000	10,000,000	-	10,000,000
Share of profit	31,668,165	689,541	-	-
At 31 December	**52,517,898**	**14,849,733**	**20,567,267**	**20,567,267**

Allied Insurance Company of the Maldives Private Limited, a 99.99% holding subsidiary of State Trading Organisation Plc, has acquired 60,000 shares at a price of MVR 100 each on 1 January 2012, in Aasandha Private Limited which represents 60% of the shareholding of that Company. The principal activity of the Company is managing healthcare insurance scheme in Maldives. The investment is treated as an associate because the Allied Insurance Company of the Maldives Private Limited does not have effective control to govern the financial and operating policies by virtue of de-facto control.

State Trading Organization PLC has acquired 20,000 shares, at a price of MVR 1,000/- each in previous year, in Addu International Airport Private Limited which represents 32.26% (10% of the total shareholding) of the issued share capital of that company. Paid capital amounts to MVR 10,000,000. The principal activity of the Company is to develop, manage and operate Gan Airport as an International Airport. The investment is treated as an associate based on the effective control of

32.26% of the issued share capital.

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

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

Name	%Interest hold	Assets	Liabilitie	Revenue	Profit (loss)
At 31 December 2011					
Lafarge Maldives Cement Private Limited	25%	41,875,405	22,339,595	114,152,847	2,895,041
Addu International Airport Private Limited	32%	40,793,844	9,899,922	-	(106,078)
		82,669,249	32,239,517	114,152,847	2,788,963
At 31 December 2012					
Lafarge Maldives Cement Private Limited	25%	58,746,552	31,512,301	106,559,193	7,698,440
Addu International Airport Private Limited	32%	88,565,558	88,009,743	63,851,054	(30,338,106)
Aasandha Private Limited	60%	240,608,964	344,725,563	909,425,000	65,883,401
		567,921,074	464,247,607	1,079,835,247	43,243,735

11. Investment in joint venture

	2011	2012
Maldives Structural Products Pvt Ltd	4,700,000	4,700,000

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

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

	Group's interest in joint venture company	
	2012	2011
Assets		
Non- current assets	884,580	1,118,578
Current assets	46,181,202	40,446,718
At 31 December	47,065,782	41,565,296
Liabilities		
Current liabilities	(8,792,294)	(11,141,724)
Net assets	38,273,488	30,423,572
Income	41,746,120	19,109,337
Expenses	(33,520,206)	(18,372,768)
Profit for the year	8,225,915	736,569

Contingent liabilities relating to the Group's interest in the joint venture as at the balance sheet date were MVR 4,728,375 (2011: MVR Nil) towards outstanding letter of credit payables.

12. Available-for-sale investments

	Group		Company	
	2012	2011	2012	2011
At 1 January	151,810,318	32,684,938	141,810,318	32,684,938
Investments made during the year	672,000	135,125,000	672,000	125,125,000
Revaluation surplus / (loss) transferred to equity	14,171,092	(15,999,620)	14,171,092	(15,999,620)
At 31 December	**166,653,410**	**151,810,318**	**156,653,410**	**141,810,318**

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 2012 (2011: MVR Nil). 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	
	2012	2011	2012	2011
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Bank of Maldives PLC	30,856,410	16,685,318	30,856,410	16,685,318
Maldives Stock Exchange Company Private Limited	2,272,000	1,600,000	2,272,000	1,600,000
Madivaru Holdings Private Limited	709,148	709,148	709,148	709,148
Maldives Security Depository	125,000	125,000	125,000	125,000
Dhivehi Raajjeyge Gulhun PLC (Dhiraagu)	135,000,000	135,000,000	125,000,000	125,000,000
	173,462,558	**158,619,466**	**163,462,558**	**148,619,466**
Less: Provision for loss on impairment	(6,809,148)	(6,809,148)	(6,809,148)	(6,809,148)
	166,653,410	**151,810,318**	**156,653,410**	**141,810,318**

13. Inventories

	Group		Company	
	2012	2011	2012	2011
Roofing sheets (raw materials)	6,216,562	3,216,509	-	-
Food stock	43,700,971	72,810,674	43,700,971	72,810,674
Fuel and lubricants	249,169,032	151,119,518	166,773,843	69,273,488
Home improvement and electronics	91,795,342	85,837,740	91,795,342	85,837,740
Construction materials	75,472,383	57,333,609	75,472,383	57,333,609
Pharmaceuticals	130,814,861	139,083,318	130,814,861	139,083,318
Spare parts	8,065,022	6,834,193	-	-
Retail shops	37,790,809	59,876,461	37,790,809	59,876,461
Others	-	142,759	-	142,759
Goods in Transit	6,268,759	224,575,264	6,268,759	224,575,264
	649,293,741	**800,830,045**	**552,616,968**	**708,933,313**
Less: Provision for slow and non moving inventories	(47,636,989)	(16,016,997)	(45,036,311)	(12,518,761)
	601,656,752	**784,813,048**	**507,580,657**	**696,414,552**

Provision for slow and non moving inventories

	Group		Company	
	2012	2011	2012	2011
At 1 January	16,016,997	28,558,057	12,518,761	25,342,013
Provision made / (reversal) during the year (Note 30)	33,114,196	(12,541,060)	32,517,550	(12,823,252)
Inventories written off during the year	(1,494,204)	-	-	-
At 31 December	**47,636,989**	**16,016,997**	**45,036,311**	**12,518,761**

14. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
Trade receivables	784,795,296	972,161,906	211,947,242	485,050,854
Due from policyholders	62,013,639	56,938,721	-	-
	846,808,935	1,029,100,627	211,947,242	485,050,854
Less: Provision for impairment of trade receivables	**(109,184,843)**	**(84,131,208)**	**(54,490,883)**	**(37,466,563)**
Trade receivables - net	737,624,092	944,969,419	157,456,359	447,584,291
Advances, prepayments and deposits	44,437,414	128,447,405	37,299,315	119,971,986
Receivables from related parties [(Note 39) c]	1,510,632,320	693,401,604	2,154,145,179	1,151,676,190
Loans granted to related parties [(Note 39) d]	-	797,866	14,068,923	14,866,789
Other receivables (Note 15)	134,317,891	116,635,923	116,713,414	109,224,951
	1,689,387,625	**939,282,798**	**2,322,226,831**	**1,395,739,916**
Less: unmatured interest	(13,533,175)	(11,111,404)	(13,533,175)	(11,111,404)
Provision for impairment of receivables	(53,352,642)	(25,414,195)	(50,369,378)	(22,081,368)
	1,622,501,808	902,757,199	2,258,324,278	1,362,547,144
Total trade and other receivables	2,360,125,900	1,847,726,618	2,415,780,637	1,810,131,435
Less: Non current portion of receivable from Male' Health Services Corporation Limited	**(57,291,033)**	**(45,908,739)**	**(57,291,033)**	**(45,908,739)**
Current portion	**2,302,834,867**	**1,801,817,879**	**2,358,489,604**	**1,764,222,696**

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 are unsecured, carry interest of 8% to 20% per annum and are repayable over a period of 5 years.

e. Loans given by the Company to related companies represent an unsecured loan to Lafarge Maldives Cement Private Limited at an interest rate of 9% per annum repayable in 12 monthly installments from 31 January 2012 to 31 December 2012 and to Maldive Gas Private Limited during the previous 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 Private Limited and Maldive Gas Private limited were MVR Nil (2011: MVR 797,866) and MVR 14,068,923 (2011: MVR 14,068,923) respectively.

15. Other receivables

	Group		Company	
	2012	2011	2012	2011
Government employee credit scheme	76,567,905	59,337,814	76,567,905	59,337,814
Less: unmatured interest	(4,837,057)	(3,343,086)	(4,837,057)	(3,343,086)
Provision for impairment on credit scheme	(5,465,662)	(9,094,864)	(5,465,662)	(9,094,864)
	66,265,186	46,899,864	66,265,186	46,899,864
Staff advances and other loans	5,499,600	5,300,269	5,499,600	5,193,100
Advances paid for custom duty	2,231,261	3,688,005	2,231,261	3,688,005
Miscellaneous receivables	60,321,844	60,747,785	42,717,367	53,443,982
	134,317,891	116,635,923	116,713,414	109,224,951

16. Reinsurance contracts

	Group		Company	
	2012	2011	2012	2011
Re-insurers' share of insurance liabilities	35,584,226	29,755,501	-	-
Unearned premium	56,909,554	46,261,830	-	-
	92,493,780	76,017,331	-	-

17. Investments held-to-maturity

	Group		Company	
	2012	2011	2012	2011
Treasury bills - Maldives Monetary Authority	49,850,570	306,330,359	-	276,004,733
Fixed term promissory note - MTDC	-	10,437,740	-	-
Corporate bonds - HDFC	20,834,247	-	-	-
	70,684,817	316,768,099	-	276,004,733

The Group has invested MVR 49,850,570 (2011: MVR 306,330,359) in Treasury Bills issued by Maldives Monetary Authority for a maturity value of MVR 50,000,000 (2011: MVR 310,500,000) at the rate of interest ranging from 7.2% to 8% per annum (2011: 5.7% to 6.97% per annum) with the maturity period of 28 to 182 days (2011: 28 to 182 days).

The Group has purchased a one year fixed term corporate bond of MVR 20,000,000 from Housing Development Finance Corporation PLC with a maturity value of MVR 21,500,000 on 11 June 2012.

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

In the previous year, the Group has purchased a one year fixed term promissory note of MVR 10,000,000 from Maldives Tourism Development Corporation PLC with a maturity value of MVR 10,724,945. The investment was matured in current year with the interest income of MVR 287,205 attributable to 2012.

18. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
Cash at bank and in hand	241,518,196	710,564,082	145,705,835	612,227,626
Short term bank deposit	627,410,228	233,190,234	607,794,092	232,552,558
	868,928,424	943,754,316	753,499,927	844,780,184

The weighted average effective interest rate on short-term bank deposits of the group was 1.50% annually (2011: 1.38%).

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

	Group		Company	
	2012	2011	2012	2011
Cash and cash equivalents	868,928,424	943,754,316	753,499,927	844,780,184
Bank overdraft (Note 25)	(409,501,076)	(266,277,033)	(402,612,745)	(243,052,033)
	459,427,348	677,477,283	350,887,182	601,728,151

19. Share capital

	Number of shares	Ordinary shares	Share premium	Total
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
At 1 January 2012	1,126,910	56,345,500	27,814,500	84,160,000
At 31 December 2012	1,126,910	56,345,500	27,814,500	84,160,000

The total authorised number of ordinary shares is 1,155,555 (2011: 1,155,555) with a par value of MVR 50 per share (2011: MVR 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 current year. The reserve was created to meet abnormally high claims in future in the financial statements of Allied Insurance Company of the Maldives Private Limited.

	Group		Company	
	2012	2011	2012	2011
At 1 January	11,162,078	8,043,015	-	-
Transfer during the year	6,303,901	3,119,063	-	-
At 31 December	17,465,979	11,162,078	-	-

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

	2012	2011
At 1 January	5,558,725	5,788,628
Add: Share of net results of subsidiaries	1,109,385	(228,251)
Less: dividends paid	-	(1,652)
At 31 December	6,668,110	5,558,725

23. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
Trade payables	2,525,097,573	2,360,829,466	2,510,606,666	2,337,967,781
Payables to related parties [(Note 39) c]	42,557,947	78,985,407	83,192,198	25,375,046
Accrued expenses	26,313,158	12,730,229	23,749,981	10,865,470
Dividend payable	104,573,553	37,409,959	104,573,553	37,409,959
Other payables	79,954,199	31,038,429	26,533,142	11,178,789
Deferred revenue	4,549,252	2,382,185	-	-
Total trade and other payables	**2,783,045,682**	**2,523,375,675**	**2,748,655,540**	**2,422,797,045**
Less: Non current portion (Deferred revenue)	(2,320,119)	(1,205,988)	-	-
	2,780,725,563	2,522,169,687	2,748,655,540	2,422,797,045

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 advance rent receipt of MVR 1,671,078 (2011: MVR 1,322,128), advances received from customers of MVR 6,928,724 (2011: MVR 6,815,071), provident fund payables of MVR 56,247 (2011: MVR 44,688), retention payable of MVR 7,936,923 (2011: MVR 2,459,275), reinsurance premium payable of MVR 8,959,110 (2011: MVR 792,019), insurance premium received in advance of MVR 20,389,438 (2011: MVR 227,505), cylinder deposits of MVR 3,156,208 (2011: MVR 10,453,686), GST payable of MVR 579,132 (2011: MVR 1,392,032), demurage charges payable of MVR 9,166,432 (2011: MVR Nil) and other miscellaneous payables MVR 21,110,907 (2011: MVR 7,532,025).

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	
	2012	2011	2012	2011
Forward foreign exchange contracts				
Currency - SWAP	25,687,485	34,344,460	25,687,485	34,344,460
Total	**25,687,485**	**34,344,460**	**25,687,485**	**34,344,460**
Less: Non current portion				
Currency - SWAP	17,390,510	26,075,485	17,390,510	26,075,485
Current portion	8,296,975	8,268,975	8,296,975	8,268,975

The fair value of the SWAP currency is determined by multiplying the Maldivian Rufiyaa (MVR) exchange rate as at 31 December 2012 with the outstanding US Dollar (US$) commitment to Housing Development Finance Corporation Plc with regard to the Currency SWAP agreements signed on 10 February 2009, 31 July 2011, 15 October 2011 and 12 February 2012.

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

The commitment of outstanding forward foreign exchange contracts as at 31 December 2012 was MVR 303,135,658 (2011: MVR 321,716,758).

25. Borrowings

	Group		Company	
	2012	2011	2012	2011
Non-current				
Bank borrowings	92,489,882	112,334,776	92,489,882	112,334,776
Current				
Bank borrowings	833,837,157	1,139,456,194	833,837,157	1,139,456,194
Bank overdraft (Note 18)	409,501,076	266,277,033	402,612,745	243,052,033
	1,243,338,233	1,405,733,227	1,236,449,902	1,382,508,227
Total borrowings	**1,335,828,115**	**1,518,068,003**	**1,328,939,784**	**1,494,843,003**

Bank borrowings of the Company will mature by March 2014 and bear an average interest of 7.44% annually (2011: 7.24% annually)

Bank borrowings of the Company are secured by bank deposits in Maldivian Rufiyaa, stock, receivables, building (STO trade center), vessel (MV Bonthi), a pledge on oil tanks and funadhoo infrastructure of the Company and guarantee from Government of Maldives.

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

Total borrowings:

	Group		Company	
	2012	2011	2012	2011
-At fixed rates	1,029,140,120	1,077,820,450	1,022,251,789	1,054,595,450
-At floating rates	306,687,995	440,247,553	306,687,995	440,247,553
	1,335,828,115	**1,518,068,003**	**1,328,939,784**	**1,494,843,003**

The Company has unutilised working capital facilities amounting to US$ 68,221,079 equivalent to MVR 1,051,969,038 as at balance sheet date. These credit facilities are usually short-term in nature and renewed from time to time on expiry.

The carrying amounts of the group's borrowings are denominated in the following currencies:

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

	Group		Company	
	2012	2011	2012	2011
United States Dollar	1,335,828,115	1,518,068,003	1,328,939,784	1,494,843,003

The fair values are based on cash flows discounted using effective average lending rate of 9.25 % (2011: 9.42 %) published by Maldives Monetary Authority.

	Carrying amount		Fair value	
	2012	2011	2012	2011
Borrowings	92,489,882	112,334,776	92,639,512	112,334,776

Maturity of non current borrowings:

26. Insurance contracts

	Group		Company	
	2012	2011	2012	2011
Between 1 and 2 years	92,489,882	112,334,776	92,489,882	112,334,776
	92,489,882	112,334,776	92,489,882	112,334,776

27. Revenue

	Group		Company	
	2012	2011	2012	2011
Claims reported and loss adjustment expenses	62,877,174	58,021,680	-	-
Unearned premiums	89,183,051	108,559,510	-	-
Valuation premium	7,300,730	1,956,568		
Total insurance liabilities, gross	159,360,955	168,537,758	-	-

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

Analysis by companies

	Group		Company	
	2012	2011	2012	2011
Retail and wholesale	1,402,807,873	1,289,685,350	1,399,184,764	1,286,375,547
Insurance (Note 28)	123,525,554	136,322,253	-	-
Gas	152,121,536	134,440,533	-	-
Structural products	13,935,722	7,336,867	-	-
Fuel and lubricants	7,613,493,218	7,897,039,454	7,658,530,689	5,539,827,334
Other services	1,045,668	-	1,045,668	-
	9,306,929,571	9,464,824,457	9,058,761,121	6,826,202,881

	Group	
	2012	2011
State Trading Organization PLC	9,058,761,121	6,826,202,881
Allied Insurance Company of the Maldives Private Limited (Note 28)	142,853,984	151,568,932
STO Maldives (Singapore) Private Limited	205,632	232,310
STO Hotels & Resorts Private Limited	1,045,668	-
Maldive Gas Private Limited	161,633,199	143,628,482
Fuel Supplies Maldives Private Limited	2,563,637,173	2,294,223,164
Maldives National Oil Company Limited	-	2,344,518,598
Maldives Structural Products Private Limited	41,528,617	19,105,771
	11,969,665,394	11,779,480,138
Less : inter-company transactions	(2,662,735,823)	(2,314,655,681)
	9,306,929,571	9,464,824,457

28. Net insurance premium revenue and fee income

	2012	2011
Long term insurance contracts with fixed terms		
- premium receivable	5,989,979	4,925,411
- change in unearned premium provision	1,403,204	(2,378,279)
Premium revenue arising from insurance contracts issued	7,393,183	2,547,132
Short term insurance contracts		
- premium receivable	223,217,153	232,963,864
- change in unearned premium provision	17,973,255	(11,198,109)
Premium revenue arising from insurance contracts issued	**241,190,408**	**221,765,755**
Reinsurance contracts		
Long term reinsurance contracts with fixed terms		
- premium payable	(189,000)	(186,600)
Premium revenue ceded to reinsurers on insurance contracts	**(189,000)**	**(186,600)**
Short term reinsurance contracts		
- premium payable	(158,586,273)	(116,640,054)
- change in unearned premium provision	10,647,725	5,581,004
Premium revenue ceded to reinsurers on insurance contracts issued	**(147,938,548)**	**(111,059,050)**
Net insurance premium revenue	**100,456,043**	**113,067,237**
Reinsurance commission	42,397,941	35,924,004
Profit commission	-	2,577,691
Fee income	**42,397,941**	**38,501,695**
Total income	**142,853,984**	**151,568,932**
Less : Inter-company transactions	(19,328,430)	(15,246,679)
	123,525,554	**136,322,253**

29. Other Operating income

	Group		Company	
	2012	2011	2012	2011
Profit on disposal of property, plant and equipment	78,296	144,326	78,296	144,326
Income from vessels and fleets	10,488,569	13,356,951	2,100,252	7,898,179
Fines and claims received	5,969,820	12,129,988	5,471,857	7,094,064
Rent income	17,017,414	17,484,053	20,449,213	20,696,244
Discounts received	5,877,392	2,809,961	134,486	394,821
Administration fee income - Aasandha	43,197,687	-	-	-
Miscellaneous income	25,200,224	47,982,313	418,391	17,647,878
	107,829,402	**93,907,592**	**28,652,495**	**53,875,512**

30. Expenses by nature

	Group		Company	
	2012	2011	2012	2011
Depreciation (Note 6)	79,657,058	84,969,930	50,741,044	51,147,275
Employee benefit expenses (Note 31)	242,865,714	208,267,529	157,338,420	133,243,717
Amortisation charge (Note 7)	11,239,875	9,353,560	10,096,649	8,228,590
Operating lease rentals	4,309,709	2,833,522	-	-
Directors' remuneration	5,859,677	4,918,516	1,145,095	1,231,667
Raw material and consumables used	8,065,225,907	8,637,190,022	8,053,984,287	6,221,038,323
Transportation	15,230,019	11,738,987	14,231,347	10,012,236
Vessel and fleet expenses	8,946,111	7,356,262	8,946,111	7,356,262
Advertisement and sales promotion expenses	27,007,718	18,660,239	23,019,819	15,403,287
Agents commission	11,800,015	13,616,827	11,085	5,801,546
Audit fees	1,214,677	1,131,415	462,369	601,380
Accounting and legal charges	1,490,165	2,373,583	886,460	1,559,044
Provision for impairment of receivables	50,548,107	35,055,422	41,683,127	30,093,437
Provision for impairment of assets	13,914,728	21,938,406	10,149,522	19,484,222
Receivables written off	1,417,831	8,081,231	1,331,193	3,878,201
Provision for slow and non moving inventories	33,114,196	(12,541,061)	32,517,550	(12,823,253)
Fuel expenses	40,041,005	51,391,584	17,397,185	32,093,093
Rental expenses	10,689,086	13,268,670	8,707,774	10,747,435
Telephone, electricity and water charges	27,601,332	23,669,450	16,677,799	13,943,030
Bank charges	33,321,423	26,537,999	32,345,618	24,457,322
Insurance expenses	(9,232,673)	(7,139,344)	8,445,569	6,592,225
Repair and maintenance	34,765,403	23,133,978	20,483,365	13,687,301
Other selling and distribution costs	12,952,361	14,359,526	11,173,988	12,545,817
Other expenses	58,771,506	54,464,996	45,682,966	39,882,907
Total cost of sales, Selling and marketing costs, administrative expenses and other operating expenses	8,782,750,950	9,254,631,249	8,567,458,342	6,650,205,064
Classified as:				
- cost of sales	8,077,857,832	8,637,190,022	8,053,984,287	6,221,038,323
- Selling and marketing costs	305,643,039	291,664,520	235,271,377	217,367,961
- administrative expenses	397,248,445	321,186,880	275,087,836	206,884,649
- other operating expenses	2,001,634	4,589,827	3,114,842	4,914,131
	8,782,750,950	9,254,631,249	8,567,458,342	6,650,205,064

31.Employee benefit expenses

	Group		Company	
	2012	2011	2012	2011
Salaries and wages	136,812,882	119,240,779	67,504,128	61,639,030
Staff welfare	3,987,471	7,284,599	2,959,929	5,473,173
Employer's contribution to Government pension fund	2,701,839	1,488,001	-	-
Staff medical expenses	66,457	297,179	51,741	6,044
Overtime and allowances	91,309,073	71,924,501	79,411,824	59,911,532
Employee redundancy expenses	901,777	1,371,436	611,635	896,976
Other staff related expenses	7,086,215	6,661,034	6,799,163	5,316,962
	242,865,714	208,267,529	157,338,420	133,243,717

32. Finance income and costs

	Group		Company	
	2012	2011	2012	2011
Finance cost				
Interest expense:				
- bank borrowings	(82,273,948)	(58,235,502)	(82,273,948)	(58,235,502)
- bank overdrafts	(44,307,246)	(32,479,563)	(40,240,016)	(24,937,158)
- other borrowings	(119,264,690)	(51,390,813)	(120,665,166)	(52,928,842)
Foreign exchange loss	(263,269,746)	(355,154,635)	(260,798,853)	(344,367,380)
Less : compensatory grant received from Government of Maldives	70,454,142	329,127,649	70,454,142	329,127,649
	(192,815,604)	**(26,026,986)**	**(190,344,711)**	**(15,239,731)**
	(438,661,488)	(168,132,864)	(433,523,841)	(151,341,233)
Finance income				
Interest income on loans granted	25,104	48,477	1,425,580	817,559
Interest income on Government credit scheme	12,163,936	9,861,817	12,163,936	9,861,817
Interest income on fixed deposits	8,001,648	1,846,004	7,990,256	1,832,302
Foreign exchange gain	3,601,625	31,169,015	-	-
Dividends on investments	12,514,454	-	48,635,454	37,729,848
Discounts on treasury bills	5,856,534	28,447,560	5,856,534	28,447,560
	42,163,301	71,372,873	76,071,760	78,689,086
Net finance cost	(396,498,187)	(96,759,991)	(357,452,081)	(72,652,147)

33. Business profit tax / zakat

a. Business profit tax expense

	Group		Company	
	2012	2011	2012	2011
Current tax				
- Current tax on profits for the year	50,031,773	21,703,179	29,657,303	15,966,937
- Adjustment in respect of prior year	(3,756,145)	-	(4,142,350)	-
Total current tax	46,275,628	21,703,179	25,514,953	15,966,937
Deferred tax release (Note 8)	(17,918,723)	(6,051,440)	(20,662,239)	(5,364,485)
Business profit tax expense	28,356,905	15,651,739	4,852,714	10,602,452

	Group		Company	
	2012	2011	2012	2011
Profit before tax	**267,178,001**	**208,030,350**	**162,503,193**	**157,221,182**
Less : Profits and income earned before the commencement of Act not liable for business profit tax	-	(139,515,094)	-	(85,287,107)
Profit and income earned during the tax period liable to Business profit tax	267,178,001	68,515,256	162,503,193	71,934,075
Less: Basic exemption limit MVR 500,000 / proportionately taken amount of MVR 500,000	(750,000)	(1,029,452)	(71,429)	(228,767)
Profit and income earned during the tax period liable to Business profit tax after basic exemption limit	266,428,001	67,485,804	162,431,764	71,705,308
Tax calculated at domestic tax rate of 15% applicable to profit	39,964,200	10,122,871	24,364,765	10,755,796
Tax effect of				
- results of associates reported net of tax	(4,750,225)	(103,431)	-	-
- income not liable for tax for tax purposes	(9,139,292)	(1,148,372)	(7,295,318)	(1,060,691)
- expenses not deductible for tax purposes	23,957,090	12,832,111	12,587,856)	6,271,832
- deferred tax	(17,918,723)	(6,051,440)	(20,662,239)	(5,364,485)
Adjustment in respect of prior year	(3,756,145)	-	(4,142,350)	-
Business profit tax charge	**28,356,905**	**15,651,739**	**4,852,714**	**10,602,452**

b. Zakat

	Group		Company	
	2012	2011	2012	2011
At 1 January	-	7,072,267	-	7,072,267
Payment made during the year	-	(7,072,267)	-	(7,072,267)
At 31 December	**-**	**-**	**-**	**-**

34. Earnings per share

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

	Group		Company	
	2012	2011	2012	2011
Profit attributable to equity holders of the Company	237,711,711	192,606,862	157,650,479	146,618,730
Weighted average number of ordinary shares in issue	1,126,910	1,126,910	1,126,910	1,126,910
"Basic earnings per share (MVR per share)"	210.94	170.92	139.90	130.11

35. Dividend per share

At the Annual General Meeting held on 14 June 2012, a dividend in respect of 2011 of MVR 72 per share (2011: declared dividend MVR 68 per share in respect of 2010) amounting to a total of MVR 81,137,520 (2011: declared MVR 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 2012.

36. Cash generated from operations

	Group		Company	
	2012	2011	2012	2011
Profit before business profit tax and zakat	267,178,001	208,030,350	162,503,193	157,221,182
Adjustments for:				
- Depreciation (Note 6)	79,657,058	84,969,930	50,741,044	51,147,275
- Amortization (Note 7)	11,239,875	9,353,560	10,096,649	8,228,590
- Net fair value (gains) / losses on currency SWAPs (Note 24)	(8,656,975)	34,344,460	(8,656,975)	34,344,460
- Interest income (Note 32)	(26,047,222)	(40,203,858)	(27,436,306)	(40,959,238)
- Interest expense (Note 32)	245,845,884	142,105,878	243,179,130	136,101,502
- Dividend income (Note 32)	(12,514,454)	-	(48,635,454)	(37,729,848)
- Provision for impairment of receivables (Note 30)	50,548,107	35,055,422	41,683,127	30,093,437
- Provision for impairment of assets (Note 30)	13,914,728	21,938,406	10,149,522	19,484,222
- Receivables written off (Note 30)	1,417,831	8,081,231	1,331,193	3,878,201
- Provision for slow and non moving inventories	33,114,196	(12,541,061)	32,517,550	(12,823,253)
- Share of profit from associates (Note 10)	(31,668,165)	(689,541)	-	-
- Profit on disposal of property, plant and equipment (see below)	(78,296)	(144,326)	(78,296)	(144,326)
- Property, plant and equipment transfers (Note 6)	-	238,180	-	-
- Currency translation differences	(362,750)	83,020	-	(132,978)
Changes in working capital				
- Inventories	150,042,100	(453,966,979)	156,316,345	(408,052,277)
- trade and other receivables	(562,896,370)	(1,497,819,293)	(647,194,672)	(1,591,345,281)
- Reinsurance contracts	(16,476,449)	6,304,018	-	-
- Insurance contracts	(9,176,803)	8,292,223	-	-
- Trade and other payables	168,988,228	1,854,278,198	235,176,716	1,830,335,276
Cash generated from operations	354,068,524	407,709,818	211,692,766	179,646,944

Non-cash transactions

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

	Group		Company	
	2012	2011	2012	2011
Net book amount (Note 6)	1,489,796	14,496	1,248,511	239,005
Profit on disposal of property, plant & equipment	78,296	144,326	78,296	144,326
	1,568,092	158,822	1,326,807	383,331

b. Purchases of property, plant and equipment comprise:

	Group		Company	
	2012	2011	2012	2011
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 Bank of Maldives for the facilities obtained by Maldives Structural Product Private Limited.

	Group	
	2012	2011
Type of facilities		
- overdraft	3,855,000	3,855,000
- letter of credit	15,420,000	15,420,000
	19,275,000	**19,275,000**

ii. One customer has filed suit in Civil Court claiming compensation of MVR 3,149,792 which was not accepted by State Trading Organisation PLC. The case is in progress. In the event the Court holds in favour of the customer, the Group (and the Company) will need to recognise liability in respect of this claim.

iii. One policyholder has filed suit in Civil Court claiming insurance compensation which was not accepted by Allied Insurance Company of the Maldives Private Limited. The case is in progress. In the event the Court holds in favour of the policyholder, the Group will need to recognise liability in respect of this claim.

iv. A supplier has made a claim for demurrage charges of MVR 2,682,237 which has not been accepted by the Maldives National Oil Company Limited. The directors of the Company are of the view that the delay in clearance of oil shipments were on account of delay in issuance of delivery clearances by the supplier. Therefore the Company is not liable for demurrage charges. Negotiations are in progress with the supplier and in the event the Company accepts the demurrage liability, the Group will need to recognise this liability in respect of the demurrage claim.

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

Contingent assets

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

38. Commitments

Capital commitments

	Group		Company	
	2012	2011	2012	2011
i. Capital expenditure contracted as of the balance sheet date but not yet incurred.	20,301,188	149,967,756	20,301,188	149,967,756
ii. Shares subscribed as of the balance sheet date but not yet paid.	11,943,000	10,375,000	11,943,000	10,375,000
	32,244,188	**160,342,756**	**32,244,188**	**160,342,756**

iii. There were no other material capital commitments outstanding at the balance sheet date which were not recognised in the financial statements.

Operating lease commitments

	Group		Company	
	2012	2011	2012	2011
Not later than 1 year	13,876,096	4,832,826	5,782,500	-
Later than 1 year and not later than 5 years	94,544,742	61,735,175	77,100,000	52,042,500
Later than 5 years	227,571,755	258,429,670	225,517,500	256,357,500
	335,992,593	324,997,671	308,400,000	308,400,000

The Company has entered into an agreement with Housing 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 included into operating lease commitments.

Financing lease commitments

i. Maldives Structural Products Private Limited has an annual commitment to pay a sum of MVR 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). The lease period of factory land is 25 years and is due to expire by October 2025.

ii. There were no other material financial commitments outstanding at the balance sheet date which were not recognised in the financial statements.

39. Related party transactions

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

	Group	
	2012	2011
Allied Insurance Company of the Maldives Private Limited		
(Subsidiary Company)		
- sale of goods	5,022	37,438
- services obtained	(16,764,724)	(14,354,699)
- Advance received	(30,000,000)	-
- Purchase of foreign currencies	(6,168,000)	-
- rent received	1,436,324	1,111,183
- dividends received	18,149,979	10,049,933
Maldives National Oil Company Limited		
(Subsidiary Company)		
- sale of goods	1,446	-
- advance (received) / granted	(7,710,000)	900,000
- rent received	192,219	370,080
Maldives Gas Private Limited		
(Subsidiary Company)		
- sale of goods	-	107,051
- purchases of goods	(6,570,423)	(6,924,902)
- rent received	490,250	536,533
- interest on advance	1,400,476	769,082
Fuel Supplies Maldives Private Limited		
(Subsidiary company)		
- sale of fuel	2,573,061,684	2,240,620,949
- purchases of fuel	(34,113,879)	(38,633,087)
- dividends received	17,593,850	24,248,915
- rent received	1,313,006	1,194,395

39. Related party transactions (continued)

	Group	
	2012	2011
STO Maldives (Singapore) Private Limited		
(Subsidiary company)		
- services obtained	(882,684)	-
Koodoo Fisheries Maldives Limited		
(Government undertaking)		
- sale of goods	20,045,434	-
- services obtained	(46,543)	-
- purchases of foreign currency	(97,146,000)	-
Felivaru fisheries		
(Government undertaking)		
- services obtained	(20,655,450)	-
Maldives Structural Product Private Limited		
(Joint venture company)		
- sale of goods	-	3,900
- purchases of goods	(55,185,789)	(23,537,808)
- dividends received	376,000	3,431,000
Lafarge Maldives Cement Private Limited		
(Associate company)		
- purchases of goods	(73,183,727)	(80,730,570)
- sales of goods	61,841	7,240
- rent received	109,200	-
- interest on advance	25,104	-
Maldives Industrials Fisheries Company Limited		
(Investee company)		
- sale of goods	12,055,723	11,750,184
- purchases of goods	(241,448)	(5,122,381)
- purchases of foreign currency	(37,008,000)	-
Ministry of Finance and Treasury		
(Majority shareholder)		
- Compensatory grant received on exchange loss	70,454,142	329,127,649
- food subsidy income	281,062,054	259,099,519
- sales of goods	774,876	-
State Electric Company (STELCO)		
(company owned by MOFT)		
- purchases of goods	(13,764,650)	(9,261,744)
- sales of goods	1,131,260,870	25,672,504
Male' Health Services Corporation Limited		
(Government undertaking)		
- sales of goods	132,662,386	152,839,912
Rainbow Enterprises Private Limited		
(Co-venturer of a Joint venture company)		
- purchases of goods	(85,825)	(255,975)

b. Key management compensation

For the year ended 31 December 2012, the total remuneration of the directors of the Group was MVR 5,859,677 (2011: MVR 4,918,516) and total remuneration of the directors of the Company was MVR 1,145,095 (2011: MVR 1,231,667).

39. Related party transactions (continued)

c. Year-end balances arising from sale and purchase of goods and services, fund transfers and fund receipts:

Receivables from related parties (Note 14):	Group		Company	
	2012	2011	2012	2011
STO Maldives (Singapore) Private Limited	-	-	6,879,140	6,455,154
Maldives Gas Private Limited	-	-	10,230,010	8,384,650
Fuel Supplies Maldives Private Limited	-	-	495,997,174	397,610,865
Allied Insurance Company of the Maldives Pvt Ltd	-	-	-	4,116,846
Rainbow Enterprises Private Limited	31,975,353	32,912,853	-	-
Maldives National Oil Company Limited	-	-	5,607,947	5,486,996
G.Dh Atoll Rayyithunge Cooperative Society	831,492	831,492	831,492	831,492
Ensis Fisheries Private Limited	317,613	337,188	-	-
Maldives Industrials Fisheries Company Limited	1,571,554	1,265,432	1,027,220	1,004,250
Ministry of Finance and Treasury	518,755,961	142,352,749	518,755,961	142,352,749
Koodoo Fisheries Maldives Limited	156,437	2,626,929	156,437	2,626,929
State Electric Company (STELCO)	199,038,080	88,289,071	199,038,080	88,289,071
Male' Health Services Corporation Limited	276,523,871	164,023,628	276,523,871	164,023,628
Lafarge Maldives Cement Private Limited	16,436	422,872	2,000	59,072
Maldives Structural Product Private Limited	-	1,715,500	-	3,431,000
National Social Protection Agency	10,754,579	114,543,727	1,047,283	10,661,907
Addu International Airport	-	1,206,774	-	1,206,774
Aasandha Private Limited	29,997,492	-	29,997,492	-
Maldives Airport Company Limited	247,532,154	12,766	247,532,154	12,766
STO Hotels & Resorts Private Limited	-	-	167,357,620	161,920,968
Other Government entities	193,161,298	142,860,623	193,161,298	153,201,073
	1,510,632,320	**693,401,604**	**2,154,145,179**	**1,151,676,190**

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 are unsecured, carry interest of 8% to 20% per annum and are repayable over a period of 5 years.

Payables to related parties (Note 23):	Group		Company	
	2012	2011	2012	2011
Lafarge Maldives Cement Private Limited	13,202,421	5,853,701	13,202,421	5,853,701
Maldives Structural Product Private Limited	4,231,595	1,829,252	8,463,189	3,658,503
Allied Insurance Company of the Maldives Pvt Ltd	-	-	30,562,887	1,026,418
Maldives National Oil Company Limited	-	-	9,366,655	1,656,655
STO Maldives (Singapore) Private Limited	-	-	1,996,629	1,806,027
Rainbow Enterprises Private Limited	-	1,715,500	-	-
Fuel Supplies Maldives Private Limited	-	-	6,126,222	11,373,742
National Social Protection Agency	11,398,193	69,335,411	-	-
Champa Oil and Gas Company Private Limited	251,543	251,543	-	-
Addu International Airport	11,331,570	-	11,331,570	-
Other Government entities	2,142,625	-	2,142,625	-
	42,557,947	**78,985,407**	**83,192,198**	**25,375,046**

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.

39. Related party transactions (continued)

d. Loans to related companies (Note 14):

	Group		Company	
	2012	2011	2012	2011
At 1 January	797,866	664,888	14,866,789	3,662,284
Loans advanced during the year	-	-	-	11,071,527
Loans repayments received	(797,866)	-	(797,866)	-
Exchange gain	-	132,978	-	132,978
At 31 December	**-**	**797,866**	**14,068,923**	**14,866,789**

Loans given by the Company to related companies represent an unsecured loan to Lafarge Maldives Cement Private Limited at an interest rate of 9% per annum repayable in 12 monthly installments from 31 January 2012 to 31 December 2012 and loan to Maldive Gas Private Limited during the previous 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 Private Limited and Maldive Gas Private limited were MVR Nil (2011: MVR 797,866) and MVR 14,068,923 (2011: MVR 14,068,923) 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.

The Group **aims to achieve strong** & **sustainable financial performance** that consistently offers **potential profitable growth**, while delivering quality products and services that are **central to our nation**.

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STO's Main Stores

STO Construction Materials
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Male', Republic of Maldives
T: +960 3012635

STO People's Choice Fuel & Lubricants
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STO People's Choice Home Improvement
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STO People's choice Nippon Paint Showroom

Home Improvement Building,
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STO People's Choice Pharmacy

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STO People's Choice Staple Foods

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STO People's Choice Supermart

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STO People's choice Whole Sale Centre

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STO Service Centre

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STO Warehouses

STO Construction Materials Warehouse

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STO Supermarket Warehouse

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F: +960 6862032
E: sto136@stomaldives.net

STO Shop No. 137, (S. Hithadhoo)

Ziyaaraiy Fannu Magu,
S. Hithadhoo, Republic of Maldives
T: +960 6885954
E: sto137@stomaldives.net

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

Shaafee Hingun,
S. Maradhoo Feydhoo, Republic of Maldives
T: +960 6891831
E: sto159@stomaldives.net

Addu Paint Shop (S. Maradhoo Feydhoo)

Shaafee Hingun,
S. Maradhoo Feydhoo, Republic of Maldives
T: +960 6891831
E: addupaint@stomaldives.net

STO Shop No. 123 (S. Feydhoo)

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

STO Shop No. 164 (S. Hulhumeedhoo)

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

Subsidiary Companies

Addu International Airport Pvt Ltd

(10% STO shares)
Building 100, Addu City 19070
T: +960 6898010
F: +960 6898009
E: info@gan.aero
Website: www.ganairport.com

Allied Insurance Company of the Maldives Pvt. Ltd

(99.99% STO shares)
04 - 06, STO Trade Center
Orchid Magu,
T: +960 334 1001
F: +960 332 5035
E: info@alliedmaldives.net
Website: www.alliedmaldives.com

Fuel Supplies Maldives Pvt Ltd

(99.99% STO shares)
Block A, 4th Floor, STO Aifaanu Building
Boduthakurufaanu Magu,
Male' 20-05, Maldives
T: +960 3336655
F: +960 3313881
E: info@fuelmaldives.com
Website: www.fuelmaldives.com

Lafarge Maldives Cement Pvt Ltd

(75.00% STO shares)
01-01 STO Trade Centre,
Orchid Magu
T: +960 3315313
F: +960 3315316
E: mimcgm@dhivehinet.net.mv

Maldive Gas Pvt Ltd

(90.00% STO shares)
1st Floor,
STO Trade Centre,
Orchid Magu,
T: +960 333 5614
F: +960 3335615
E: info@maldivegas.com
Website: www.maldivegas.com

Maldives National Oil Company Ltd

(99.99% STO shares)
Boduthakurufaanu Magu,
Maafannu, Male' 20345,
Maldives
T: +960 3325635
F: +960 3344533
E: info@mnoc.com.sg
Website: www.mnoc.com.mv

Maldives Structural Products Pvt Ltd

(50.00% STO shares)
G.Marline Spike Building
2/10 Alikilegefaanu Magu
T: +960 3337720
F: +960 3337721
E: msroof@dhivehinet.net.mv

STO Hotels and Resorts Pvt Ltd

(99.99% STO shares)
STO Building, 6th Floor,
Boduthakurufaanu Magu,
Maafannu
T: +960 3344388, +960 3344374
F: +960 3344599
E: hotels@stomaldives.net

STO Maldives (Singapore) Pte Ltd

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

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, Athirimaafannu Trading Account, on 20 December 1964 and was re-named 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. Amir Mansoor

Mr. Ahmed Niyaz

Mr. Abdul Hadi Hussain Fulhu

Ms. Vizaad Ali

Mr. Mohamed Farshath

AUDIT COMMITTEE

Mr. Abdul Hadi Hussain Fulhu, Chairman

Mr. Ahmed Niyaz

Ms. Vizaad Ali

NOMINATION & REMUNERATION COMMITTEE

Ms. Vizaad Ali, Chairperson

Mr. Amir Mansoor

Mr. Abdul Hadi Hussain Fulhu

Mr. Mohamed Farshath

CORPORATE GOVERNANCE COMMITTEE

Mr. Mohamed Farshath, Chairman

Mr. Ahmed Niyaz

Mr. Amir Mansoor

AUDITORS

PriceWaterHouseCoopers

P.O. Box. 2124

Thandiraimaage 3rd Floor, Henveiru

Roashanee magu

Male', Rep. of Maldives

BANKERS

Bank of Ceylon, Male’
Bank of Maldives Plc, Male’
BNP Paribas, Singapore
Habib Bank Limited, Male’
HSBC, Male’
HSBC, Hong Kong
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	919,869	45,993,450	81.63
Public	207,041	10,352,050	18.37
Total	1,126,910	56,345,500	100.00
Unauthorized Capital (MVR)		100,000,000	
Paid-up Capital (MVR)		56,345,500	
Premium		27,814,500	

REGISTERED ADDRESS

State Trading Organization PLC,
Boduthakurufaanu Magu,
Maafannu,
Male’ 20345
Republic of Maldives

CONTACT DETAILS

CALL CENTER: +960 334 4333
T: +960 334 4332
F: +960 334 4511
info@stomaldives.net
www.stomaldives.com

STATE TRADING ORGANIZATION PLC

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