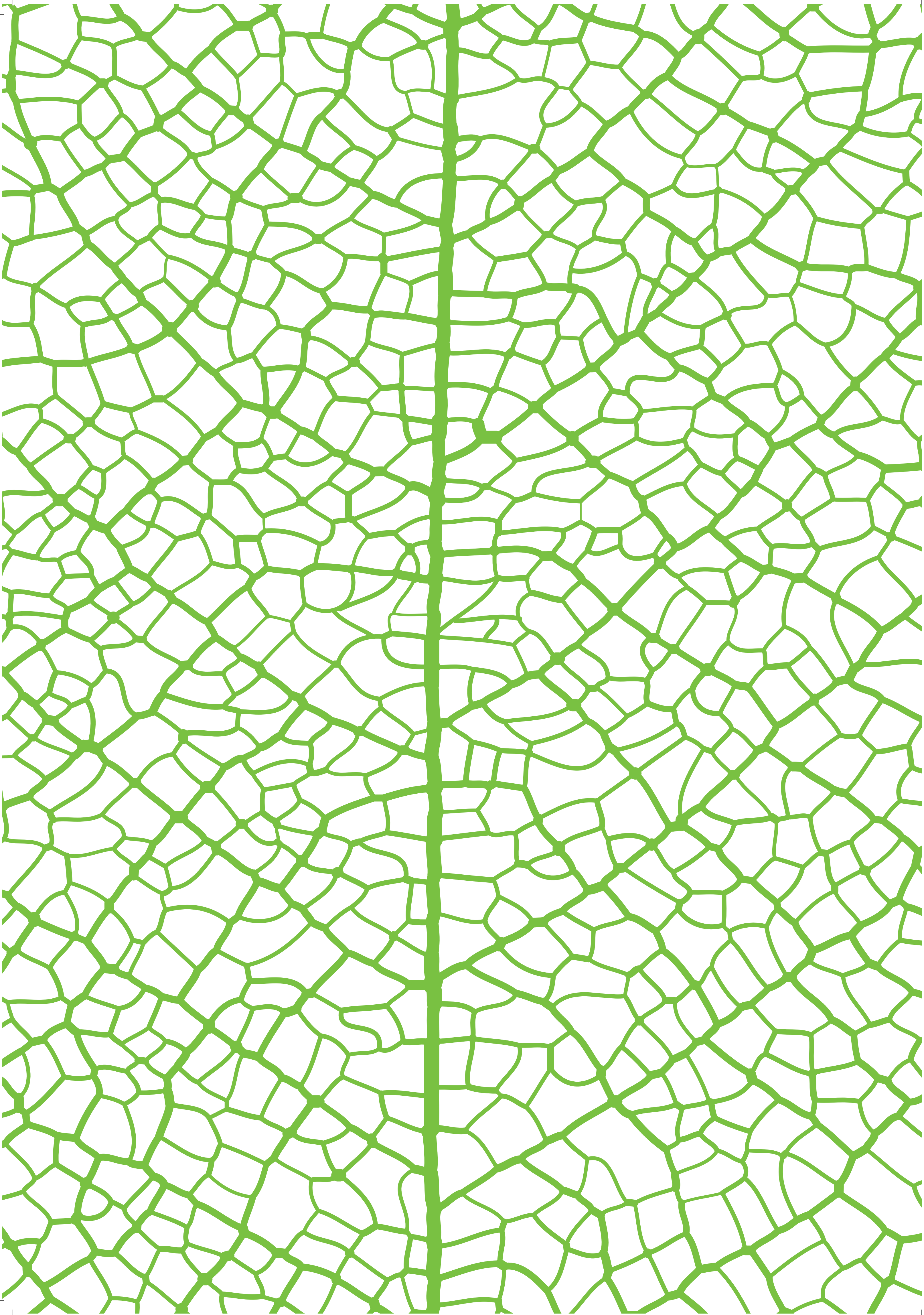
ANNUAL REPORT 2013

Touching Lives

State Trading Organization plc.



ANNUAL REPORT 2013

Touching Lives

State Trading Organization plc.

THE GLOBAL COMPACT
WE SUPPORT

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 2013. In this report, financial and statistical information is, unless otherwise indicated, stated on the basis of the Company's financial year. Information has been updated to the most practical date. This annual report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and STO plans and objectives, to differ materially from those expressed or implied in the forward looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. STO cannot guarantee future results, levels of activity, performance or achievements.

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VISION

- Enriching lives through expansion and accessibility

VALUES

- Caring
- Accessible
- Respectful
- Innovative
- Progressive

MISSION

- Lead through expansion of existing businesses, diversification, exploring new possibilities and entering into new ventures.
- Explore beyond our borders; expand our markets and establish ourselves as an international player, respected by the international business community.
- Ensure accessibility with our presence nationwide; offer peace of mind and assurance to the public of uninterrupted provision and affordability of essential goods and services and those that contribute to a fulfilling modern lifestyle.
- Build a skilled workforce by investing in human development; build our competencies, to achieve sustainable and unhindered growth and fulfill our vision.


CONSTRUCTION
STAPLE FOOD
GAS
OIL
INSURANCE
SHOP
SALE
GROCERY

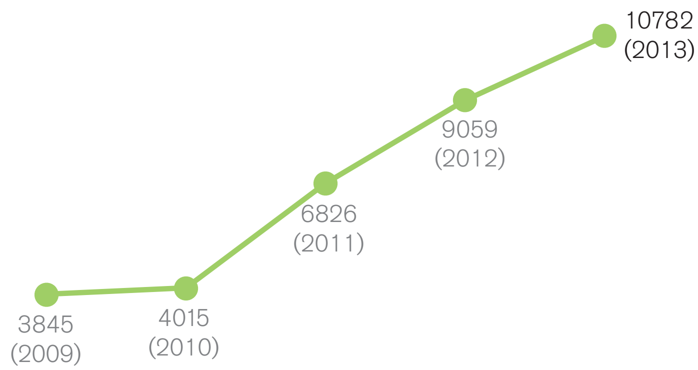
STO aims to enrich the lives of every citizen by strategically placing themselves in order to ensure prosperity and contribute to the development of the society.

COMPANY HIGHLIGHTS FOR 2013

STO KEY FINANCIAL INDICATORS (IN MVR MILLION)						
Performance	+/-	2013	2012	2011	2010	2009
Revenue	19.0%	10,782	9,059	6,826	4,015	3,845
Gross Profit	13.7%	1,121	986	605	475	422
Operating Profit	14.0%	593	520	230	170	178
Profit Before Taxation (PBT)	-23.9%	124	163	157	124	142
Profit After Taxation	-19.6%	127	158	147	119	140
Total Assets	-10.2%	4,683	5,214	4,971	2,224	2,243
Tota Equity	3.2%	1,129	1,094	1,003	950	902

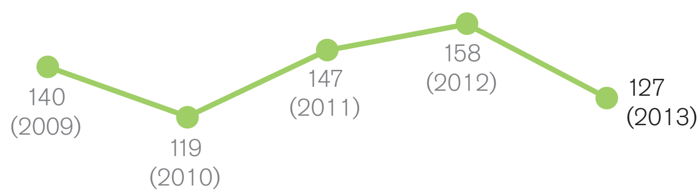
Financial Ratios	2013	2012	2011	2010	2009
Return on Revenue (PBT/Revenue)	1.2%	1.8%	2.3%	3.1%	3.7%
Return on Total Assets (PBT/Total Assets)	2.7%	3.1%	3.2%	5.6%	6.2%
Return on Capital Employed	44%	43%	20%	18%	20%
Debt/Equity Ratio (times)	3.1	3.8	4.0	1.3	1.5
Net Asset per share (MVR)	1001	971	890	843	800
Earning Per Share (MVR)	112.6	139.9	130.1	106.0	124.0
Dividend Payout Ratio	n/a	54%	55%	64%	55%

REVENUE [MVR MILLIONS]



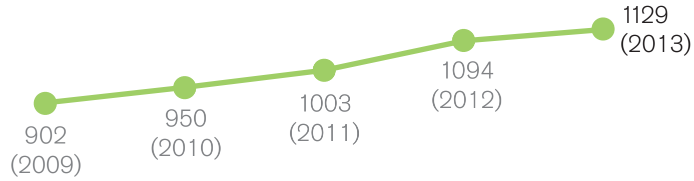
Revenue significantly improved by 19% to 10,782 million following improved operational efficiency.

PROFIT AFTER TAXATION [MVR MILLIONS]



Profit dropped by 19.6% amid difficult and challenging financial and operating environment.

SHAREHOLDER'S FUNDS [MVR MILLIONS]



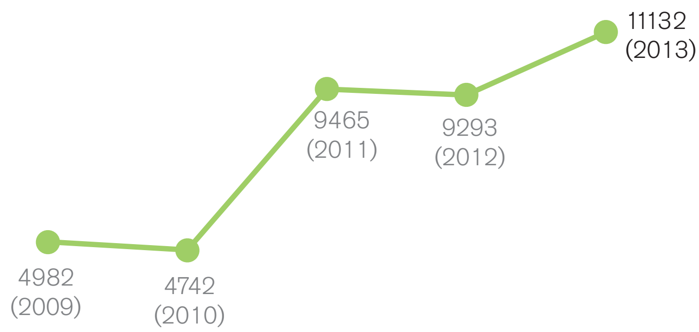
Shareholders' funds increased by 3.2% to MVR 1,129 million.

GROUP HIGHLIGHTS FOR 2013

KEY FINANCIAL INDICATORS (IN MVR MILLION)						
Performance	+/-	2013	2012	2011	2010	2009
Revenue	19.8%	11,132	9,293	9,465	4,742	4,982
Gross Profit	10.7%	1,309	1,182	828	688	621
Operating Profit	11.8%	693	620	304	233	245
Profit Before Taxation (PBT)	-8.6%	243	266	208	148	174
Profit After Taxation	-3.8%	230	239	192	143	172
Total Assets	-4.1%	5,493	5,728	5,490	2,672	2,589
Total Equity	9.9%	1,533	1,395	1,224	1,124	1,052

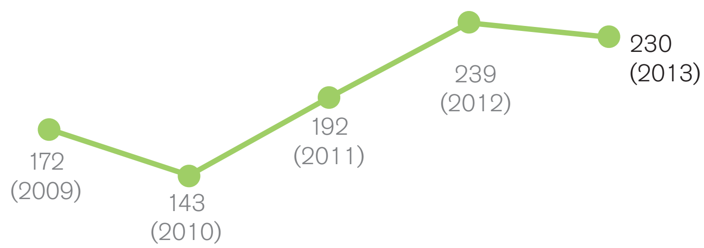
FINANCIAL RATIOS	2013	2012	2011	2010	2009
Return on Revenue (PBT/Revenue)	2.2%	2.9%	2.2%	3.1%	3.5%
Return on Total Assets (PBT/Total Assets)	3.8%	4.2%	3.8%	5.5%	6.7%
Return on Capital Employed	39%	44%	25%	21%	23%
Debt/Equity Ratio (times)	2.9	3.1	3.5	1.4	1.5
Earning per Share (MVR)	202.2	210.9	170.9	127.0	151
Net Asset per share (MVR)	1360	1238	1081	992	928

REVENUE [MVR MILLIONS]



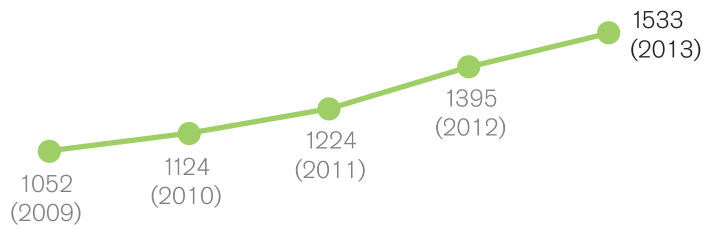
The Group posted record revenue of MVR 11,132 for the year.

PROFIT AFTER TAXATION [MVR MILLIONS]



Profit after taxation dropped slightly by 3.8 % to MVR 230 amidst difficult economic and financial environment.

SHAREHOLDER'S FUNDS [MVR MILLIONS]



Shareholders' funds increased by 10% to MVR 1,533 million.

STO will strive to become a more people oriented organization meeting their needs of everyone and contributing to improve quality of life.

CHAIRMAN'S MESSAGE

Overview

2013 was one of the most challenging years for STO, primarily due to prolonged higher financial cost along with dollar shortage and volatile political environment in the country. This has had a huge impact on the profitability of the Company despite the record level sales revenue.

Our New Strategic Direction

With the uncertainty in the economy in 2013, number of significant decisions were taken by the board for keeping the organization running and sustainable for the future. Though the net profit shrinks, STO has served the Country sensibly in such difficult time.

Upon taking up the post of Chairman of STO in 2014, the very first initiative that I have commenced is the development of a strategic plan, which provides the organization with a road map identifying the goals towards which STO will work to meet its mission and realize its vision.

Today we are reshaping and strengthening the foundation of STO for further investments, thus will generate good returns for our shareholders in a more sustainable manner. Our new business model will support diversification and improve our current lines of businesses by making day-to-day operations more efficient.

We strive to be the most trusted PLC, providing good values for all stakeholders in a continual and sustainable manner.

Our Approach to Good Governance

Being an exemplary public limited Company that always abides by the golden principles of good governance, STO has kept all its business processes simple and transparent. We have been ethically strong and socially responsible in our decision making. We have treated all our stakeholders in a fair, equitable and respectable manner in all our transactions.

Similarly, with the implementation of UN Global Compact, we have officially declared our commitment to support, respect and protect human rights, labor and environment. We also stand against corruption, thus creating enduring trust for our customers.

Moreover, we have taken additional measures to improve our corporate structure towards full compliance with the Corporate Governance Code.

Our Gratitude

We always say employees are the most valuable asset for STO. Yet again in 2013, our employees proved it by successfully maintaining the organizational performance at a very high level, for which they deserve immense credit. Hence, I would like to congratulate all our employees for earning record level sales revenue and thank all for their loyalty, commitment and dedication.

In an extremely difficult year, STO would have suffered immensely without systematic and strategic decisions from the board. However, with the proper guidance from the board the Company did reasonably well. Thus, I take the opportunity to express my sincere appreciation to the board, for the time, commitment and guidance throughout the financial year.

Our Future

With the change in the world of business and our new strategic direction towards being a more sales focused Company, we have a great chance to make 2014 a record-breaking year in terms of profit along with new investments we are in.

We strive to be the most trusted PLC, providing good values for all stakeholders in a continual and sustainable manner.

Ahmed Niyaz
Chairman

INTERVIEW WITH THE MANAGING DIRECTOR – ADAM AZIM

Q STO's revenue has seen growth in the year 2013. However the Company's net profit decreased compared to previous years. Could you explain why this happened?

A The main reason why there was such a drop in Company's profit was that STO did not have proper mechanism in place to check, monitor and regulate the Company's expenditure in a systematic manner. Profit can only be increased when costs are closely monitored and controlled, at the same time maintaining the prices at a reasonable margin. Therefore we have planned to pay close attention and implement effective measures to closely monitor the expenditure of the Company to reduce such drastic impacts on the Company's profit and performance in the future.

Q When you were appointed to office, STO was experiencing a difficult liquidity position. What were the initiatives taken to overcome this unfavorable situation?

A Priority was given on making our collection process stronger. Along with that, we have increased our effort to ensure that receivables are collected daily without any delay. We have also strived to make the work of the finance department more effective and increase the efficiency of collection process through departmental restructuring.

Moreover, controlling the cost without changing the prices would improve liquidity position. To align our efforts, we have tried to reduce the cost of borrowing and get more favorable payment terms for the loans we take. Furthermore, we have worked to raise more finance for the Company. Lastly, initiatives and plans were undertaken to liquidate assets that needed to be liquidated.

Q As the Managing Director of STO, in your view, how long will it take to overcome STO's financial and cash flow difficulties?

A One of the major components that contribute to the current cash flow difficulties of STO is the state of the Maldivian economy. In such times of economic difficulty, high priority should be given to closely monitor, control and reduce costs and reduce expenditure. But this cost cut-down should not negatively impact on the daily operations of the Company. If and when these initiatives are taken effectively, it would be easier to move on from the current difficulties. Hence, to overcome the current financial difficulties of STO, the Maldivian economy needs to stabilize and prosper. Today the current government is managing the economy in a more disciplined manner by cutting-down unnecessary costs and by controlling and monitoring expenditure as much as possible. Thus, now the economy is moving towards the right direction. I presume that within a years' time, STO would be able to overcome its unfavorable liquidity position.

Q In order to improve the Company's performance, restructuring was carried out at the end of 2013. In relation to such an organizational change, what are your expectations for 2014?

A I think we are already seeing the benefits of these changes at the beginning of 2014. With these changes and further changes in the pipeline, the Company would be able to achieve levels of profit that we have not seen in recent years. This can be achieved without revising the prices of major products and services but through cost reduction and restructuring of operations and activities in the most cost-efficient manner. With the commencement of some major projects and investments that would yield higher profits for the

Company. 2014 would become a year that would reshape the future of STO.

The restructuring was not done only for 2014, but was planned to be implemented during the next 5-10 years to stabilize, sustain and increase the efficiency of STO's various businesses along with finding new opportunities to increase and gain revenue.

Q You have just mentioned that new investments would commence especially in 2014. Could you give us an idea of the investments that are planned?

A As a first step, we are laying the foundation for major investments that would involve studying the financial and technical viability of major projects, especially in the construction sector, development of a hypermarket, expansion of fuel operations, new investments in the area of transport and shipping and expansion in the areas of supermarkets and pharmaceuticals businesses. Meanwhile, improvement and development of infrastructure for key areas of our businesses is ongoing.

Q STO's fuel business contributes to approximately 80% of the total profit of the Company. Since STO conducts its business in various different segments and industries, what are the other potential segments that could be improved similar to the fuel segment?

A Construction segment is identified as one of the area that has a good potential for improvement. So is the hypermarket segment. Providing daily consumable goods and groceries is another area that STO could thrive and gain more profit. Just like daily consumables, medical segment concerning pharmaceuticals is another strong area that can be fruitful.

We are thinking of introducing a new concept hypermarket that is designed to provide a total shopping experience for families through a mixture of shopping, food courts and cafés, children's play areas, entertainment and parking facility. Considering the current direction of the Maldivian Economy, we believe that the hypermarket concept could be a very successful venture.

Q Success of subsidiary companies are vital in achieving STO's corporate visions. What are the initiatives taken to align their performance with the parent company's performance?

A The very first initiative that we have taken is, to implement a new system among all subsidiaries, in which, they have to finalize and submit financial statements to the parent company in a timely manner. Moreover, now all the investments that the subsidiary companies put forward need approval from parent company Board. This new method will create an efficient monitoring system and align group performance.

Q STO has again ventured into the tourism sector recently. But the Company is yet to open any tourist resort or hotel. How soon do you think STO would realize the benefits of this venture?

A We will open our first tourist hotel most probably by the end of March 2015. Tourism is the largest industry in Maldives and we believe that investing in the tourism sector is crucial for the sustainability of the Company at the same time it will generate higher returns for the shareholders.

Q As always STO is playing a vital role in shaping the national economy. What contributions did STO make towards country's economic sustainability in 2013 and what have you planned for 2014?

A From the start STO's aim is to provide high quality products and services to the nation at affordable prices. The Company has continued to provide its best service in the sectors of fuel, medical supplies, staple foods, supermarket services, construction and home improvement by providing products and services at an affordable rate which helps to reduce the inflation in the economy. This is the main objective and this is what STO would strive to maintain in 2014 and in the future as well.

I continuously emphasize on creating a better STO for the next generation. I believe building a strong, responsible and respectable workforce is significant.

In addition, STO has played a key role in stabilizing the country's economy by helping to ease the dollar shortage in the market. STO aims to source its dollar requirements from financial institutions only, which has enabled a legitimate foreign exchange market.

Q This report illustrates customer-oriented attitude. How do you make sure that this value is delivered and re-enforced within STO?

A STO has always been a close companion of the public. The Company always provides its services in the most beneficial manner for its stakeholders. In order to provide these services we continuously train and motivate the staff to enhance our relationship with our customers and provide better services through a more customer-oriented environment. Motivated staff would ensure a better level of service to our customers.

Apart from that, the services provided by us are essential to the daily lives of the citizens. Hence we strive to ensure that these services provided are reliable and readily available at affordable prices.

Q In your speeches, you are re-iterating the importance of creating and passing a better organization for the next generation. How can the Company achieve this goal?

A I believe that building a strong, responsible and respectable workforce is significant. Moreover, it has to be ensured that these staff are capable of taking initiatives and being respectable leaders tomorrow. Hence, today we are focusing on staff improvements and enhancements such as staff training and skills development.

Similarly, we are laying the foundation for investments that would enable future generations to generate better and higher revenues from the Company. If we are able to achieve these objectives, we would be able to leave STO as a better organization for the next generation.

Q This annual report has been released under the title of 'Touching Lives.' What is the idea behind it?

A STO interacts and provides services to nearly everyone in the nation in multiple ways on a daily basis. Making these interactions enjoyable is vital for maintaining a loyal customer base.

Therefore by selecting the title 'Touching Lives', we will give the right message, motivate and guide the staff towards this goal.

Q Is there anything additional that as the Managing Director, you would like to add as a final comment?

A As the Managing Director, my real objective is to transform STO into an organization that is highly sustainable. That is my real objective, target and direction as to where I would like to steer STO. That is the reason why I continuously emphasize on creating a better STO for the next generation. This involves creating and developing a strong, responsible and a respectable workforce which is capable and educated and leaving STO in their hands. At the same time I want to ensure that necessary investments have been made that would enable them to provide better quality products and services to the nation and all of STO's customers. The objective is to ensure that STO is an organization that is capable of always catering to the requirements and needs of the Maldivian citizens and ensuring that it can be continued.

I will ensure STO adheres to best practices in all its businesses. STO will strive to be a benchmark company in business conduct, governance, employee welfare, innovation and technology in the coming years.

FINANCIAL DISCUSSION

MVR **10.8 billion**
in revenue

MVR **127 million**
net profit

MVR **1.1 billion**
shareholders fund

Business Environment

With the previous year being a demanding year for STO, the hail to 2013 was made with stringent operational challenges. Economic and political uncertainty in the country continued throughout the year owing to revolving political issues caused by the prolonged presidential elections programmed at the end of the year. According to the Asian Development Bank (ADB), Maldives' "weak macroeconomic situation had resulted in large economic imbalances, both in the domestic economy and in terms of the balance of payments". Credit to the effective measures taken to manage and cope with the external threats, STO closed the year with better than expected results.

In 2013, the global economy showed some signs of recovery which had a minimal soft growth impact on the country. The marginal growth in the domestic economic activities was buoyed by a strong rebound in the tourism sector which marked a milestone by surpassing the one million tourist target during the last quarter of the year. Growth in the tourism sector expanded by an estimated 5.5% and being the major economic driver, accounted for about 40% of GDP growth.

The other economic contributing sectors like fisheries and agriculture also performed well throughout the year but barely contributed to 2% of GDP growth. Other sectors such as wholesale and retail trade, construction, transport, communication, social services and real estate (also) posted good growth.

Inflation in Male', eased from averaging 10.9% in 2012 to 4.0% in 2013. Prices for furnishings, household equipment, miscellaneous goods and communications services fell sharply after double-digit growth in 2012. Nevertheless, controlled prices of certain staple food items, electricity and fuel were largely unchanged during the year.

Financial Performance

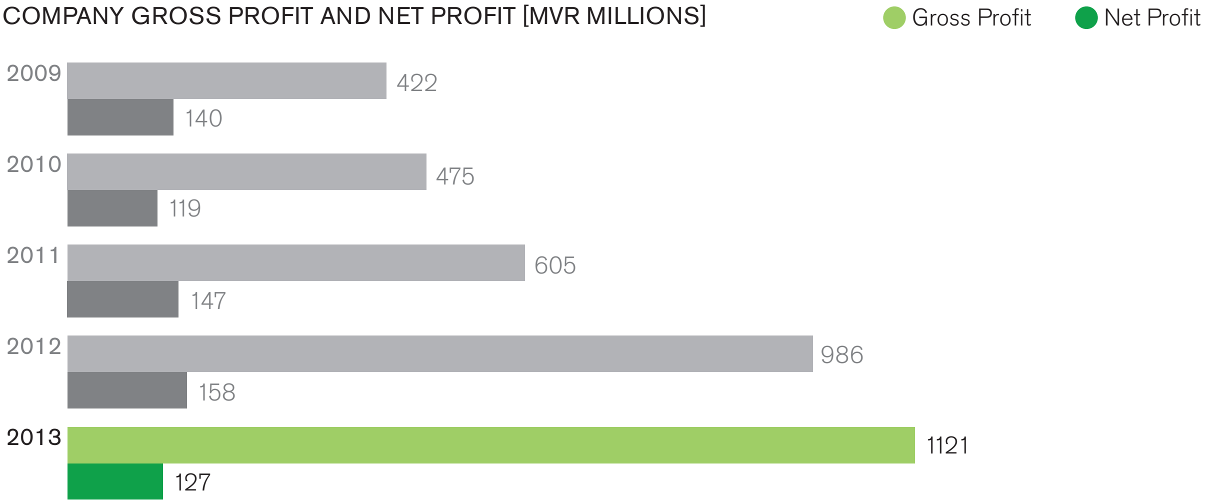
Company

Being committed to providing customers with reliable products and services at affordable prices whilst maximizing shareholder returns we continued to evolve with our stakeholders to maintain the status of being a key player in the economy. At STO we subscribe to the core values of prioritizing national interest, delighting our customers, encouraging a growth learning workforce, leadership and caring the community and environment.

KEY FINANCIAL FIGURES

MVR millions	2013	2012
Revenue	10,782	9,059
Gross Profit	1,121	986
Operating Profit	593	520
Profit Before Tax	124	163
Net Profit	127	158
Earnings per Share, MVR	113	140
Net Cash flow from (used in) Operating activities	-70	-24
Return on Capital Employed %	44%	43%
Return on total assets	2.7%	3.0%
Net Debt	3,200	3,367
Debt/ Equity Ratio	3.15	3.77

COMPANY GROSS PROFIT AND NET PROFIT [MVR MILLIONS]



Revenue by Segments

In 2013, STO recorded the highest revenue to date with a MVR 10.8 billion turnover. Revenue earned for the year was 19% higher than that of the corresponding period in 2012. The increase in sales was largely contributed by the sales growth of 23% in the fuel segment.

Other segments such as construction materials and staple food have also contributed to the growth in total revenue of the Company for the year. Construction materials recorded an increase of 10.7% in sales while the staple food segment which is backed by the Government subsidy recorded a marginal increase of 3.6% of revenue for the year. During the year, the revenue from supermarket and medical supplies segments decreased by 14% and 9.1%, respectively. Revenue from home improvement segment fell marginally by 0.8%, from MVR 225 million in 2012 to MVR 222 million in 2013.

SEGMENT REVENUE

MVR millions	2013	2012
Fuel	9,397	7,659
Supermarket	153	178
Home Improvement	223	225
Medical Supplies	291	320
Staple Foods	460	445
Construction Materials	259	234

Profit Analysis

In 2013, the Company reported the highest gross profit and operating profit to date. Gross profit for the year was MVR 1,121 million while this was MVR 986 million the year before, a 14% increase during the year. An operating profit of MVR 593 million was recorded during 2013 while this was MVR 520 million in 2012. Despite reporting higher operating profit for the year, profit before tax for the year decreased by an approximate 24%, owing to the higher finance costs incurred during the year. Profit before tax for the year was MVR 124 million whilst this was MVR 163 million in 2012. Profit after tax decreased by 20% to MVR 127 million compared to MVR 158 million in 2012.

Cost of sales for the year increased by 20% compared to that of the previous year. However, as a percentage of sales, cost of sales remained static, signifying favorable unmoving costs from suppliers. The registration of a gross profit with almost equivalent quotient change in the revenue and cost of sales and unchanged cost of sales as a percentage of sales, when compared to that of last year is apparent of high sales volume attained during the year.

Administrative expenditure for the year amounted to MVR 217 million of which a larger fraction was spent on employees salary and allowances. Total administrative expenditure reduced by 11% during the year. Selling and marketing costs increased by 47% compared to that of in 2012. Surge in the selling and marketing expenditure was largely caused by the increase in fuel rebates paid to Fuel Supply Maldives and the increase in cargo management and operation commission fee paid during the year. Total selling and marketing expenditure during the year was MVR 362 million, whilst this was MVR 247 million the previous year. A provision amounting to MVR 111 million was created during the year in lieu of doubtful receivables. Despite the need to create a provision almost thrice as that of the previous year, the operating profit figure recorded a remarkable increase of 14%, from MVR 520 million the previous year to MVR 593 million the current year.

Finance Cost

Net finance costs for the year increased by 31% when compared to that of 2012. Total net finance costs amounted to MVR 468 million during the year, trimming down the net profit earned for the year. Increase in finance costs was mainly due to the exchange loss realized from the purchase of US Dollars and Euros.

Financial imbalance in the economy due to the increased government expenditure and the shortage of US Dollars has been causing detrimental effects on the financial performance of STO during recent years. Despite reporting overall good operational performance during the year, the necessity to borrow short term bank facilities and the indispensable need to purchase foreign currencies from private parties at higher rates increased the financing costs and thus reducing the net profit for the year.

Taxation

Tax on business profits showed a credit balance, i.e. business profit tax credit, for the year. This was basically due to the recognition of deferred tax assets which resulted in a higher amount of reversal compared to the tax expenses charged to the consolidated income statement. The recognition of deductible temporary difference amounting to MVR 148 million caused by the provision for doubtful debts led to the creation of additional deferred tax assets amounting MVR 22.2 million during the year.

Total business profit tax liability in respect of 2013 was MVR 27.5 million. Excluding business profit tax, STO paid other taxes such as royalties, lease rent and fees amounting to a total MVR 35.3 million to Maldives Inland Revenue Authority during the year.

MVR thousands	2013	2012
GST	20,492	12,862
Import License/Stamp Duty	4,400	4,224
Withholding Tax	2,852	3,649
Bunker Royalty	825	1,483
Land Lease Rent	3,443	4,832
Registration and Permit Fee	12	115
Vehicle and Vessel Fee	803	316
Visa Fee	2,452	422

Cash Flow

The net cash flow used in operating activities increased from MVR 24 million during 2012 to MVR 70 million in the current year. The acceleration in the cash outflow associated with the ongoing activities of the Company was essentially due to the increase in held up inventories and high interest payments during the year.

During the year cash utilized on various capital expenditure and other investments dominated the returns from various other investments made, resulting in a net cash outflow of MVR 75.3 million from investing activities. Even though a large proportion of expenditures on investments was attributed to the additions of the property plant and equipment, the 33% fall in capital expenditure compared to last year reflects the concentration on reducing expenditures during the year.

Net cash outflow from financing activities reduced to MVR 139 million, compared to the cash outflow of MVR 348 million in the previous year. The decrease in the cash outflow was largely due to the decrease in repayment of borrowings during the year.

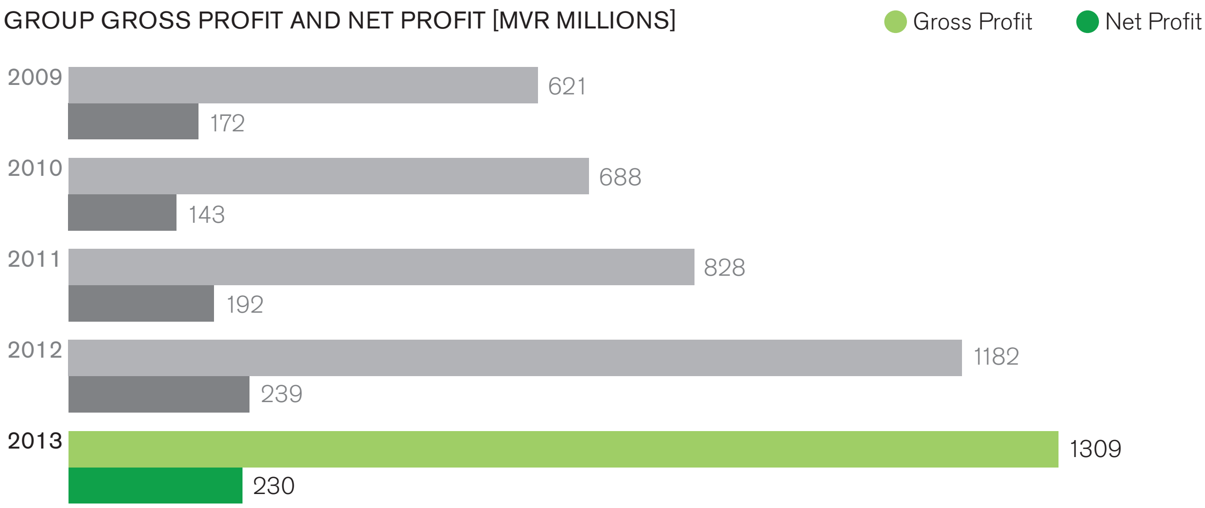
The total net cash used in ongoing operating activities, investments and various financing activities amounted to MVR 285 million, resultant to year-end cash balance of MVR 65.7 million.

Balance Sheet

Overall financial position of the Company remained strong throughout 2013. Even though the return on total assets slightly decreased to 2.7% when compared to 3.1% of the previous year, Return on Capital Employed (ROCE) for the year slightly increased to 44% (2012:43%) during the year. Total non-current assets increased by 7% to MVR 1.7 billion from MVR 1.6 billion of the previous year. The increase in non-current assets was mainly triggered by the acquisition of property plant and equipment and the increase in deferred tax assets during the year. During the year the Company's investment in Addu International Airport has been re-designated to investment in available-for-sale financial asset due to the loss of significant control exercised on the investment.

Total current assets for the year dropped down by 18%, when compared to that of in 2012. The fall in current assets was largely influenced by the drop in trade receivables compared to the previous year. Trade receivables for the year dropped to MVR 1.9 billion while this was MVR 2.4 billion the year before. A comparative

GROUP GROSS PROFIT AND NET PROFIT [MVR MILLIONS]



20% decline in receivables while achieving a comparative 19% growth in sales can be perceived as the result of effective measures employed by the Company to collect bills from its customers.

Total shareholders' funds increased from MVR 1.09 billion the previous year to MVR 1.13 billion this year. The 4% increase in shareholders' funds was wholly attributable to the profit made. During the year a loss on revaluation of investments in Bank of Maldives shares amounting to MVR 8 million has been realized and adjusted against shareholders' fund.

Total long term liabilities of the Company increased from MVR 110 million the previous year to MVR 228 million this year. The increase in long term liabilities was mainly triggered by the long term borrowing facilities taken from Bank of Maldives PLC and Export-Import Bank of Thailand. The other component contributed for the long term liability is US Dollar (US$) commitment to Housing Development Finance Corporation Plc with regard to the Currency SWAP agreements with a remaining maturity of more than 12 months. Liability of such nature amounted to MVR 10 million as of the year end.

Total borrowings of the company at the end of the year amounted to MVR 1.1billion out of which 74% related to loan borrowings while the other portion is related to bank overdraft facilities obtained during the year. Trade payables at the end of the year amounted to MVR 2.4 billion which constituted more than half of the total current liabilities of the company. Payables at the end of the previous year amounted to MVR 2.7 billion. For the year ended 2013, net debt of the company was MVR 3.2 billion, compared to that of MVR 3.4 billion in 2012.

STO's new set of focus on the tourism sector, STO Hotels and resorts, is expected to generate earnings within a short period. This is expected to curtail the current financial challenge of having limited access to US Dollars and improve the overall financial position of the Company.

Group

STO group, with its subsidiaries, joint venture and associate is a national key player in the economy. It has significant interest in petroleum, cooking gas, construction materials, medical supplies, pharmaceuticals, home appliances, electronics, supermarket products and insurance.

GROUP REVENUE CONTRIBUTION

MVR millions	2013	2012
State Trading Organization PLC	10,782	9,059
Allied Insurance Company of the Maldives Private Limited	112	143
STO Maldives (Singapore) Private Limited	0.8	0.21
STO Hotels & Resorts Private Limited	1.8	1.0
Maldive Gas Private Limited	176	162
Fuel Supplies Maldives Private Limited	2,557	2,564
Maldives National Oil Company Limited	2.8	-

GROUP SEGMENTAL PERFORMANCE

MVR millions	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Other Services	Total
Revenue	1,389.39	165.62	92.08	9,482.69	1.84	11,131.62
Operating profit / (loss)	122.36	25.76	46.89	510.87	(12.69)	693.19
Profit / (loss) before tax	61.13	22.13	112.37	60.40	(12.69)	243.34

Being the parent company of the group, STO PLC had contributed with the highest turnover resulting a total group turnover, after inter-company transactions of MVR 11.1 billion and a group operating profit of MVR 693 million, 19% and 12%, respectively higher than the last year. Fuel Supply Maldives, the subsidiary company engaged in the distribution of fuel contributed with the second highest turnover (MVR 2.6 billion) to the group during the year.

Total operating expenditure of the group increased from MVR 664 million in the year 2012 to MVR 746, a 12% increase during the year. Despite the increase in operating expenditure, the group managed to maintain the operating profit margin of 6% during the year, which was wholly attributable to the higher sales achieved during the year. The net profit margin of the group declined to 2% while this was 3% the previous year. The fall in the profit for the year is triggered by the high level of finance cost incurred by the group.

Considering the segmental performance of the group, fuel and lubricants segment registered the highest turnover for the year, with a total of MVR 9.5 billion. However the net profit margin from the segment was only a nominal 0.6% for the year. Trading segment resulted with the second highest turnover of the group and reported a net profit margin of 4.4%. Profit from gas segment amounted to MVR 22.1 million, resulting a net profit margin of 13.4% for the year. Backed by the profit share from the associate, the net profit margin of insurance segment resulted a remarkable increase of 122% during the year. Other segments of the group resulted with a net loss for the year under review.

While the group's revenue, gross profit and operating profit continued with the upward trend, net profit after tax of the group decline by 4%, from MVR 239 million in 2012 to MVR 230 million in 2013. Consequently, the earnings per share of the group fell significantly during the year. Nevertheless, the net worth of the group increased by almost 10% whilst return on capital employed (ROCE) of the group slightly decreased to 39% (2012: 41%) during 2013.

MVR **11.1 billion**
in revenue

MVR **230 million**
net profit

KEY FINANCIAL FIGURES (GROUP)

MVR millions	2013	2012
Revenue	11,132	9,293
Gross Profit	1,309	1,182
Operating Profit	693	620
Profit Before Tax	243	266
Net Profit	230	239
Earnings per Share, MVR	202	211
Net Worth	1,533	1,395
Return on Capital Employed (%)	39	41

SHARE KEY FIGURES					
MVR	2013	2012	2011	2010	2009
Earnings Per Share	113	140	130	106	124
Price Earnings Ratio (P/E)	4.9	2.9	3.4	4.6	4.8
Dividend per share	-	75	72	68	68
Payout ratio, %	-	54	55	64	55

SHARE TRADING PRICE					
MVR	2013	2012	2011	2010	2009
Highest	510	450	450	600	760
Lowest	360	350	300	400	600
Weighted Average	411	387	390	429	640
No. of Trades	41	16	14	12	46
No. of Shares Traded	520	331	192	931	775
Last Trading Price	380	400	450	489	600
No. of Shares Issued	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
Market Capitalization (millions)	428.2	450.8	507.1	551.1	676.1

Share Performance

STO's initial public offering (IPO) was in 2001, followed by a second public issue during 2003. Furthermore, in 2009 and 2010 a total of 113,012 shares of STO, owned by the government were sold to the public under the government's initiative to increase public ownership in state owned enterprises, by divesting government's shareholding in public companies. There has been no change to the shareholding structure since the sale of government owned shares during 2010.

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

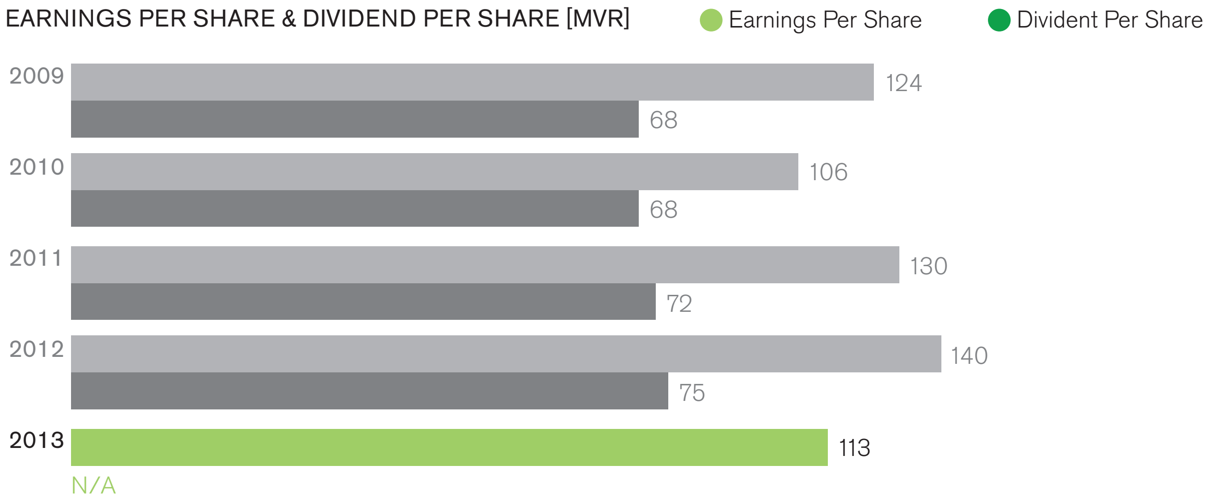
Since, its listing on the stock exchange, STO has been declaring dividend to the shareholders, without failure. Dividend payout ratio of the Company has been rewarding to the equity investors, with as high as 64% of the EPS distributed during 2010. During 2012 STO paid highest dividend to date of MVR 75 per share held of the Company.

CURRENT SHAREHOLDING STRUCTURE		
	No. of shares	% owned
Government	919,867	81.63
Other shareholders	207,043	18.37
Total	1,126,910	100.00

In 2013, a total of 520 shares were sold in the market for a total value of MVR 213,000, compared to 331 shares in 2012 for MVR 130,000. As at 31st December 2013, market capitalization has been decreased to MVR428 million, from MVR 451 million at the end of previous year.

During the year STO shares were traded at stock exchange at the highest price since 2011, at a price of MVR 510 per share. The lowest share trading price for the year was MVR 360, which turned out to be higher than the lowest trading price of 2012 and 2011.

EARNINGS PER SHARE & DIVIDEND PER SHARE [MVR]



MANAGING RISKS

STO sees risk management as an integral part of effective management and internal control of business processes. It also supports the achievement of its strategic and business goals and ensures the continuity of its operations in changing circumstances.

STO believes that the ability to take risks and manage them effectively is an essential element of business success and shareholder value creation.

Risk management is embedded in all of the Company's daily operations. The comprehensive risk management approach emphasizes anticipation of risks and proactive actions and strives for a systematic, structured and timely approach. The guiding principle for STO remains its objective of providing necessities to the nation in a cost-efficient and socially responsible manner, whilst minimizing the occurrence of interruptions in its products and services. In addition, it aims to reduce the safety and environmental risks as far as possible.

Risk Assessment

STO, utilizes a well-defined risk matrix to assess the potential impact of risk, based on the expected frequency or likelihood and the consequence of risk events. Risk assessment is based on the potential impact of risk events in the areas of strategic, operational, financial, and compliance risk.

STRATEGIC RISK	OPERATIONAL RISK	FINANCIAL RISK	COMPLIANCE RISK
Political & Economic changes	Inventory Process	Credit risk	Legal risk
Regional business	Vessel Operation	Interest rate risk	Regulatory risk
Regulatory changes	Personnel/HR risk	Liquidity & financing risk	Internal Controls
Reputation	ICT risk		

Procurement Policy | Credit Guideline | Fraud Reponse Policy | CSR Policy | Currency Swap

Risk Review Process

The process of risk management has been developed to provide reasonable assurance that the Company's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

The framework for risk starts with a risk profile and moves through identification and prioritization of risk against consistently applied assessment definitions. This includes an assessment of risk before actions or controls are taken and after existing management actions are applied.

Risks are continuously identified, monitored and managed by a wide range of groups across the organization and are formally discussed in Management meetings. The oversight function of risk review process is undertaken by the Audit committee. Internal audit takes an active role in facilitating the evaluation of the most significant risks to the Company. The Audit committee reports on its activities, regularly, to the Board of Directors.

Most Important Risk Factors

STO business, financial condition and results of operations could suffer material adverse effects due to certain risks. The main risks known to STO are described and summarized in four categories: Strategic risks, operational risks, compliance risks, and financial risks.

Strategic:

In pursuing strategic goals, STO is prepared to take considerable risk related to business expansion and sustainability. STO regional stores are strategic business units which are run on a cross subsidized business model. Considerable efforts are made on the growth of regional segment while making sure the price are kept reasonable and affordable, even in less certain economic circumstances.

Operational:

Operational risks relate to the effective and efficient functioning of business processes. The Company's ability to improve profitability and increase shareholder return is based on the elements of reliable services and availability of essential products at affordable prices.

Financial:

STO defines financial risks as uncertainties that may affect Company's financing decisions. The Company is committed to maintaining good relationship between government, banks and institutions. The financial risk management and risk appetite includes credit risk, interest rate risk, liquidity and financing risk.

Compliance:

The Company has in place, an Employee Hand Book and Code of Conduct that defines high employment standards in all business units. It incorporates issues, such as health, safety and security, employee rights and environmental compliance. The Company also ensures completeness, accuracy and timely financial reporting, requiring all business units to comply fully with all relevant local tax laws and regulations.

Risk Management in 2013

The Risk Management process provided extensive coverage of the organization and ensured that areas of major risk exposures were considered. Risk management activities for 2013 were performed by the business units and departments in association with the Management Committee. Within the organizational risks, emphasis was put on high risk areas, which included Information and Communication Technology (ICT), Staple Food, Medicals and Fuel Operation. An area of special focus had been to re-emphasize the control standards for ICT systems. The disaster recovery center (DR) with UPS backed system were two very important projects initiated during the year.

In 2013, a risk review process of warehouse safety standard was also introduced to monitor and identify changes in the risk levels. The risk mitigation actions such as fire drills, proper fire alarm systems and installation of new equipment's were carried out.

One of the primary ways to mitigate risk and uncertainties is through insurance. STO covered a wide range of insurances placed with Allied Insurance Company of Maldives comprising of buildings, vessels, ICT equipment's, marine cargo, cash and inventory.

During 2013, STO's Health and Safety Committee members were given the opportunity to participate in a risk management training program conducted in Singapore. The program helped in identifying and prioritizing various risk scenarios and to formulate risk related policies and manuals.

In addition, firefighting and first aid training programs were conducted for operational level staff in selected business units. Furthermore, safety alerts due to political unrest were addressed by the Health and Safety Committee members and the outcome of potential risk was reported to Management Committee.

The challenges faced in 2013 with the weakening economic and financial conditions affected the profitability of the Company. To adapt to the weak financial conditions, the Company is currently executing a comprehensive five-year plan to improve performance, particularly in the areas of financial supply chain management and investments.

MARKETING AND PROMOTION

STO's sales & marketing activities play a key role in achieving sales targets of the Company. These activities are carefully aligned with the overall sales strategy and the Company's core values.

The year 2013 started as a challenging year considering the economic situation of the Country. However, our goals were set high and we worked harder to achieve a better sales target. The activities were also focused in improving and increasing the customer base. Over 35 different sales and marketing activities were conducted across the year. Marketing activities were mainly focused to promote the brands of which the Company has distribution rights.

In addition to these marketing activities, various other activities were carried out to focus on increasing sales in the regional outlets. These activities help to add value to the Company and build a positive brand image as well.

Other than direct sales efforts, the Company also closely worked with sports clubs and associations through sponsorships in promoting the brands of the Company.

There were more than 62 marketing activities held last year, of which some of the major activities include;

- Warehouse Sale
- Launched Hitachi free delivery service
- Hitachi Refrigerator promotion
- Launched Hitachi front load washing machine
- Chocolate Week
- Launched Hitachi Beauty products
- Launched Hitachi Air purifier
- Launched Hitachi French bottom freezer
- Philips "love @ first fry" promotion
- STO Ramadan Bazaar
- Gift Your Loved Ones with Philips
- Celebrate Mother's Day with Philips
- Philips Yo! Roadha Promotion
- Philips Like, Share & Win on social media
- Philips 3 on 3 Street Festival
- Hitachi Mega Promotion
- "Heyyaa" Makita Promotion
- Nippon Momento Launching
- Ramadan Special Offer
- Children's Day promotion
- Advertisement boards at football ground
- Hitachi Hadacrie Cool Promotion
- Hitachi Eyelash Curler free for Hitachi Hadacrie purchase
- STO Home Improvement Bashi Tournament
- STO Bodu Sales 2013

STO and its marketing team received Philips export APAC 2013 Grand Prix Champion Award and best Philips Marketing Activities Award 2013.

FUTURE BUSINESS MOVES

STO'S NEW STRATEGIC PLANS AND OBJECTIVES

STO being the largest importer and trader in the Country, is determined to expand and diversify its operations both in the local and international markets, thereby, generating new contributions to the national economy and facilitating greater prosperity to the people.

While keeping in mind the national interest, on top of everything, at STO, we will consistently and continuously make attempt to maximize our returns to the stakeholders by drawing up our plans on paper, establishing new goals and aligning them with our visions.

In this regard our newly developed strategic business plan will address and highlight on areas for improvement, the possibilities for further expansion, and utilization of our assets so they maximize our profits. The key events in the plan include, (1) Development of a Hypermarket in Male' (2) Diversification into Tourism and Hospitality sectors (3) Development of a shipping line which caters for both STO's imports and private parties (4) A warehousing and logistical plan to organize our storage capacities and improve on storage efficiency (5) Fuel Storage Expansion Project (6) and finally, the Business Plan itself which has been outsourced to an international consultancy firm and the works are expected to be complete by May 2014. Some of these activities are already in the implementation stages and further details to these activities are described below.

A Hypermarket

With increasing public demand to cater for wider choice and variety in our product offer, and to showcase our products, all under one roof, undoubtedly would bring us numerous advantages. Some of the benefits of this development are increased, ability to showcase 10-12 thousand products in a single store, increased customer satisfaction because of enhanced aisle space and our ability to attend to customer requests in a short span of time, and over all our organizational efficiency will be improved as we foresee a major reduction in operational costs.

Most importantly, we will establish ourselves as pioneers in the making of hypermarkets in the Country.

The ground works for this project is expected to start within the next three months, and is planned to be completed within another nine months.

A Shipping Company

For several decades, it has been a known fact that shipping companies are the heart of any business or economy and it is a line of business that generates high returns. In the current context, STO's fleet of vessels are regarded to be, too small to absorb the domestic demands, and number of vessels belonging to private parties are also limited within the Country. Hence a high price have to be paid for transportation.

It is high time now, for us to quickly step into the shipping industry and make our footprints, considering the kinds of challenges we have and the prospects we have identified through our strategic business plan. STO being the largest trading company in the nation, importing numerous different commodities from different parts of international markets including oil, there is a vital need for a more reliable, economical and internationally integrated logistical network. Our existing requirements, can act as a spin-off for venturing into this business.

Our future plans include, acquiring semi-container vessels which would help to improve logistical efficiency for staple foods and medicine, significantly. On the same note, the Company is determining on capitalizing from the ever growing demand that exist within the Male-Colombo-Singapore route.

In addition to this, the need for small to medium size clean product tankers is continuously amplifying market freight of fuel, resulting in huge payments in foreign currency to ship brokers/owners. Therefore, through our new strategic business plan, we will conduct in-depth examinations to identify the feasible options of acquiring another clean product tanker for oil trade.

Warehousing & Logistics Solution

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. We are also developing a model for improving logistical efficiency, by bringing in high technologies, and proper organization.

A Multi-storey Warehouse

Significant effort is being made to utilize the land acquired by the Company. Comprehensive studies have been conducted to see the practicality of building a multi-story warehouse in Male'. We want to turn our non-performing assets into profit centers.

It has been assumed that, a multi-store-type warehousing would provide a total solution for in-house warehousing as well as gain profit by assisting many local traders by leasing out warehouse spaces at more affordable rates. Once our strategic business has been finalized, we will open for Expression of Interest on selected lands for joint development of such a facility in Male', where STO would get to enjoy two or three floors on a rent-free basis or on concessional rates, while returns would be shared between the anticipated shareholders.

The Fuel Storage Expansion Project

Oil is a key business of STO, contributing to over 80 percent of revenue and a core mandate as far as the national interests are concerned. Additionally demand for oil is steadily rising and expected to grow much higher in the future. To cater for the increased demand and to boost the oil trade, we are already undertaking a capacity expansion project.

We are currently developing two tanks of 8,000 MT for diesel storage, and another 2,000 MT for storage of petrol; and to cater to these expanded storages we are also expanding the berth at Funadhoo. STO is also currently in the process of procuring a 16,000 MT taker vessel for oil imports.

For oil trade expansion, we are also exploring the possibilities of relocating or creating a new storage facility to another nearby island. However, due to the nature of the project, a large amount of capital has to be invested into development of the project, and therefore, we are currently working on in-depth feasibilities and at the same time we have also been negotiating with foreign parties who are interested in the project. It has been concluded, a successful execution of such a plan would allow vessels passing the 7 degree channel to stop by for sustenance.

Medical & Pharmaceuticals

Our target is to open-up as much outlets in the islands, which will allow us to provide a dependable service to the people living in the islands and remote areas of the Country, and at the same time create employment opportunities in those islands.

Supermarket Expansion

As we are unable to provide the required variety and because we are unable to showcase the products in suitable manner, we are currently working on project which involves the supermarket expansion. Under this project, we have planned to remove shops from ground floor at the trade center, which will allow us to raise our capacities by 3 folds.

Home Improvement Expansion

STO being the sole agents for world renowned brands such as Philips, Hitachi, and Makita, we are extending our home improvement outlet. This expansion will facilitate us to showcase our products by brands in a more conducive fashion. The works for this project is nearly complete, and expected to be open within the next few weeks.

Real-Estate Development

Since, STO owns some expensive pieces of lands in attractive areas in Male', under our newly developed land use plan, and while we know the potentials of Real Estate businesses in Maldives, we are determined to utilize our lands and assets to maximize our returns to stakeholders. In this regard, our priority as of this moment is on housing development.

Hotels & Resorts

For long time, STO has been keen in directly engaging in the Tourism and Hospitality sectors in the Maldives. Our first Hotel (which is currently under completion in Hulhumale'), the Radisson Blu is a five-star Hotel which is expected to open by early 2014. We are also currently in discussion with possible investors on related investment opportunities.

Construction Expansion

We have been making attempts to expanding our construction business too. Under our new plan, we are exploring methods of improving the services we provide to our customers, and offering them a sense of convenience. Within the next few weeks, we will initiate and setup a concrete batching plant which can supply well mixed concrete (assuring good quality and establishing world class standards) to our customers. The feasibility studies and planning for this project are now complete.

Branding Essential Items

STO as a well-established and a reputable brand in the Maldives, carries a lot of goodwill with its name. Under our new Business Development plan, we will utilize STO's brand image to introduce and market products to our customers. This will include, condensed milk, cooking oil, basmathi rice, and possibly detergent powder.

A HAPPY AND HEALTHY COUNTRY

STO adheres to the 10 universally accepted principles of UN Global Compact in the areas of human rights, labor, environment & anti-corruption. STO ensures that it complies with the principles of United Nations Global Compact in its operations and management.

Consumer Happiness: Our First priority

Despite the difficult economic situation in 2013, STO was firm on its core mission by sustaining the prices and supplying essential products, particularly in areas of fuel, medicine, staple food, supermarket items and construction materials. Even though an unforeseen change in the construction material industry left the industry itself and the community at an unstable situation, STO took immediate measures to overcome this condition positively.

Moreover, STO along with Ministry of Economic Development supplied 27 essential commodities to the customers, towards the month of Ramadan. This helped ensure price stability in the market that frequently occurs due to supply constraints.

It can be concluded that STO had contributed well to the Nation as a whole in 2013, where the Company has somehow, touched the lives of each and every citizen throughout the Country.

"We Care for Your Health"

The most valuable asset of the nation is the people. A healthy and educated community is essential for the growth and sustainable development of the Country. STO strives to continue its services to contribute towards maintaining a healthy community, thus leading to a healthy and happy nation.

STO established three new pharmacies in 2013 in the south and central locations of the Nation, namely in S. Hithadhoo, S. Hulhumeedhoo and L. Gan. Complementary to this, initiatives were taken to train and develop local pharmacist, developing 28 people in this field. STO's aim is to create talent and retain its development in a way that its services contribute positively to the Nation for generations.

STO has consistently supported events organized by community organizations and non-profit organizations and societies. STO took part in the cancer day walk, Kudakudhinge hiyaa, blood donations and other similar events

A Champion in Environment Protection

Protection of our vulnerable environment and marine life is an important pillar of the Company.

A decision to stop the import of products which emits hazardous gases to the environment is a significant achievement of the Company in 2013, where all air-Conditioners with R22 gas was halted.

To demonstrate Maldivian's stand against global warming and climate change, STO actively took part in the Earth Hour Celebration by switching off all the lights of STO shops/units/departments all around the Country, on 23rd March 2013.

STO has always been a promoter of the environment, and hence, on the occasion of Environment Day, STO participated in the reef cleaning program on 05 May 2013 at the local market outer seawall area.

Mentor for Our Society

Our core value - "Nation first" - reflects through all aspects of the organization, where we have contributed to the society through several direct and indirect means over the last 49 years of our service. Below are some of the major highlights of 2013:

One Billion Rising

STO supported the prevention of violence against women, and was a supporter of the international campaign 'One Billion Rising' event organized by Hope for Women. STO also participated in the Run for Charity organized by Sonee Sports in association with Hope for Women.

KudaKudhinge Hiyaa

STO continued funding of its commitment to the Kudakudhinge Hiyaa Orphanage by providing salaries and allowances 'in kind' to one of the childcare staff for a period of one year from June 2012 onwards.

Maldives Autism Association

To provide assistance for children with autism, STO facilitated in the operations of the Maldives Autism Association by providing financial assistance to manage the association's activities.

Dhiraagu Road Race -Support Prevent Child Abuse

STO's stand against child abuse was drawn by taking part in the Dhiraagu Maldives Road Race: Run against Child Abuse on 28 June 2013.

Thalassemia Conference

STO showed its support to create awareness about thalassemia by funding a staff and a Thalassemia patient, to participate in the 2013 International Thalassemia Patients' Conference in Abu Dhabi.

Health Trust Fund

STO strongly promotes a healthy lifestyle and thus contributed towards development of the medical industry by donating to the Health Trust Fund under the Ministry of Health.

Hulhumale' Cleaning Program

As an effort to promote a cleaner environment, STO contributed to the Hulhumale' Cleaning Program conducted by Housing Development Corporation, on the occasion of the Environment Day.

Children's Day Celebration

Children's Day celebrations were held at STO Supermart on 11 May 2013 by giving away gifts for children.

Memberships (Maldivian Red Crescent)

STO supported delivering humanitarian services to the most vulnerable by maintaining its corporate membership with Maldivian Red Crescent. By doing so, STO has been indirectly assisting in health and social care, youth, and organizational development activities.

"I will not" Campaign – Standing Against Misuse of Resources & Corruption

A special internal campaign was launched among all the staff of STO, to stand against misuse of our resources and corruption. An awareness campaign was launched with posters and stand up briefings by a special team at all department level, where staff made a commitment to the management to abide by the rules and regulations of the Company and its corporate governance code.

HUMAN RESOURCES REPORT

The Human Resources Department of STO remains dedicated to provide the necessary services and assist STO employees in order to take the Company forward. In this regard, HRD is committed to introduce and implement policies to further enhance and facilitate its services to the employees.

Key Highlights of 2013

With the dynamic and dedicated work from Human Resources Department (HRD) staff, the SAP HCM system implementation process was initiated in 2012. By 2013, the SAP module was fully integrated and functional. However, extensive work and collaboration from staff with the management is still required to integrate the SAP module into daily work.

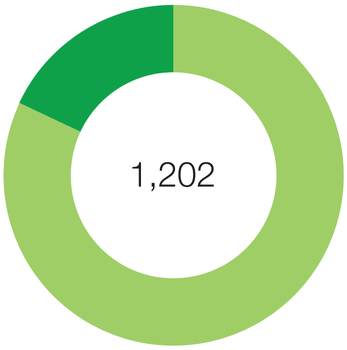
The year 2013 had been a challenging year given that the substantive implementation of the SAP, including its alignment with the HR work, required significant effort. In this regard, the lack of an adequate staff appraisal system to integrate with the SAP presented a major hurdle.

One of the other important achievements of 2013 was the implementation of "Dhoadhi" application. This application enables HRD staff to do several functions in a simple way. Daily work such as overtime calculation, time correction, different leave requests and time management function can be performed easily with the new system. "Dhoadhi" application allowed the digitalization of several works which previously relied on physical paper. Hence, this is a strong step towards achieving a paperless working environment.

STAFF AT START OF 2013

Foreign 213 (18%)

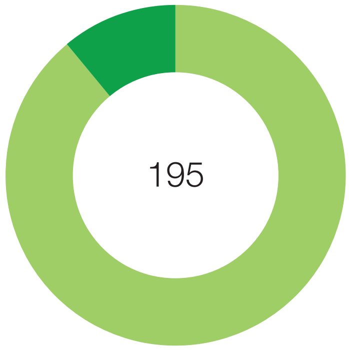
Local 989 (82%)



EMPLOYED DURING 2013

Foreign 22 (11%)

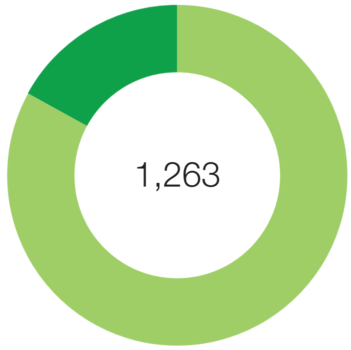
Local 173 (89%)



STAFF AT END OF DEC 2013

Foreign 211 (17%)

Local 1052 (83%)



Insight into the Future

One of the future plans is to develop a staff appraisal system within STO. This will enable the management to make appraisal decisions and closely monitor employee performance. The system will assist in ensuring that organizational objectives are achieved.

Furthermore, given the significant number of foreign staff employed at the Company, it is important to align staffing policies with the recent human trafficking laws. The Company's management is fully co-operating with the relevant national authorities to ensure that the Company adheres to the laws and regulations in this regard.

Due to the recent changes in the Company management, the Company has embarked on a re-organization process to better meet organizational objectives. Although this will be a challenging task, the HRD is coordinating with other departments to identify how organizational efficiency can be further enhanced.

Staff Training & Development

During the year a total of 382 staff participated in various short-term training programs, while 72 staff continued in Company sponsored long-term trainings of local and overseas programs. In 2013 STO has given strong emphasis on staff training and development. As such, career and capacity development remains a top priority of the Company's HR strategy.

It is important to note that the HRD is working continuously to ensure that staff training needs are met in order to develop capacity and staff ability to make informed decisions and deliver the best service to the customers. The Company has taken steps to ensure staff retention by maintaining policies that reward and motivate staff.

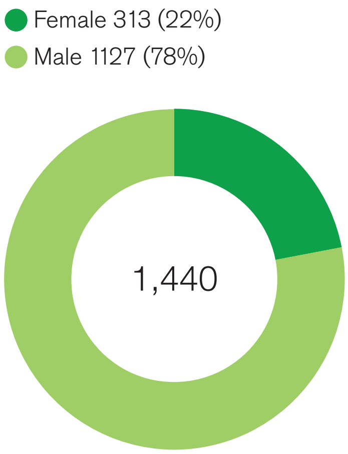
Reward & Motivation

STO motivates the staff by providing challenging tasks, a smart corporate culture and long-term progressive perspectives. The top priority of the management is to develop employees so that their services in turn propel the Company's performance. In this regard, the Company encourages staff initiatives and participation in the decision making process.

As a reward for their performance, staff were compensated with an annual bonus according to the annual bonus plan. This is a reflection of the fact that the Company's management has appreciated the employee's hard and dedicated work. In addition to this, the management gives special importance to promote workplace safety and provide a conducive work environment.

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

EMPLOYEES GENDER WISE



Search for New Talent

In order to raise productivity and ensure the Company's success in the future, the HRD policies are geared towards developing employees in line with the Company's business strategies – this also has the dual advantage of ensuring long term staff retention and allowing the staff to develop and further advance within the Company. Continuous learning and knowledge transfer has been the cornerstones of high performance within the Company. In addition to this, strategic competence development has been utilized to identify the skill sets and expertise needed for the future and highlights structured career development for the employees.

Due to the size, diversification and the nature of our businesses, it is important that the Company attracts the best talent available in the Country. Being one of the largest organizations in the Country, the Company makes the best use of its stature to recruit the best talent.

In order to project the image of STO as an opportune employer amongst potential talents, the Company maintains indirect relationships with the local academic institutions. By increasing the profile and visibility of the Company through such relationships and collaborations, the Company is able to recruit students with diverse knowledge and talents.

Skill Development

The year 2013 was noticeable for the opening of three new pharmacies' in S. Hithadhoo, S. Hulhumeedhoo and L. Gan. It is observed that, throughout the Country, there is a substantial need for technical and managerial skilled employees in fields such as pharmacology. Due to this STO is working with relevant academic institutes to formulate a national training strategy for the sector. Such a strategy must include respect for rights at work, non-discrimination, equal opportunities and treatment for women and men, good governance, transparency and accountability.

The Company has identified this lack of resource in the Country and encouraged staff participation in Advanced Certificate in Pharmacology training courses. It is mostly noted that the applicants for these courses does not meet the required educational qualification. In order to overcome these challenges the Company is working closely with the Faculty of Health Sciences to train people for these potential job opportunities. It is a Company vision that all STO pharmacies are operated by Maldivian pharmacists.

STO will continue to improve staff retention by providing better opportunities for growth and career development in the future.

Staff Recreation

Unity. Leadership. Discipline

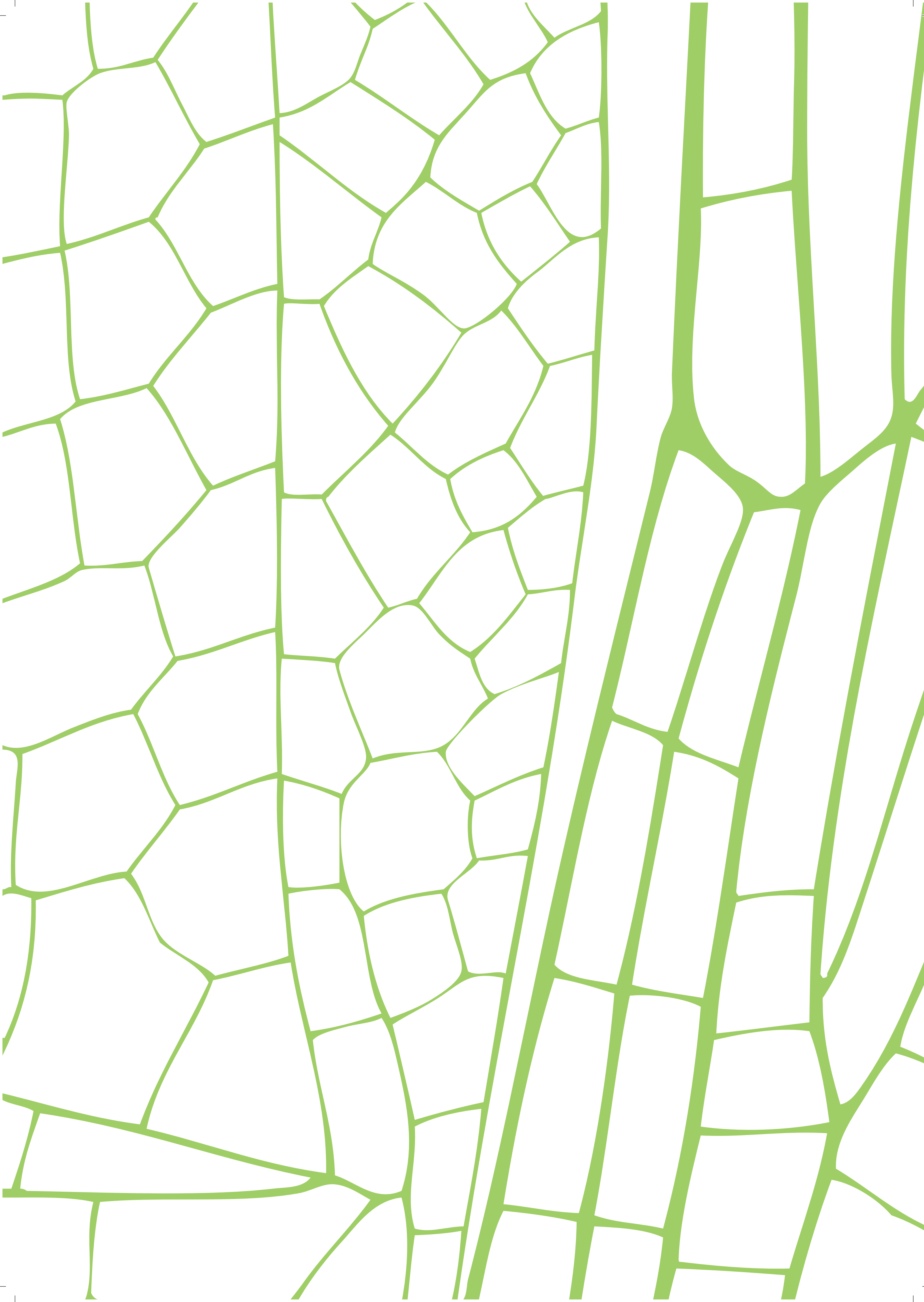
STO believes that sports and recreation plays an important role in improving the relationship between staff along with promoting a healthy life style. STO Recreation Club (STORC) plays a significant role in this area by organizing and conducting various events and activities among the staff.

STORC was restructured and the club motto was revised and aligned with the Company's core values.

To start-off the clubs activities for the year, a special kick off trip was held. This was one of the most successful events in the club's history, where over 600 staff from over 25 different worksites, took part. One of the main objectives of the trip was to unite and build team work among all staff, regardless of their work site.

Activities Organized by STORC During 2013

- STORC kick off trip
- Participated in Club Maldives Futsal Cup 2013
- Environment Day cleaning program
- 3 on 3 futsal tournament
- Quran recitation program on the occasion of Ramadan
- STORC Futsal Fiesta 2013
- Advance Scuba Diving Training



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BOARD OF DIRECTORS

Mr. Ahmed Niyaz
Chairman of the Board

Mr. Ahmed Niyaz was appointed to the Board as the Chairman by the majority shareholder (Government) on 19th December 2013. Niyaz is a well-known business figure in the Maldives who is currently also serving in the Maldives Tourism Development Corporation (MTDC), as the Operations and Development Manager and as an Executive Director where he provides expertise on strategic planning, project management, financial analysis, policy implementation and operations.

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

Mr. Adam Azim
Managing Director

Mr. Adam Azim was appointed to the Board as the Managing Director of the Company on 18th November 2013. He was formerly the General Manager of the Sales and Marketing Department where he accomplished many successful sales and marketing projects. He is a well experienced entrepreneur in the Construction, Banking, Auditing and Finance industry, where he has contributed immensely through his work as a Board Director at Rasheed Carpentry, Bank of Maldives Plc, Maldives Structural Products, and an Auditor at Ernest &Young and Coopers & Lybran. He was also the Chief Financial Officer at Male Water and Sewerage Company and Island Beverages Maldives Pvt Ltd. Adam currently serves as the Chairman of Maldives National Oil Company Ltd (MNOC), STO Maldives (Singapore) Private Limited and STO Hotel & Resorts Pvt. Ltd.

Adam holds an honors degree in Accounting and Finance from the University of East London and a Master of Business Administration from Nottingham University specializing in Finance. Adam is a Senior Member of CPA Maldives.

Mr. 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 Carpediem Maldives Pvt. Ltd., and the Managing Director of Lily International Pvt. Ltd. He is also the Managing Director (owner) of Grape Expectation Pvt. Ltd. Amir has also served as a senior Auditor in the Audit Office from 1985 till 1989.

Mr. Mohamed Farshath

Mr. Farshath was appointed to the Board in the 2012 Annual General Meeting as the only Board Director elected by the Public Shareholders.

Farshath currently holds the post of Secretary General of Maldives Media Council (MMC). He has also provided his services to Civil Service Commission (CSC) as the Director and Financial Controller. He also held posts as the acting-in-charge of several CSC Divisions. Similarly he was one of the Public Shareholders Representatives (Board Director) to Maldives Tourism Development Corporation (MTDC). He also held the Board Membership of DoBiz Pvt. Ltd. until 2013.

He has acquired knowledge and practical experience in the field of Management, Tourism and Public Administration while working in CSC, Ministry of Tourism and Civil Aviation (MoTCA), Foreign Investment Services Bureau (FISB) and at former Clique Training Center.

Farshath has an educational background in Tourism, Business Management and Information Technology. He holds a Master's Degree in Tourism Management from University of Westminster - London; Bachelor of Arts (Hons) in Business Administration from Northumbria University - United Kingdom; Diploma of Higher Education from Middlesex University - United Kingdom and Diploma in Information Technology from Wollongong University - Australia.

Mr. Ahmed Shaheer

Mr. Shaheer was appointed as an Executive Director to the Board on the 25th of December 2013. He was initially appointed as a Manager in the Asset Department of the Company and has since risen through the ranks to be designated as the Senior General Manager of Business Development. With over 19 years of experience in the Company, Shaheer serves as the Chairman of the Board of Lafarge Maldives Cement Pvt. Ltd, a Board Director for Maldives National Oil Company Ltd (MNOC), STO Maldives (Singapore) Private Limited and STO Hotel & Resorts Pvt. Ltd.

Shaheer is a professional member of the Australian Institute of Management and holds a Master's Degree of Business Administration (International Trade) from the University of Adelaide, Australia and a Bachelors' Degree in Business Administration (Marketing and Management) from the University of Charles Stuart, Australia.

Mr. Abdul Hadi Hussain Fulhu

Mr. Hadi was appointed an independent 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 Pvt. Ltd. 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 Department. He had also represented STO as a Board Member at Maldives Industrial Fisheries Company Private Limited.

Hadi holds a Bachelor in Commerce while majoring in Accounting.

EXECUTIVE MANAGEMENT

Mr. Adam Azim
Managing Director

(See page 40 for a detailed profile of Mr. Adam Azim)

Mr. Ahmed Shaheer
Senior General Manager – Business Development

(See page 41 for a detailed profile of Mr. Ahmed Shaheer)

Mr. Ibrahim Shareef Mohamed
Senior General Manager – MD's Advisor

Mr. Shareef joined STO in 1986 as an Administrative Officer and has served the Company for 27 years, in various positions such as the Head of Department of Information Communication Technology and the Corporate and Legal Affairs. He also has previously served as a Board Director of STO, Chairman of the Board of Maldives Gas Pvt. Ltd, Director of the Board of Allied Insurance Company of the Maldives Pvt. Ltd, Chairman of the Board of Fuel Supplies Maldives (FSM) Pvt. Ltd and Board Director for STO Hotel & Resorts Pvt. Ltd.

He is currently a Board Director of Dhiraagu Plc.

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

Ms. Fathimath Ashan
Senior General Manager – Human Resources and Administration

Ms. Ashan joined STO in 1994 and has since served in many positions of the Company during her 19 years of service. This includes several posts as Assistant Director, Deputy Director and the Company Secretary of STO. Ashan is now the Head of Department of Human Resources and Administration. She is also serving as a Board Director of the Allied Insurance Company of the Maldives since 2009.

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.

Mr. Abdulla Shafeeu Mahmood
Senior General Manager – Procurement

Mr. Shafeeu joined STO in the 2009 and has been in charge of the Procurement Department as his initial appointment. Shafeeu served as the Chairman of the Board of Maldives Gas Pvt. Ltd and is currently the Chairman of the Board of Fuel Supplies Maldives Pvt. Ltd.

Shafeeu is an experienced leader who has served in various business sectors of the country. He has served as the President of CPA Maldives, a member of the Privatization and Corporatization Board and as the HR manager and Company Secretary of MWSC Ltd. He has also worked in the KPMG, Ford Rhodes and Thornton Company in Sri Lanka and has professional memberships as an Associate Member of the Chartered Institute of Management Accountants UK (CIMA) and the Chartered Management Institute UK (CMI) and is also a Chartered Global Management Accountant (CGMA).

Left To Right: Dr. Ibrahim Mahfooz, Ahmed Shaheer, Ibrahim Shareef Mohamed, Adam Azim, Hussain Sobaah, Ibrahim Ziyath, Fathimath Ashan, Abdullah Shafeeu Mahmood, Ahmed Shifan

Dr. Ibrahim Mahfooz

Chief Internal Auditor

Dr. Ibrahim Mahfooz joined STO in 1996 and has been the Chief Internal Auditor of the Company since July 2010.

Mahfooz holds a Doctorate in Business Administration from University of New Castle, Australia, MBA from Charles Stuart University, Australia and Bachelor's in Accounting and Finance from Oxford Brooks University, UK. He is also a member of Certified Fraud Examiners (CFE) USA and Association of Chartered Certified Accountants (FCCA) UK, and a senior member of CPA Maldives. Dr. Mahfooz served at Ernst & Young where he undertook various audit assignments in Maldives and Sri Lanka.

Mr. Ahmed Shifan

General Manager – Regional Sales

Mr. Shifan joined STO in 2003 as an Assistant Manager and is currently the Head of Department of Regional Sales. Shifan has also served in the Maldives National Defense Force (Former NSS). He is currently the Chairman of the Board of Maldive Gas Pvt Ltd and serves as a Board Director for Maldives Structural Products (MSP) Pvt. Ltd. and is also a Board Director for the SAP Asia Pacific Japan (APJ) Regional Services Board of Advisors since 2012.

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.

Ms. Aishath Shaffana Rasheed

General Manager – Company Secretariat

Ms. Shaffana joined STO in the year of 2004 as an Assistant Manager and is currently the Company Secretary. Shaffana is also the Head of Department of the Company Secretariat. She has also previously served as the Head of Department of Corporate Affairs, acting in-charge of ICT, HR and Internal Audit.

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

Mr. Ibrahim Ziyath

General Manager – Construction Materials

Mr. Ziyath joined STO in 1997 as a Sales Officer and with 16 years of experience, is now the Head of Department of Construction Materials. He has also served as the Deputy Managing Director and acting Managing Director of STO's subsidiary company Fuel Supplies Maldives Pvt. Ltd. Ziyath is also the Chairman of the Board for Maldives Structural Products (MSP) Pvt. Ltd and a Board Director for Lafarge Maldives Cement Pvt. Ltd

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

Mr. Musthafa Azmy

Chief Information Officer – Information, Communication & Technology Department

Mr. Azmy joined STO in 1994 as an Accounts Officer and has continued to excel in the ICT department with an extensive knowledge of customer solutions software. He played a key

Left to right: Mariyam Paruveen Abdul Faththah, Ramzee Aboobakuru, Musthafa Azmy, Aishath Shaffana Rasheed, Mariyam Nuzla, Mohamed Mihad, Mohamed Murad, Abdul Wahid Moosa.

role in the successful migration from the legacy systems to SAP ERP and now serves as the Chief Information Officer of the ICT Department. Azmy also serves as a Board Director of Allied Insurance Company Pvt. Ltd.

Azmy holds a Bachelor of Science (Hons) of Computer Sciences (1st Class) from London Metropolitan University / IDM, Sri Lanka and is also a certified SAP ABAP and HCM Associate Consultant.

Mr. Mohamed Mihad
Deputy Chief Financial Officer

Deputy Chief Financial Officer Mihad joined STO in 2009 as an accountant. While in Finance Department he played a key role in the ERP implementation project of the Company, acting as a core team lead of the SAP ERP finance module. He has also served as a senior auditor for more than 3 years in the Company. He is also the current Head of the Finance Department of STO. Mihad has completed the Chartered Institute of Management Accountants (CIMA) examination in the year of 2009 and was inducted as a certified member of the Chartered Institute of Management Accountants (ACMA) in the year of 2013.

Mr. Abdul Wahid Moosa
Assistant General Manager – Transport

Mr. Wahid joined the Company in the year of 2009. He has a vast array of knowledge in the developments of maritime sector including crew, technical and operational management of ships, chartering, port agency and marine insurance. Wahid is appointed as the Assistant General Manager of the Transport Department. He also serves as a Board Director for Fuel Supplies Maldives (FSM) Pvt. Ltd.

Wahid holds a Bachelor's Degree of Business (Management and Marketing) from Edith Cowan University, Australia. He has also completed various maritime related courses from different institutions such as Classification and Statutory Survey, Safety Management System for DPA and Integrated Management System Auditor from American Bureau of Shipping. He has completed International Ship and Port facility Security Code from Centre for Maritime Studies, Insurance for Ship Operation from Germanischer Lloyd and ISO 9001:2008 Quality Management System from the Bureau Veritas.

Mr. Hussain Sobah
Assistant General Manager – Medical Services

Mr. Sobah joined STO in 2007 as a Sales Representative and has since excelled in many of the Company's projects involving the pharmaceutical field such as the takeover of IGMH stock supply project in the year of 2010. Sobah currently serves as the Assistant General Manager of the Medical Services Department and also as a Board Director for Maldive Gas Pvt. Ltd.

Sobah holds a Bachelor's Degree in Business (Marketing and Management) from the Edith Cowan University, Australia.

Ms. Mariyam Nuzla
Assistant General Manager – Corporate & Legal Affairs

Ms. Nuzla joined STO in 1999 as a sales officer and has since served the Company in various positions including the role of Personal Assistant to the Managing Director. She is currently serving as the Assistant General Manager of Corporate & Legal Affairs and is also a Board Director for Maldive Gas Pvt. Ltd.

Strengthening of corporate governance of the Company will be key priority and we would focus on ensuring full adherence to the existing guidelines.

Nuzla holds a Bachelor's Degree of Business (Management and Marketing) from Edith Cowan University, Australia.

Ms. Mariyam Paruveen Abdul Faththah

Assistant General Manager – Supermart

Ms. Paruveen joined STO in the year of 1998 as an Administrative Officer and has risen through the ranks performing under various designations in the Company. This includes the position of Manager in the Corporate & Legal Affairs Department and the Personal Assistant to the Managing Director. She is now serving as the Assistant General Manager of Supermart. She is also a Board Director of Fuel Supplies Maldives.

Paruveen holds a Bachelor of Arts (Hons) of Business Administration from the INTI College, Malaysia in collaboration with the University of Hertfordshire, UK.

Mr. Mohamed Murad

Assistant General Manager – Home Improvement and Service Center

Mr. Murad joined STO in 1999 and has substantial knowledge, experience and outstanding skills, strategic leadership and operational knowledge. With 15 years of experience at STO including 5 years in management, he currently serves as the Assistant General Manager of Home Improvement and Service Center. Murad also serves as a Board Director for the Allied Insurance Company of the Maldives Pvt. Ltd.

Murad holds a BTEC Higher National Diploma in Spatial Design from the Academy of Design, Northumbria University.

Mr. Ramzee Aboobakuru

Assistant General Manager – Fuel, Lubricants and Staple Foods

Mr. Ramzee joined STO in 2007 as a sales representative continuing on to become the Sales & Marketing Manager of Construction Materials/ Nippon Paint. Ramzee is currently serving as the Assistant General Manager of the Fuel, Lubricants and Staple Foods Department. Ramzee is also a Board Director for Fuel Supplies Maldives (FSM) Pvt. Ltd.

Ramzee holds a Bachelor of Arts (Hons) in Marketing from the University of Hertfordshire, INTI International College Subang, Malaysia.

Governance framework

STO applies sound corporate governance structures and processes, which the Board considers pivotal to delivering sustainable growth in the interests of all shareholders and stakeholders. STO's values, culture and code of ethics underpin its governance structures and processes, committing the Company to high standards of business integrity and ethics in all its activities.

This commitment to governance is resembled from the very top of the Organization - the Board of Directors. The Board considers corporate governance to be priority and endeavors to go beyond minimum compliance where possible. The Board ensures that the organization has

- An efficient organizational structure
- Systems for internal control and risk management.
- Transparent internal and external reporting system.

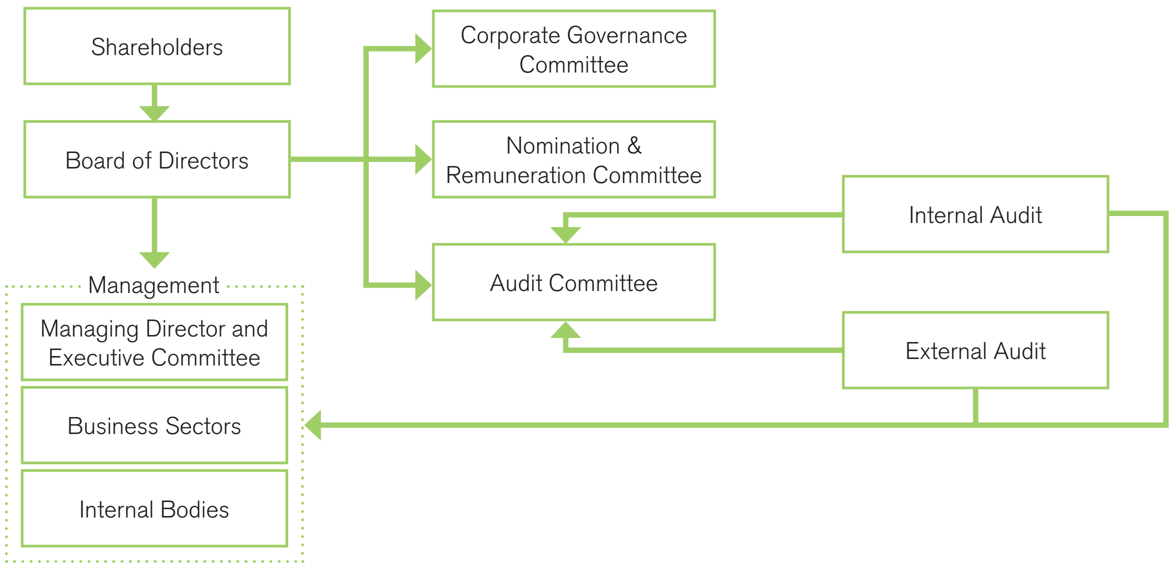
Highlights of 2013

During the year, the Board held 36 meetings in total. During which the following major resolutions and decisions were made

- Board evaluation on 2012 was done – this was an internal online evaluation which included 7 parts namely Company, Board, Chairman, Managing Director, Committees, Peer and Company Secretary.
- A land use plan was approved by the Board
- Strategic discussions were held with the management in order to formulate a well-developed strategic plan
- Company vision and mission statement was revised
- Established a system to raise concerns through website for investors
- Annual General Meeting was held
- An Extraordinary General Meeting was held
- Declared MVR75.00 per share for dividend
- Approved bonus plan for 2013
- Endorsed Board charters upon appointment of new Board
- Approved establishment of 4 new regional pharmacies
- Approved and started CG campaign
- Some of the major policies were revised
- Discussed on ways to improve Company financials
- Company was re-structured
- Subsidiary boards were appointed

'I WILL NOT' Campaign

The major highlight of the year was a campaign conducted to instill good governance throughout the Organization. The campaign named 'I WILL NOT' was initiated by the Board of Directors and was officially launched on 10th October 2013. The purpose of 'I WILL NOT' campaign was to instill good governance practices in each and every staff of the organization. By the end of this successful campaign, which lasted 4 months, the staff were made aware of the five golden principles of corporate governance and how good governance is important for the successful continuity of the Organization. The initiation from the Board of Directors towards such a campaign shows the importance the Board gives to reflect good governance practices through the entire Organization; from the lowest ranks to the highest.



Composition of the Board

The current STO Board is composed of six Directors where two are Executive Directors and the remaining four are Non-Executive directors. Being a public listed company the shareholders have the right to elect one director from the public. As such Mr. Mohamed Farshath represents the minority shareholder – the public in the Board. In 2013, until December, the Board consisted one Executive Director – the Managing Director. This issue was raised and informed to the relevant authorities on several occasions.

The Articles of Association of the Company states that the Board should consist of seven members. However the current Board consists of 6 members after the recent change to Board Directors. STO has informed the majority shareholder and relevant authorities about the failure to comply with this article in the Articles of Association.

Role of the Chairman

- Organize and distribute the Board's work
- Ensure that the Board discharges its duties
- Secure the efficient functioning of the Board
- Ensure that the Board's decisions are implemented efficiently
- Ensure that the Board evaluates its work annually

Role of the Managing Director

- Implement the strategies approved by the Board and ensure that corporate strategy actions are reflected in business
- Develop an annual budget for the Company for presentation to the Board for approval
- Responsible to the Board for the performance of the business with agreed business plans, corporate strategies and policies.
- Develop an organizational structure, establish processes and system to ensure efficient organization of resources. (including human resource planning)
- Lead the Executive Committee including development of performance targets.
- Ensure the financial results, business strategies and where appropriate communicate those with stakeholders.

DIRECTORS TRAINING			
Name	Country	Purpose of Travel	Organized by
Ahmed Niyaz / Abdul Hadi Hussain Fulhu	Singapore	3 day seminar; Beginning Auditor Tools and Techniques	The institute of Internal Auditors
Shahid Ali	Singapore	Job of the Chief Executive	Singapore Institute of Management
Ahmed Niyaz / Abdul Hadi Hussain Fulhu	Singapore	Financial Management for Non-Finance Managers	Singapore Institute of Management
Amir Mansoor	Malaysia	Corporate Governance for Directors and Institutional Investors	True Eventsus
Mohamed Farshath	Thailand	Project Monitoring and Evaluation	Publimaks International
Ahmed Niyaz	Malaysia	Developing Effective Managerial Skills	Malaysian Institute of Management
Mohamed Farshath	Dubai	Leadership Development; Self Awareness, Skills & Strategies	Glomacs
Abdulla Faiz	Bangkok	Directors Forum 2013	Malaysian Directors Academy

Independence of Directors

In addition to the skills and experience, the Board of Directors has the independence necessary to perform their responsibilities. All the Directors fully comply with the CMDA Governance Code requirement. To further endorse their independence the Board of Directors sign disclosure agreements upon appointment to the Board.

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

There are no significant contracts or provisions for services in which a Board of Director had any direct or indirect material interest in regard to the Company or any subsidiary.

STO believes that the independence of Directors is crucial to an efficiently functioning Board. STO makes it a priority that all the Directors comply the qualities of an independent Director mention in the Governance Code.

Directors Training

STO always gives a high priority to ensure the Board of Directors gets trained so that they are up to date with the latest corporate trends and behaviors. These trainings further enhance the Directors capability to tackle challenges, analyze the Company's performance and develop the required strategies for the Company. The following table lists the trainings completed by Directors during year 2013.

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.

How Does the Board Deal with Conflicts of Interest?

The Board of Directors exemplifies the Code of ethics requirements such as – responsibility, fairness, honesty and respect. These moral codes avoid issues such as bribery, discrimination or conflict of interest.

In addition to the disclosure agreement mentioned before, the Board of Directors also declare their conflicts of interest in writing on the Declaration of interest form. These are in turn submitted for verification and additional information to the Registrar of Companies. The declared information is also passed to other relevant authorities for necessary action.

If a Director becomes aware that he or she has a direct or indirect interest in an existing proposed matter with STO, they notify the Board immediately and gets themselves excused from those discussions and decisions. During 2013, all Directors obliged with these regulations and excused themselves from any discussions and decisions in which they had interest. Likewise any changes to Directors' interests were also updated accordingly.

Board Member	Position in the Board	Initial Appointed Date	Resigned / Removed	Changes	Board Attendance	Type of Director
Abdulla Faiz	Former Chairman	7-May-12	19-Dec-13		35/35	N, I
Ahmed Niyaz	Chairman	7-May-12		Appointed as chairman on 19 Dec 2013	35/36	N, I
Shahid Ali	Former MD	20-Nov-08	17-Nov-13		30/30	E, NI
Adam Azim	MD	18-Nov-13			06/06	E, NI
Amir Mansoor	Director	7-May-12	19-Dec-13	Appointed again on 23 Dec 2013.	30/35	N, I
Mohamed Farshath	Director	14-Jun-12			36/36	N, I
Vizaad Ali	Director	7-May-12	19-Dec-13		18/35*	N, I
Abdul Hadi Hussain Fulhu	Director	7-May-12			35/36	N, I
Ahmed Shaheer	Director	23-Dec-13			0**	E, NI

E - Executive, N - Non-Executive, I - Independent
There was one Non-Executive meeting held during 2013
*had been on maternity leave since 30.07.2013
**no meetings were held after appointment

Stakeholder Relationship

STO stakeholder relationship has been healthier than ever before. It is a firm belief of this Organization that the success of STO depends on the relationship with all other stakeholders. The organization is adamant that the only way forward is by satisfying the shareholders expectation.

During the year there were regular meetings with major shareholders and some public shareholders as well. Most of these meetings were with the majority shareholder – Ministry of Finance and Treasury (MOFT).

There were no significant contract or provision of services made between STO and its subsidiaries, and or by its majority shareholder.

The Board of Directors as always makes it a priority to maintain an active program of communication with the Organizational staff. As such, the Board of Directors made several visit to organizational functions and observed the work at some of the department outlets.

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 subsidiaries.

Director's shareholding as at 9th March 2013.

Director	Direct	Indirect
Ahmed Niyaz	-	-
Abdullah Faiz	-	-
Adam Azim	25	-
Shahid Ali	40	-
Amir Mansoor	-	-
Abdul Hadi Hussain Fulhu	60	220
Mohamed Farshath	50	-
Vizaad Ali	-	-

Policy on Directors & Top Management's Remuneration

- The Company's remuneration policy is formulated to attract and retain high-caliber 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

DIRECTORS REMUNERATION		
Name	Designation	Total MVR in 2013
Abdulla Faiz	Former Chairman	243,011.79
Ahmed Niyaz	Chairman	145,846.15
Shahid Ali	Former MD	120,666.67
Adam Azim	MD	12,166.67
Amir Mansoor	Director	143,000.00
Abdul Hadi Hussain Fulhu	Director	146,500.00
Vizaad Ali	Director	126,055.56
Mohamed Farshath	Director	141,343.50
Ahmed Shaheer	Director	-
TOTAL		**1,078,590.34**

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 and is renewed annually. The amount of salary and other payments to the Managing Director is decided on the basis of educational qualifications, experience and previous occupations. Other terms of employments are also specified in the contract.

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

In 2013 MVR 1,078,590.34 was paid to Directors as 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 and every 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 periods, severance fees given to the Directors or Top Management.

No stock options were given to the Directors or Top Management.

In 2013 MVR 10,592,931.56 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.

The Managing Director Mr. Adam Azim also sits in the Board of Directors of STO Maldives (Singapore) Pte Ltd, Maldives National Oil Company Ltd, Hotels & Resorts Pvt Ltd and Addu International Airport Pvt Ltd (AIA). He receives a monthly board remuneration of MVR 2,500.00 and a sitting fee of MVR 300.00 per meeting from STO Maldives (Singapore) Pte Ltd and Maldives National Oil Company Ltd. He also receives MVR 5,000.00 per meeting and a board sitting fee of MVR 300.00 from AIA. However, he does not receive any remuneration from Hotels and Resorts Pvt Ltd. Executive Director. Mr. Ahmed Shaheer also sits in the same boards as the Managing Director except for AIA and receives the same remuneration.

DECLARATION BY THE BOARD OF DIRECTORS

We confirm that, to the best of our knowledge, the financial statements for the period from 1st January to 31st December 2013 has been prepared in accordance with applicable accounting standards and gives a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Annual Report provides a true and fair view of the development and performance of the business and the position of the Company together with a description of the key risks and uncertainty factors that we face.

The Board of Directors, Executives and Staff exerted a tremendous effort to manage the Company within the principles of the Corporate Governance Code, Listing rules, Securities Act and the Company's Act. The Board of Director has complied with the recommendations by CMDA and has declared where it has not complied and the reason behind it.

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 Directors are pleased on the adequacy of the internal controls including financial, operational, compliance controls and the risk management systems implemented in the organization.

Financial Statement

The consolidated financial statement consists of the Income Statement, Balance Sheet, Cash Flow Statement, and Statement of Changes in Shareholder Equity and Notes to the Consolidated Financial Statements. The financial statements of the year ended 31st December 2013 have been prepared:

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

Independent Audit

The Board of Directors welcomes the impartial opinion and recommendations of the appointed independent auditors. And will strive to improve any weakness pointed out in the auditor's report.

Dividend

In accordance with the dividend policy of the Company, the Board has declared MVR 24 per share for shareholders' approval in the upcoming Annual General Meeting 2013.

On behalf of the Board of Directors

Ahmed Niyaz
Chairman

Adam Azim
Managing Director

CORPORATE GOVERNANCE COMMITTEE

The CG Campaign – "I WILL NOT" proved to be a bigger success than we imagine it would be.

COMPOSITION AND FREQUENCY OF MEETINGS

Committee Member	Designation	Attendance
Mohamed Farshath	Chairman	04/04
Amir Mansoor	Member	04/04
Ahmed Niyaz	Member	04/04

This report on corporate governance is intended to give shareholders a clear and comprehensive picture of the role the Board of Directors played to instill the Governance best practices in the organization. The Committee makes it a priority to review the roles and the responsibilities mentioned in the Articles of Association and the Corporate Governance Code of CMDA. The CG mandate as per these guidelines contains 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, 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 achieve in 2013?

- Reviewed committee directive actions plan
- Reviewed dividend policy
- Approved and presented to the Board on staff benefit other than salary
- Charter was reviewed
- CG campaign "I will not" was approved and presented to the Board before the successful implementation

Conclusion

We strongly believe that good and effective corporate governance is also heavily dependent on the skills and experience in the individual on the Board and how well they work together as a whole to achieve long-term value for shareholders. 2013 was noted for a year in which this experience from the Board was passed down to the staff of the organization. In particular the Corporate Governance Campaigns marks the highlight of the year.

We are determined as a Board and as a Company to make progress during 2014 and to do everything in our power to further strengthen the trust of our stakeholders through the good governance practices.

Mohamed Farshath
Chairman

NOMINATION & REMUNERATION (N&R) COMMITTEE

The decision to create an ERP unit has contributed the organization for the better.

COMPOSITION AND FREQUENCY OF MEETINGS		
Committee Member	Designation	Attendance
Vizaad Ali	Chairman	07/07
Amir Mansoor	Member	08/08
Abdul Hadi Hussain	Member	07/08
Mohamed Farshath	Member	03/08*

* He did not participate in the meetings held to discuss regarding appointment of public share representative director.

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.

The task of the N&R Committee is not simply to decide on the remuneration of the Directors. The Committee performs crucial set of function for the proper functioning of the Board as well as the Company. The duties (as per the CMDA Corporate Governance Code and Articles of Association of the Company) of the Committee include:

- 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 achieve in 2013?

The N & R Committee had a productive year in which the following achieved:

- Studied on establishing an ERP unit

- Reviewed company structure

- Adopted CMDA proxy guideline

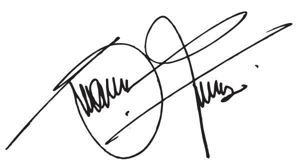
- Evaluated directorship candidates – public shareholders and made it available to the shareholders giving adequate time. It was announced for public shareholders to submit their interest while the Privatization and Cooperatization Board was also informed on nominating government representatives in the Board for the upcoming year. The submitted applications from public shareholder were then reviewed by the committee and taken for board endorsement. Information on the applicants will be announced with AGM notice and the government nominations will be announced at the AGM.

- Approved charter and reviewed committee directive action plan

Conclusion

2013 turned out to be a productive year for the committee where important decisions were made and many targets were achieved. For instance the decision to establish an ERP unit has indeed effected the organization for the better. Likewise the adoption of CMDA proxy guideline will definitely increase the trust of shareholders towards the organization.

N&R committee remains steadfast in performing their roles and responsibilities to the best of their ability so that the Board can function properly.



Amir Mansoor
Chairman

AUDIT COMMITTEE

COMPOSITION AND FREQUENCY OF MEETINGS		
Committee Member	Designation	Attendance
Abdul Hadi Hussain	Chairman	09/09
Amir Mansoor[2]	Member	02/02
Vizaad Ali[1]	Member	06/07
Ahmed Niyaz	Member	09/09

1 – Removed from committee on 30.07.2013 for maternity leave
2 – Appointed to committee on 30.07.2013

The main task of the Audit Committee is to oversee the process of financial reporting and internal control in order to secure the quality of the Company's external reporting. In addition, the Corporate Governance Code of CMDA and the Articles of Association of the Company includes the following in the Committee's mandate:

- 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 did the Committee achieve in 2013?

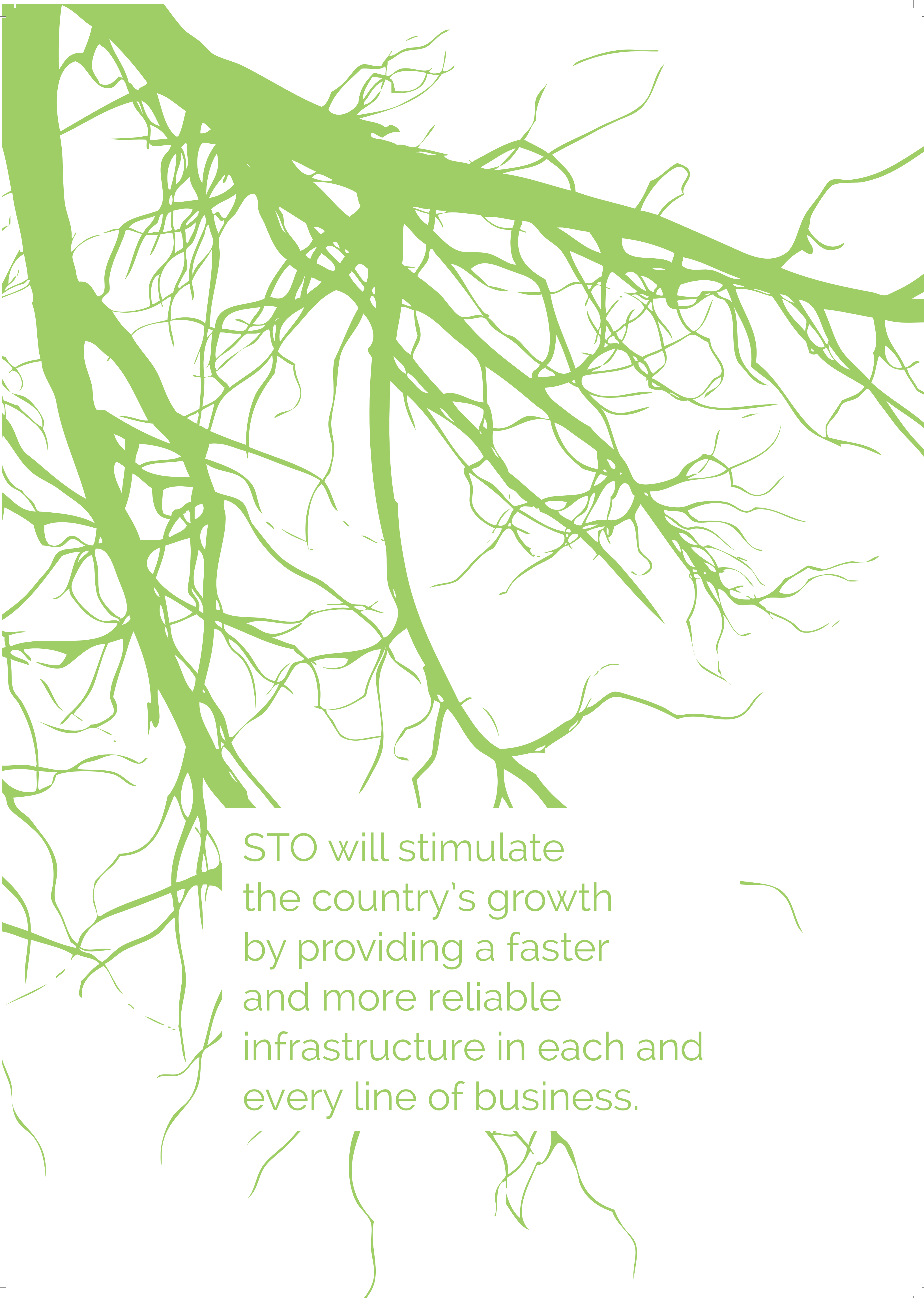
- Major highlights by Audit Committee for the year 2013 includes
- External Audit process was finalized
- Internal audit plan 2012 and its results were discussed
- External audit proposals were reviewed and recommendations were made to the audit committee
- Reviewed financials of 2012
- Attended whistleblower notifications received
- Annual audit plan and its progress was discussed
- Endorsed committee charter and internal audit charter
- Reviewed committee directive action plan
- Discussed on the annual audit reports and recommended necessary actions to the management

Conclusion

Audit Committee is pleased to have performed their duties to their maximum in which key importance was given to address the issues recommended by the auditors. The committee knows the importance of efficient Audit Committee for the proper functioning of the Board.

The Committee further acknowledges that the Independent Auditors of the Company had not provided any non-audit services in the year 2013.

Abdul Hadi Hussain Fulhu
Chairman



STO will stimulate the country's growth by providing a faster and more reliable infrastructure in each and every line of business.

OUR GROUP

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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

Pg 64

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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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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MALDIVE 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

Pg 70

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

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

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

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 AIRPORTPVT. 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 INSURANCE 60%
GOVT. 40%
SHARE% AS AT 31/DEC/2012

MALDIVES
INCORPORATED & OPERATED IN

*Associate Company **Joint Venture

MALDIVE GAS

Achievements

2013, was another remarkable year for Maldives Gas. Sales reached to MVR 172 million and a record breaking profit of MVR 28 million earned for the first time in the history of the Company. This is a clear sign of the Company's management commitment to continue to improve the Company operations by achieving operational efficiencies. Efficiency is the driving force behind everything that the Company's stand for and it will always be the major focus in reaching the Company's business targets.

The Company's financials showed strong growth in sales in Liquefied Petroleum Gas (LPG), medical and industrial oxygen production. With the installation of the second oxygen plant, medical and industrial oxygen production increased, resulting in increased sales and revenue. Additionally, with the enhancement of the LPG filling pump capacity, LPG filling increased from 286 cylinders to 350 cylinders per hour, cutting down unit costs.

Strategic Planning & Growth

A crucial element of the Company's 5 year strategic plan comprises of the expansion of the storage facility, for which all options were explored and a business plan compiled for the most feasible and viable option. To strengthen the functioning of the Company, work processes and procedures were reviewed and Standard Operating Procedures were prepared for all Departments. This has strengthened quality and compliance at all production levels by taking steps to reduce variation and increase governance.

To ensure that the Company's facilities are safely run and maintained, renovation projects have been identified and construction work has been initiated. To solve the difficulties faced in the current LPG discharging operations, the jetty at Thilafushi Terminal is to be renovated and a new alongside berth is to be constructed parallel to the reef line. This mega project is scheduled to be completed by March 2014.

The company has also devised a number of key business strategies in alignment with the Company's vision and mission. To cater to the needs of the developing population of Hulhumale' the Company has also decided to establish a distribution point that could meet the ever growing demand for the essential service. Additionally, the Company plans to redesign and automate the current production filling hall which would save labor and raise productivity levels. The management also has decided to restructure the organization in a manner that the Company would be geared to increase sales, enhance customer service, accelerate decision making and focus on business development.

The Company's main marketing activities included the promotion of 2kg cylinders, which is anticipated to alleviate the stress on the daily cylinder delivery operations while at the same time, educating the community on the need for a reserve cylinder to be kept handy in all local households.

Human Resources

Maldive Gas continues to invest in the quality of its staff and the management views human resource development as the key to drive growth and creating new value. Various training programs conducted during the year encompassed both specialist skills trainings and general trainings. Specialist training programs included training on safe handling and storage of LPG, fire prevention, firefighting and training on debt collection along with forensic auditing, accounting and fraud investigation. By adopting such a structured learning development program, it aids the Company to build the capability it requires for success.

The Company considers its staff to be its greatest asset. Several recreational activities conducted to boost morale and sense of belonging towards the Company, including the annual futsal tournament, fishing trips and the annual staff trip.

CSR Activities

Maldive Gas plays an important role in the Maldivian society. As a provider for an essential service, the Company's management takes great pride in contributing to the development of the community. A key achievement during the year was signing a mutual understanding with the Ministry of Gender, Family and Human rights and Maldives National Defense Force. Under the MOU signed, Maldive Gas will provide LPG and medical oxygen to those in need of special care and assistance on free of cost basis. Under this MoU, LPG and medical oxygen is provided to:

- Kudakudhinge Hiyaa, K. Villingili
- Khaa'sa Ehee ah Beynunvaa Meehunge Marukazu, K. Guraidhoo
- Kudakudhinge Marukazu, K. Maafushi

Future Focus

The accomplishments and success of this year will be the motivation for moving forward. Maldive Gas will focus on sustainable growth; expand product portfolio and improving the performance of the distributors. The company will also concentrate on strengthening internal processes and the use of the latest technology to reach higher customer satisfaction levels and ensure that every citizen's need for this essential service is fulfilled with utmost convenience and affordability.

ALLIED INSURANCE COMPANY OF THE MALDIVES

Overview

The strength and success of the Allied Insurance Company of the Maldives as the leading insurance provider in Maldives is a result of the experience, innovative products and excellent service. Allied Insurance has a local management team with in-depth knowledge of the local market. Allied client base include most of the major corporate businesses in Maldives.

In the international reinsurance market, Allied Insurance is supported by the world leading reinsurers and Allied works in close partnership with these companies, in order to give more professional service to the Maldivian market. Our reinsurance treaties are well protected and reinsured with well-established and well reputed reinsurance companies like Munich Re, Tokyo Marine, GIC India, Milli Re and Malaysian Re.

As market leader, Allied Insurance Company assumes responsibility for the healthy development of the Maldivian insurance market and will be at the forefront of all efforts to improve transparency and set new standards of service, for the benefit of the industry and the Maldivian economy as a whole.

Strategic Planning & Growth 2013

The year 2013 proved to be one of the most challenging years for the Company. With the challenging economic environment, the Company accomplished its goals through strategic planning and hard effort of the management and staff of the Company.

Some of these strategic decisions include;

- Use of technology to minimize the distribution cost and reach more customers.
- Restructuring of the Company's departments to accommodate changes in the markets, to deliver efficient services.
- Collaboration with other parties and increase distribution channels.
- Increasing the Company's investment portfolio.

Major business activities conducted

Apart from launching new products and services, the Company has invested in nationwide projects. Some of the major business activities are as follows;

- Allied launched its new website and webTV
- Open a new customer service office at STO Trade Centre, 3rd floor.
- Allied signed a MOU to form a financial museum
- The Company signed an agreement to construct a 10 story building at Umar Shopping Arcade
- Signed an MOU between Hajj Corporation and Islamic Bank.

CSR Activities & Events

As in the previous years, the Company was engaged in a lot of CSR activities during the year. These include;

- Insurance Partner of Maldives leading Sports Award, "Haveeru Sports Award 2013".
- Contributed and supported MATATO Travel Award as the Co-Sponsor of the event.
- Held Allied Calendar Contest "Paint your thoughts 2014" in Association with Maldives Autism Association under the theme "We care for you because every child is special".
- Participated in Health Trust Fund, A sponsor walk held to bridge the financial and material gap in the health service delivery system in the Maldives through the participation of the private sector and the general public.
- Sponsored Nazia's Designer Wear, NARGIZ Collection 2012, and Fashion Show to promote Individual designers.
- Contributed and Participated at Rotary Club of Male', Charter and Installation of Rotary Club of Malé held at Nasandhura Palace Hotel.
- Participated and Contributed to Maldives Pension Administration Office, Maldives Finance Forum.
- Participated and contributed in MINDFIELDS INC. PVT. LTD., 6th MIND talks.
- Contributed to National Debate Competition 2013 as the main sponsor of the event.

Challenges

In the year, the external environment proved to be very challenging, especially the political and economic environment. The significant changes in these two environments have affected the Company's business to some extent. However, with aggressive marketing and selling techniques the Company was able to maintain a steady growth in all sectors of business.

Future Focus

The company's future strategic focus is to be the leader in commercial and personal insurance sector, while expanding into new lines of businesses in tune with market requirements.

Strengthening the Company's Distribution Strategies

The company also focuses on alliances in areas where the Company can strengthen its distribution of products. The company plans on forming alliances with banks and other financial institutes to reach their customer base and distribute company products through their outlets.

Introducing Takaful Insurance

As the leading insurer of Maldives, the Company plans to introduce Allied Takaful Insurance before the end of January 2014. This would help to cater the growing need for Islamic insurance in the country.

Better Investments of Company Funds for Better Returns

Presently the Company only invests in Treasury Bills (TB) of Maldives Monetary Authority and in other selected financial instruments. Future investments include development sectors such as the investment for the construction of a 10 story building at Umar Shopping Arcade.

Increase Online Services

In today's world, information systems play a key role in providing services to the customers. The company plans to expand its online services to its customers in terms of submitting their proposals, making payments, reporting claims and also providing information. The company has already launched the online application of submitting motor and travel insurance proposals and plans to launch new telephone applications where customers can submit their insurance proposals and make payments through their smart phone.

Diversifying Company Share Structure in 2014

As the "National Insurance Company" changing the share structure would help the Company to improve market standing by broadening shareholder base.

FUEL SUPPLIES MALDIVES

Overview

FSM is a wholly owned subsidiary of State Trading Organization, established for the purpose of distributing STO imported fuel throughout the country. One of the company's main objectives is to streamline the fuel distribution and offer easy access to its services throughout the country. The company is one of the key subsidiaries of STO that maintain a steady cash flow and contribute to the group's profitability.

Achievements

Being the retail arm of STO for its fuel distribution, FSM has nearly distributed 60 percent of diesel and 90 percent of petrol imports of STO during 2013.

The company's main markets are tourism industry and government sector, especially Utility companies. Our statistics indicate that FSM currently caters to 34 percent of resort market, while leading the government sector with over 80 percent market share.

Though, year 2013 was a challenging year for the company in terms of its distribution of fuel and the economic downturn, the Company remains strong and competitive in the market, as the company's Net Profit rose by 7.71 percent compared to 2012. Hence, 2013 was a relatively a good year for FSM.

Strategic Growth & Development 2013

In 2013 FSM took major steps in strategic growth and development to remain as the leader in the fuel distribution market in Maldives. Major decisions in terms of strategic growth and development include;

Development of Boat Yard Slipway.

In order to repair and maintain our fleet for a consistent and reliable fuel delivery; a fully functional Boatyard is vital. Hence the company decided to upgrade the slipway for repair and maintenance of all its vessels. Since, the company also has a vision to make FSM boatyard a leading service provider that caters to the public as well; FSM signed an Agreement with MTCC in order to upgrade the slipway at Thilafushi Site.

Upgrading Vessels,

During the year 2013, two additional barges were added to the existing fleet of vessels. This provided additional impetus in the Company's distribution network. Further, it helps the company in streamline its planned repairs on these vessels.

Implementation of and E-track system

To monitor all the vessels throughout the country; FSM implemented a vessel tracking system on most of the vessels. The newly installed E-track system has enhanced the operational difficulties faced previously in monitoring and locating the vessels throughout the nation.

Human Resource Development

The company remains focused in its human resource development. FSM continued its scholarship program by providing sponsorships to its staffs. Furthermore, various training programs, including special skills training focusing on vessel crews and staff working at Boat-Yard, were conducted during the year.

CSR Activities

FSM plays a key role in the country's society. Hence, the company provides donations to various national level events such as National Quran Competition and Events organized by the Save the Beach (NGO).

Future Focus

With the help of past experience and the success, the company is rewriting its strategic plan that will help the Company to regain its position as the market Leader in all sectors of fuel distribution in Maldives. The main focus on the new Strategic Plan would be on strengthening its delivery service, upgrading the current fleet of vessels and introduction of new fuel related products as well as the introduction of value added services to its customers.

MALDIVES NATIONAL OIL COMPANY LTD / STO MALDIVES (SINGAPORE) PTE LTD

Overview

The Maldives National Oil Company Ltd. (MNOC) was incorporated on 6th October 2003, by the Government of Republic of Maldives to complement the Government's effort to diversify the national economy and thereby generate employment and foreign currency income through oil and gas exploration and production business in the territory of Maldives and abroad.

MNOC under the direct supervision of STO has taken the full responsibility for the development of oil and gas exploration processes in the Maldives. This responsibility encompasses natural gas, condensate, crude oil and related minerals. MNOC will also endeavor to oversee the exploration, production, transport, refining and trading of the aforementioned substances and any of their derivatives or by-products.

The principal activity of the Company is currently focused on the preparation and resumption of the third attempt to oil and gas exploration business in the Exclusive Economic Zone (EEZ) of the Maldives.

In the meantime, the Company is also gradually building its track record in international petroleum trade, by participating in international oil tenders and also by direct negotiations with other national oil companies.

Developments

One of the leading items in the manifesto of the current government is the promise of embarking on Oil & Gas Exploration in the Maldives. MNOC has started the ground work preparations for Oil & Gas Exploration. Here follows the particular activities currently being pursued;

- Requesting the archive Seismic Data of oil and gas Exploration in Maldives from SHELL and Elf Aquitaine (TOTAL)
- Inviting petroleum exploration consultants from Norway and Germany
- Continuing International trade in petroleum products.

Challenges

Attracting foreign investments to the petroleum exploration sector of the Maldives is a huge challenge. This is primarily because Maldives is considered a "new frontier" for petroleum exploration business. Success in regional countries such as Seychelles, Sri Lanka and west coast of India are encouraging signs.

Future Focus

Outlook for 2014 is relatively bright for MNOC. MNOC while closely working together with STO look forward for an interesting year as it embarks on the real activities of developing the Oil & Gas Exploration sector in the Maldives.

MALDIVES STRUCTURAL PRODUCTS

After a successful business in 2012, 2013 has been a challenging year for MSP due to economic instability in the country. There were fewer projects with large roofing requirements, especially resort projects. However, based on the economic condition, it is envisaged that 2014 would be a successful year for business.

Despite the challenges MSP will strive and continue to deliver quality roofing products to its customers. Hence, the materials and machinery utilized in the production are of the best quality and technology.

Therefore, MSP recorded MVR 9.7 million in 2013, as net income.

Ability to deliver more alternatives for customers is an important priority of MSP, thus it renders a great competitive advantage over competitors. Following are the different alternatives available for customers:

- 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 reduced wastage
- Choice of wide range of colors is available and special colors can be provided upon request
- MSP uses internationally recognized COLORBAND and ZINCALUME to produce the premium quality roofing sheets.

MSP's overall goal of supplying quality roofing products at an affordable price will be the guiding philosophy of the Company in addressing the 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.

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 2014.

FINANCIALS

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pwc

Independent auditor's report

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

1 We have audited the accompanying consolidated financial statements of State Trading Organization Plc and its subsidiaries (the 'Group') which comprise the consolidated balance sheet as of 31 December 2013, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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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Resident Partner Jatindra Bhattray ACA

Opinion

4 In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as of 31 December 2013 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 consolidated financial statements of the Group give a true and fair view of the financial position of the Group as of 31 December 2013 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.

29 April 2014
MALE'

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS
Registration No: A0001

Consolidated balance sheet

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
		As at 31 December			
		2013	2012	2013	2012
ASSETS					
Non-current assets					
Property, plant and equipment	6	1,538,652,639	1,453,448,757	1,270,850,203	1,179,930,463
Intangible assets	7	42,528,407	38,584,198	34,035,717	32,202,503
Deferred business profit tax assets	8	59,503,822	27,191,151	56,325,127	26,026,724
Investments in subsidiaries	9	-	-	117,249,835	117,249,835
Investments in associates	10	118,592,351	52,517,898	10,567,267	20,567,267
Investment in joint venture	11	35,742,588	38,273,487	4,700,000	4,700,000
Available-for-sale financial assets	12	170,222,400	166,653,410	160,222,400	156,653,410
Trade and other receivables	14	48,087,048	57,291,033	48,087,048	57,291,033
		2,013,329,255	1,833,959,934	1,702,037,597	1,594,621,235
Current assets					
Inventories	13	794,072,038	595,366,749	749,386,119	507,580,657
Trade and other receivables	14	1,948,664,746	2,268,915,531	1,876,784,461	2,358,489,604
Reinsurance contracts	16	147,366,122	92,493,780	-	-
Investments held to maturity	17	62,643,934	70,684,817	-	-
Cash and cash equivalents	18	527,377,480	867,188,153	354,575,477	753,499,927
		3,480,124,320	3,894,649,030	2,980,746,057	3,619,570,188
Total assets		5,493,453,575	5,728,608,964	4,682,783,654	5,214,191,423
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 equalisation reserve	20	23,495,445	17,465,979	-	-
Currency translation reserve	21	646,237	246,165	-	-
General reserves		401,350,213	373,969,167	399,353,319	373,969,167
Fair value reserves		19,113,088	27,112,898	19,113,088	27,112,898
Retained earnings		995,335,400	885,444,856	625,949,682	608,931,325
		1,524,100,383	1,388,399,065	1,128,576,089	1,094,173,390
Non-controlling interest	22	8,445,228	6,668,110	-	-
Total equity		1,532,545,611	1,395,067,175	1,128,576,089	1,094,173,390

Consolidated balance sheet (Continued)
(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
		As at 31 December			
		2013	2012	2013	2012
LIABILITIES					
Non-current liabilities					
Borrowings	25	-	92,489,882	217,597,788	92,489,882
Deferred revenue	23	3,104,500	2,320,119	-	-
Derivative financial instruments	24	10,011,577	17,390,510	10,011,577	17,390,510
Deferred business profit tax liabilities	8	3,346,595	3,476,959	-	-
Current liabilities					
Current tax liabilities	33	20,556,000	29,375,035	12,669,985	16,735,224
Derivative financial instruments	24	7,878,932	8,296,975	7,878,932	8,296,975
Trade and other payables	23	2,452,781,894	2,779,901,669	2,426,112,493	2,748,655,540
Insurance contracts	26	244,599,685	159,360,955	-	-
Borrowings	25	1,218,628,781	1,240,929,685	879,936,790	1,236,449,902
Total liabilities		3,960,907,964	4,333,541,789	3,554,207,565	4,120,018,033
Total equity and liabilities		5,493,453,575	5,728,608,964	4,682,783,654	5,214,191,423

These financial statements were approved by the Board of Directors on 28 April 2014

Ahmed Niyaz
Chairman

Adam Azim
Managing Director

Mohamed Farshath
Director

Mohamed Mihad
Deputy chief
Financial Officer

The notes on pages 83 to 127 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	2013	2012	2013	2012
Revenue	27	11,131,613,970	9,293,247,144	10,782,422,632	9,058,761,121
Cost of sales	30	(9,822,126,433)	(8,110,929,917)	(9,661,088,716)	(8,072,590,516)
Gross profit		1,309,487,537	1,182,317,227	1,121,333,916	986,170,605
Other operating income	29	129,744,172	101,880,369	52,264,472	28,652,495
		1,439,231,709	1,284,197,596	1,173,598,388	1,014,823,100
Selling and marketing costs	30	(414,228,711)	(314,683,344)	(362,381,734)	(247,305,470)
Administrative expenses	30	(330,859,953)	(347,728,033)	(216,940,473)	(244,447,514)
Other operating expenses	30	(950,218)	(2,001,634)	(1,735,609)	(3,114,842)
Operating profit		693,192,827	619,784,585	592,540,572	519,955,274
Finance income	32	32,072,263	42,151,921	83,727,726	76,071,760
Finance costs	32	(553,659,839)	(435,761,530)	(552,146,183)	(433,523,841)
Finance costs - net	32	(521,587,576)	(393,609,609)	(468,418,457)	(357,452,081)
Share of profit of associates	10	66,253,748	31,668,165	-	-
Share of profit of joint venture	11	5,469,101	8,225,915	-	-
Profit before tax		243,328,100	266,069,056	124,122,115	162,503,193
Business profit tax	33	(13,465,424)	(27,247,965)	2,798,644	(4,852,714)
Profit after tax		229,862,676	238,821,091	126,920,759	157,650,479
Attributable to:					
- Equity holders of the parent / Company		227,819,306	237,711,706	126,920,759	157,650,479
- Non-controlling interests	22	2,043,370	1,109,385	-	-
		229,862,676	238,821,092	126,920,759	157,650,479
Earnings per share attributable to equity holders of the parent / Company during the year (expressed in MVR per share) - basic	34	202.16	210.94	112.63	139.90

The notes on pages 83 to 127 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
		As at 31 December			
	Note	2013	2012	2013	2012
Profit for the year		229,862,676	238,821,091	126,920,759	157,650,479
Other comprehensive income :					
Items that may be subsequently reclassified to profit or loss :					
Net (loss) / gain on available-for-sale financial assets	12	(7,999,810)	14,171,092	(7,999,810)	14,171,092
Currency translation differences	21	400,072	(358,628)	-	-
Other comprehensive income for the year		(7,599,738)	13,812,464	(7,999,810)	14,171,092
Total comprehensive income for the year		222,262,938	252,633,555	118,920,949	171,821,571
Attributable to:					
- Equity holders of the parent / Company		220,219,568	251,524,170	118,920,949	171,821,571
- Non-controlling interests	22	2,043,370	1,109,385	-	-
		222,262,938	252,633,555	118,920,949	171,821,571

The notes on pages 83 to 127 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(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 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		-	-	-	-	-	-	237,711,706	237,711,706	1,109,385	238,821,091
Other comprehensive income		-	-	-	(358,628)	-	14,171,092	-	13,812,464	-	13,812,464
Total comprehensive income for the year		-	-	-	(358,628)	-	14,171,092	237,711,706	251,524,170	1,109,385	252,633,555
Transfer to / (from) during the year											
- general reserve		-	-	-	-	31,530,096	-	(31,530,096)	-	-	-
- 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	885,444,856	1,388,399,065	6,668,110	1,395,067,175
Balance at 1 January 2013		56,345,500	27,814,500	17,465,979	246,165	373,969,167	27,112,898	885,444,856	1,388,399,065	6,668,110	1,395,067,175
Profit for the year		-	-	-	-	-	-	227,819,306	227,819,306	2,043,370	229,862,676
Other comprehensive income		-	-	-	400,072	-	(7,999,810)	-	(7,599,738)	-	(7,599,738)
Total comprehensive income for the year		-	-	-	400,072	-	(7,999,810)	227,819,306	220,219,568	2,043,370	222,262,938
Transfer to / (from) during the year											
- general reserve		-	-	-	-	27,381,046	-	(27,381,046)	-	-	-
- claim equalization reserve	20	-	-	6,029,466	-	-	-	(6,029,466)	-	-	-
Dividends	35	-	-	-	-	-	-	(84,518,250)	(84,518,250)	(266,252)	(84,784,502)
Balance at 31 December 2013		56,345,500	27,814,500	23,495,445	646,237	401,350,213	19,113,088	995,335,400	1,524,100,383	8,445,228	1,532,545,611

The notes on pages 83 to 127 are an integral part of these consolidated financial statements.

Company statement of changes in equity

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Share capital	Share premium	General reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 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
Other comprehensive income		-	-	-	14,171,092	-	14,171,092
Total comprehensive income for the year		-	-	-	14,171,092	157,650,479	171,821,571
Transfer to / (from) during the year							
- general reserve		-	-	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
Balance at 1 January 2013		56,345,500	27,814,500	373,969,167	27,112,898	608,931,325	1,094,173,390
Profit for the year		-	-	-	-	126,920,759	126,920,759
Other comprehensive income		-	-	-	(7,999,810)	-	(7,999,810)
Total comprehensive income for the year		-	-	-	(7,999,810)	126,920,759	118,920,949
Transfer to / (from) during the year							
- general reserve		-	-	25,384,152	-	(25,384,152)	-
Dividends	35	-	-	-	-	(84,518,250)	(84,518,250)
Balance at 31 December 2013		56,345,500	27,814,500	399,353,319	19,113,088	625,949,682	1,128,576,089

The notes on pages 83 to 127 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(All amounts in Maldivian Rufiyaa unless otherwise stated)

		Group		Company	
		Year ended 31 December			
	Note	2013	2012	2013	2012
Cash flows from operating activities					
Cash generated from operations	36	214,898,137	359,275,100	179,374,837	220,349,741
Interest paid		(219,417,108)	(221,898,634)	(218,295,963)	(219,660,945)
Business profit tax paid	33	(54,727,495)	(37,201,683)	(31,564,998)	(24,746,666)
Net cash (used in) / generated from operating activities		(59,246,466)	100,174,783	(70,486,124)	(24,057,870)
Cash flows from investing activities					
Purchases of property, plant and equipment	6	(179,604,367)	(247,001,311)	(152,493,965)	(225,946,656)
Purchases of intangible assets	7	(7,086,240)	(4,128,169)	(6,376,329)	(4,004,061)
Proceeds from sales of property, plant and equipment	36	239,797	1,568,092	35,712	1,326,807
Loan repayments received from related parties	39	-	797,866	3,082,509	797,866
Investments in associates	10	-	(6,000,000)	-	-
Purchases of available-for-sale financial assets	12	(1,568,800)	(672,000)	(1,568,800)	(672,000)
Purchases of held-to-maturity financial assets	17	(618,547,549)	(544,838,940)	-	-
Proceeds from held-to-maturity financial assets		626,588,431	790,922,222	-	276,004,733
Interest received	32	17,612,645	23,769,126	18,717,566	25,169,590
Dividends received	32	18,606,202	12,890,454	63,317,475	48,635,454
Net cash (used in) / generated from investing activities		(143,759,881)	27,307,340	(75,285,832)	121,311,733
Cash flows from financing activities					
Proceeds from borrowings		2,313,680,606	2,766,505,655	2,203,680,606	2,766,505,655
Repayment of borrowings		(2,321,391,794)	(3,091,969,586)	(2,321,391,794)	(3,091,969,586)
Net payment made for currency SWAPs		(7,796,975)	(8,656,975)	(7,796,975)	(8,656,975)
Dividends paid to shareholders		(14,216,565)	(13,973,926)	(13,950,313)	(13,973,926)
Net cash used in financing activities		(29,724,728)	(348,094,832)	(139,458,476)	(348,094,832)
Net decrease in cash and cash equivalents		(232,731,075)	(220,612,709)	(285,230,432)	(250,840,969)
Cash, cash equivalents and bank overdrafts at beginning of year	18	460,095,625	680,708,334	350,887,182	601,728,151
Cash, cash equivalents and bank overdrafts at end of the year	18	227,364,550	460,095,625	65,656,750	350,887,182

The notes on pages 83 to 127 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 31December 2013 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 IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

(a) New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

- Amendment to IAS 1, ‘Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- Amendment to IFRS 7, ‘Financial instruments: Disclosures', on asset and liability offseting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. - IFRS 10, ‘Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, ‘Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

- IFRS 12, ‘Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRS 13, ‘Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

(b) New standard and amendments issued but not yet adopted

Certain new standards and amendments are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. The following amended standard is not expected to have a material impact on the financial statements of the Group:

- IAS 19,‘ Employee benefits' (amendment), (effective from

Notes to the consolidated financial statements (continued)

1 January 2013)

(c) New standards amendments and interpretation issued but not effective for the financial year beginning 1 January 2013 and not early adopted by the Group

- IAS 27,' Separate Financial Statements' (amendment), (effective from 1 January 2014);

- IAS 32,'Financial instruments: Presentation' (amendment), (effective from 1 January 2014);

- IAS 36,' Impairment of assets' (amendment), (effective from 1 January 2014);

- IAS 39,' Financial Instruments: Recognition and Measurement' (amendment), (effective from 1 January 2014);

- IFRS 9,'Financial instruments (effective from 1 January 2015): and

- IFRIC 21,' Levies' (effective from 1 January 2014).

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) 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. Under the equity method, the investment is 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 investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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.

The group determines at each reporting date whether there is any objective evidence that the investment in the

Notes to the consolidated financial statements (continued)

associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Joint ventures

The group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 January 2012.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Board of Directors consider 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. Thus the primary segments of the Group are as follows:

i) Trading
ii) Gas
iii) Insurance service
iv) Fuel, lubricant & crude oil
v) 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 consolidated financial statements are presented in Maldivian Rufiyaa (MVR), 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 or valuation where items are re-measured. 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 when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net'.

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

Notes to the consolidated financial statements (continued)

fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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 rates on the dates of the transactions): and

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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 date in which the assets were purchased upto the date of disposal, as follows:

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

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

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

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

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

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is

Notes to the consolidated financial statements (continued)

the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.

- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software product;

- it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criterias are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

2.8 Impairment of assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal 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, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(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

Notes to the consolidated financial statements (continued)

of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(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 assets

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 method except in Maldives Gas Private Limited, which is on first-in-first-out method 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 realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, 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. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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

Notes to the consolidated financial statements (continued)

over the expected useful lives of the related assets.

2.14 Employee benefits

Group has enrolled the employees in the Retirement Pension Scheme with effect from 1 May 2011 based on the Regulation on Maldives Retirement Pension Scheme and deducts at a rate of 7% from the employee's pensionable wages on behalf of the employees of age between 16 and 65 years and pay 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 or survival) 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

Notes to the consolidated financial statements (continued)

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).

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.

(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.

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

Notes to the consolidated financial statements (continued)

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 in other comprehensive income or 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.

Notes to the consolidated financial statements (continued)

(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

Notes to the consolidated financial statements (continued)

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$ 212,681,727 (2012 : US$ 240,770,959) as foreign currency liabilities, whereas foreign currency committed available credit line amounted to US$ 65,940,994 (2012: US$ 69,504,816) 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 2013, the commitment outstanding was US$ 17,047,833 (2012: US$ 19,658,603).

(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.

Notes to the consolidated financial statements (continued)

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 comprises 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 Group 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

Notes to the consolidated financial statements (continued)

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

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

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 paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

Notes to the consolidated financial statements (continued)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	Group		Company	
	2013	2012	2013	2012
Total borrowings	3,960,907,964	4,333,541,788	3,554,207,565	4,120,018,033
Less: cash and cash equivalents (Note 18)	(527,377,480)	(867,188,153)	(354,575,477)	(753,499,927)
Net debt	3,433,530,484	3,466,353,635	3,199,632,088	3,366,518,106
Total equity	1,532,545,611	1,395,067,175	1,128,576,089	1,094,173,390
Total capital	4,966,076,095	4,861,420,810	4,328,208,177	4,460,691,496
Gearing	69.14%	71.30%	73.93%	75.47%

The decrease in the gearing ratio of the Company during 2013 resulted primarily due to reduction in borrowings and increase in equity by virtue of the profit generated in the current year.

The decrease in the gearing ratio of the Group during 2013 resulted primarily due to reduction in borrowings and 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.

(All amounts in Maldivian Rufiyaa unless otherwise stated)

5. Segment information - Group

The segment results for the year ended 31 December 2013 are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Other services	Group total
Revenue	1,389,386,630	165,619,082	92,083,648	9,482,685,583	1,839,027	11,131,613,970
Segment results						
Operating profit / (loss)	122,359,818	25,763,389	46,886,960	510,874,954	(12,692,294)	693,192,827
Finance (costs) / income - net	(67,732,784)	(3,638,165)	262,936	(450,479,563)	-	(521,587,576)
Share of profit of associates	1,033,455	-	65,220,293	-	-	66,253,748
Share of profit of joint venture	5,469,101	-	-	-	-	5,469,101
Profit / (loss) before tax	61,129,590	22,125,224	112,370,189	60,395,391	(12,692,294)	243,328,100
Business profit tax expense						(13,465,424)
Profit after tax						229,862,676

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

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Other services	Group total
Revenue	1,402,807,873	152,121,536	123,525,554	7,613,746,513	1,045,668	9,293,247,144
Segment results						
Operating profit / (loss)	58,525,049	21,293,545	73,882,154	477,702,476	(11,618,639)	619,784,585
Finance (costs) / income - net	(15,897,539)	(3,638,165)	262,936	(374,336,841)	-	(393,609,609)
Share of profit of associates	(7,861,875)	-	39,530,040	-	-	31,668,165
Share of profit of joint venture	8,225,915	-	-	-	-	8,225,915
Profit / (loss) before tax	42,991,550	17,655,380	113,675,130	103,365,635	(11,618,639)	266,069,056
Business profit tax expense						(27,247,965)
Profit after tax						238,821,091

5. Segment information - Group (continued)

The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

	Trading	Gas	Insurance service	Fuel, lubricant and crude oil	Other services	Group total
Assets	894,743,581	133,011,555	555,615,979	3,753,561,971	156,520,489	5,493,453,575
Liabilities	341,683,770	48,519,621	287,613,242	3,102,804,520	180,286,811	3,960,907,964
Capital expenditure	156,980,662	3,114,659	6,591,165	17,754,021	2,250,101	186,690,608
Depreciation and amortisation charge	59,344,229	9,168,407	5,794,006	13,514,523	8,835,981	96,657,146

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	Other services	Group total
Assets	844,146,174	117,899,278	378,690,243	4,229,687,408	158,185,861	5,728,608,964
Liabilities	230,044,530	51,218,175	220,407,589	3,662,611,607	169,259,888	4,333,541,789
Capital expenditure	223,203,433	6,590,845	9,613,209	8,418,115	3,303,878	251,129,480
Depreciation and amortisation charge	55,077,915	8,973,385	4,650,861	13,012,767	8,695,851	90,410,779

6. Property, plant and equipment - Group

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Land	Building	Leasehold buildings	Plant and machinery	Vessels and fleet	Motor vehicles	Air conditioners	Office equipments	Furniture and fittings	Other assets	Capital work- in- progress	Total
At 1 January 2012												
Cost	767,354,400	520,747,444	33,626,221	123,149,997	214,803,449	40,041,431	6,136,622	53,927,117	10,351,777	79,396,308	71,781,547	1,921,316,313
Accumulated depreciation	-	(254,103,438)	(17,238,711)	(81,305,366)	(140,030,223)	(35,639,788)	(4,559,037)	(29,020,806)	(6,232,046)	(44,083,051)	-	(612,212,466)
Net book amount	767,354,400	266,644,006	16,387,510	41,844,631	74,773,226	4,401,643	1,577,585	24,906,311	4,119,731	35,313,257	71,781,547	1,309,103,847
Year ended 31 December 2012												
Opening net book amount	767,354,400	266,644,006	16,387,510	41,844,631	74,773,226	4,401,643	1,577,585	24,906,311	4,119,731	35,313,257	71,781,547	1,309,103,847
Additions	-	24,001,518	20,600	1,655,668	4,663,512	9,454,638	1,065,330	20,492,465	1,014,292	1,851,187	182,782,101	247,001,311
Transfers	-	18,118,823	2,581,820	-	-	-	-	-	-	-	(28,785,738)	(8,085,095)
Cost of disposals	-	-	-	-	(975,027)	(42,705)	(211,336)	(581,711)	(294,910)	(238,740)	(1,008,485)	(3,352,914)
Accumulated depreciation on disposals	-	-	-	-	975,028	42,705	62,230	490,396	289,717	3,042	-	1,863,118
Depreciation charge (Note 30)	-	(25,989,682)	(2,852,409)	(5,096,293)	(20,720,688)	(2,796,133)	(460,103)	(11,163,217)	(1,474,639)	(8,617,740)	-	(79,170,904)
Exchange gain	-	-	-	-	-	-	-	4,122	-	-	-	4,122
Impairment loss	-	-	-	-	-	-	-	-	-	(3,765,206)	(10,149,522)	(13,914,728)
Closing net book amount	767,354,400	282,774,665	16,137,521	38,404,006	58,716,051	11,060,148	2,033,706	34,148,366	3,654,191	24,545,800	214,619,903	1,453,448,757
At 31 December 2012												
Cost	767,354,400	562,809,383	36,208,969	124,736,086	219,115,186	49,461,745	7,441,632	73,939,586	11,255,328	49,030,321	214,619,903	2,115,972,539
Accumulated depreciation	-	(280,034,718)	(20,071,448)	(86,332,080)	(160,399,135)	(38,401,597)	(5,407,926)	(39,791,220)	(7,601,137)	(24,484,521)	-	(662,523,782)
Net book amount	767,354,400	282,774,665	16,137,521	38,404,006	58,716,051	11,060,148	2,033,706	34,148,366	3,654,191	24,545,800	214,619,903	1,453,448,757
Year ended 31 December 2013												
Opening net book amount	767,354,400	282,774,665	16,137,521	38,404,006	58,716,051	11,060,148	2,033,706	34,148,366	3,654,191	24,545,800	214,619,903	1,453,448,757
Additions	-	33,342	158,454	4,085,671	11,437,148	1,451,233	814,124	7,266,124	2,408,232	3,849,530	140,100,509	179,604,367
Transfers	-	1,976,205	-	5,740,095	-	-	141,960	-	-	4,427,295	(12,285,555)	-
Transfers to intangible assets	-	-	-	-	-	-	-	(377,581)	-	-	(8,215,925)	(8,593,506)
Cost of disposals	-	-	-	-	-	(125,000)	(37,250)	(537,398)	(103,981)	(268,872)	-	(1,072,501)
Accumulated depreciation on disposals	-	-	-	-	-	125,000	3,680	473,888	57,285	191,791	-	851,644
Depreciation charge (Note 30)	-	(28,891,665)	(2,642,303)	(5,833,622)	(21,427,756)	(2,914,777)	(585,797)	(13,002,024)	(1,641,561)	(7,982,104)	-	(84,921,609)
Exchange gain	-	-	-	-	-	-	-	6,862	-	-	-	6,862
Impairment loss	-	-	-	-	-	-	-	-	-	-	(671,375)	(671,375)
Closing net book amount	767,354,400	263,892,547	13,653,672	42,396,150	48,725,443	9,596,604	2,370,423	27,978,237	4,374,166	24,763,440	333,547,557	1,538,652,639
At 31 December 2013												
Cost	767,354,400	572,473,417	36,347,751	134,492,272	231,175,588	50,796,359	8,811,482	79,866,972	13,456,638	57,306,046	333,547,557	2,285,628,482
Accumulated depreciation	-	(308,580,870)	(22,694,079)	(92,096,122)	(182,450,145)	(41,199,755)	(6,441,059)	(51,888,735)	(9,082,472)	(32,542,606)	-	(746,975,843)
Net book amount	767,354,400	263,892,547	13,653,672	42,396,150	48,725,443	9,596,604	2,370,423	27,978,237	4,374,166	24,763,440	333,547,557	1,538,652,639

6. Property, plant and equipment - Company
(All amounts in Maldivian Rufiyaa unless otherwise stated)

	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 2012											
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
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
Year ended 31 December 2013											
Opening 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
Additions	-	8,033,341	2,103,921	789,002	1,081,233	739,010	5,727,037	1,264,098	605,826	132,150,497	152,493,965
Transfers	-	1,976,205	-	-	-	141,960	-	-	3,570	(2,121,735)	-
Transfers to intangible assets	-	-	-	-	-	-	(377,581)	-	-	(5,883,675)	(6,261,256)
Cost of disposal	-	-	-	-	-	-	(76,354)	-	-	-	(76,354)
Accumulated depreciation on disposal	-	-	-	-	-		43,667	-	-	-	43,667
Depreciation charge (Note 30)	-	(21,271,537)	(1,260,650)	(17,534,404)	(2,029,243)	(700,777)	(9,910,329)	(893,432)	(1,008,535)	-	(54,608,907)
Impairment loss	-	-	-	-	-	-	-	-	-	(671,375)	(671,375)
Closing net book amount	767,354,400	121,198,825	3,050,793	17,536,111	7,085,072	1,574,339	23,670,782	1,550,717	154,391	327,674,773	1,270,850,203
At 31 December 2013											
Cost	767,354,400	413,478,133	59,798,996	136,399,622	40,079,216	6,077,197	58,850,943	6,480,047	9,692,505	327,674,773	1,825,885,832
Accumulated depreciation	-	(292,279,308)	(56,748,203)	(118,863,511)	(32,994,144)	(4,502,858)	(35,180,161)	(4,929,330)	(9,538,114)	-	(555,035,629)
Net book amount	767,354,400	121,198,825	3,050,793	17,536,111	7,085,072	1,574,339	23,670,782	1,550,717	154,391	327,674,773	1,270,850,203

Notes to the consolidated financial statements (continued)

6. Property, plant and equipment (continued)

Group

a) The buildings of State Trading Organization Plc. have been constructed on lands belonging to the Government of Maldives for which a rental of 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 308,850,838 (2012: MVR 289,810,588).

c) Depreciation expense of MVR 33,850,290 (2012: MVR 33,349,959) is included in 'Cost of sales', MVR 28,154,752 (2012: MVR 26,826,411) in 'Administrative expenses' and MVR 22,916,571 (2012: MVR 18,994,534) 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.

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 270,044,311 (2012: MVR 261,123,278).

c) Depreciation expense of MVR 16,487,509 (2012: MVR 16,487,509) is included in 'Cost of sales', MVR 20,698,743 (2012: MVR 20,100,721) in 'Administrative expenses' and MVR 17,422,655 (2012: MVR 14,152,813) in 'Selling and marketing costs' in the income statement.

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

Notes to the consolidated financial statements (continued)

7. Intangible assets

	Group			Company
	Goodwill	**Software implementation**	**Total**	**Software implementation**
At 1 January 2012				
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
Addition	-	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
Year ended 31 December 2013				
Opening net book amount	3,155,217	35,428,981	38,584,198	32,202,503
Additions	-	7,086,240	7,086,240	6,376,329
Transfer from fixed assets	-	8,593,507	8,593,507	6,261,257
Amortization charge (Note 30)	-	(11,735,538)	(11,735,538)	(10,804,372)
Closing net book amount	3,155,217	39,373,190	42,528,407	34,035,717
At 31 December 2013				
Cost	3,155,217	75,841,194	78,996,411	64,364,584
Accumulated amortization	-	(36,468,004)	(36,468,004)	(30,328,867)
Net book amount	3,155,217	39,373,190	42,528,407	34,035,717

a) The Group had capitalised implementation of Premeia, ERP, ACCTRAC and RAY software in 2008, 2010, 2011, 2012 and 2013, respectively.

b) Amortisation charge of MVR 11,735,538 (2012: MVR 11,239,875) is included in 'Administrative expenses' in the income statement.

Notes to the consolidated financial statements (continued)

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	
	2013	2012	2013	2012
Deferred business profit tax assets				
At 1 January	27,191,151	6,027,519	26,026,724	5,364,485
Reclassified into deferred business profit tax liabilities	-	(127,620)	-	-
Decelerated tax depreciation (Note 33)	32,312,671	21,291,252	30,298,403	20,662,239
At 31 December	59,503,822	27,191,151	56,325,127	26,026,724
Deferred business profit tax liabilities				
At 1 January	3,476,959	(127,620)	-	-
Accelerated tax depreciation (Note 33)	(130,364)	3,604,579	-	-
At 31 December	3,346,595	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:

Name of the company	**% of interest hold**	**Company**	
	2012	2013	2012
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

Notes to the consolidated financial statements (continued)

10. Investments in associates

	Group		Company	
	2013	2012	2013	2012
At 1 January	52,517,898	14,849,733	20,567,267	20,567,267
Investments made during the year	-	6,000,000	-	-
Share of profit	66,253,748	31,668,165	-	-
Gain on dilution of significant influence	9,820,705	-	-	-
Investment classified as Available-for-sale financial asset	(10,000,000)	-	(10,000,000)	-
At 31 December	118,592,351	52,517,898	10,567,267	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 of Aasandha Private Limited so as to obtain benefits from its activities.

The Company has 20,000 shares, in Addu International Airport Private Limited which represented 32.26% of the issued shares of the investee company as at 31 December 2012. On 1 January 2013 the investee company has issued 118,000 shares to other shareholders diluting the shareholding and significant influence exercised by the Company. Accordingly, the investment in associate amounting to MVR 10,000,000 has been redesignated as investment in available-for-sale financial assets. The Company has recognized the investment at cost in the current year consolidated financial statements since the investee company has issued shares to other investors at par. Therefore the share of loss amounting to MVR 9,820,705 recognized in consolidated financial statements in the previous year has been treated as gain on dilution of significant influence and accounted under other income accordingly.

State Trading Organization PLC has acquired 10,567,267 shares, at a price of MVR 1/- each on 8 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:

	% holding	Assets	Liabilities	Revenues	Profit / (loss)
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%	420,608,964	344,725,563	909,425,000	65,883,401
		567,921,074	464,247,607	1,079,835,247	43,243,735

Notes to the consolidated financial statements (continued)

	% holding	Assets	Liabilities	Revenues	Profit / (loss)
At 31 December 2013					
Lafarge Maldives Cement Private Limited	25%	91,162,838	59,794,766	92,315,469	4,133,821
Aasandha Private Limited	60%	825,655,635	641,071,746	924,618,750	108,700,489
		916,818,473	700,866,512	1,016,934,219	112,834,310

11. Investment in joint venture

	Group		Company	
	2013	2012	2013	2012
At 1 January	38,273,487	30,423,572	4,700,000	4,700,000
Share of profit	5,469,101	8,225,915	-	-
Dividend received	(8,000,000)	(376,000)		
At 31 December	35,742,588	38,273,487	4,700,000	4,700,000

State Trading Organization Plc has acquired 47,000 shares at a price of MVR 100/- each on 31 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 summarised financial information of the joint venture, which is incorporated in Republic of Maldives and unlisted, is as follows.

	% holding	Assets	Liabilities	Revenues	Profit
At 31 December 2012					
Maldives Structural Products Pvt Ltd	50%	94,131,562	17,584,588	83,057,234	16,451,829
At 31 December 2013					
Maldives Structural Products Pvt Ltd	50%	82,149,602	10,664,427	56,854,400	10,938,202

12. Available-for-sale financial assets

	Group		Company	
	2013	2012	2013	2012
At 1 January	166,653,410	151,810,318	156,653,410	141,810,318
Investments made during the year	1,568,800	672,000	1,568,800	672,000
Classified from investment in associates	10,000,000	-	10,000,000	-
Revaluation (loss) / surplus transferred to equity	(7,999,810)	14,171,092	(7,999,810)	14,171,092
At 31 December	170,222,400	166,653,410	160,222,400	156,653,410

Notes to the consolidated financial statements (continued)

Marketable equity securities are measured at fair value annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock exchange quoted bid prices. There were no disposals on available-for-sale investments in 2013 (2012: 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	
	2013	2012	2013	2012
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Bank of Maldives PLC	22,856,600	30,856,410	22,856,600	30,856,410
Maldives Stock Exchange Company Private Limited	3,840,800	2,272,000	3,840,800	2,272,000
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
Addu International Airport Private Limited	10,000,000	-	10,000,000	-
	177,031,548	173,462,558	167,031,548	163,462,558
Less: Provision for loss on impairment	(6,809,148)	(6,809,148)	(6,809,148)	(6,809,148)
	170,222,400	166,653,410	160,222,400	156,653,410

13. Inventories

	Group		Company	
	2013	2012	2013	2012
Food stock	49,529,132	43,700,971	49,529,131	43,700,971
Fuel and lubricants	132,678,230	249,169,032	92,721,311	166,773,843
Home improvement and electronics	66,654,775	91,795,342	66,654,775	91,795,342
Construction materials	64,718,019	75,472,383	64,718,019	75,472,383
Pharmaceuticals	106,521,374	130,814,861	106,521,374	130,814,861
Spare parts	7,430,516	7,991,581	-	-
Retail shops	32,376,530	37,790,809	32,376,530	37,790,809
Goods in transit	386,341,286	6,268,759	386,341,286	6,268,759
	846,249,862	643,003,738	798,862,426	552,616,968
Less: provision for slow and non moving inventories	(52,177,824)	(47,636,989)	(49,476,307)	(45,036,311)
	794,072,038	595,366,749	749,386,119	507,580,657

Notes to the consolidated financial statements (continued)

13. Inventories (continued)

Provision for slow and non moving inventories

	Group		Company	
	2013	2012	2013	2012
At 1 January	47,636,989	16,016,997	45,036,311	12,518,761
Provision made / (reversal) during the year (Note 30)	4,540,835	33,114,196	4,439,996	32,517,550
Inventories written off during the year	-	(1,494,204)	-	-
At 31 December	52,177,824	47,636,989	49,476,307	45,036,311

14. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
Trade receivables	684,208,520	784,792,727	160,220,584	211,947,242
Due from policyholders	43,264,801	62,013,638	-	-
	727,473,321	846,806,365	160,220,584	211,947,242
Less: provision for impairment of trade receivables	(126,299,753)	(109,184,843)	(66,803,884)	(54,490,883)
Trade receivables - net	601,173,568	737,621,522	93,416,700	157,456,359
Advances, prepayments and deposits	56,341,734	44,413,329	34,868,759	37,299,315
Receivables from related parties [(Note 39) c]	1,416,997,042	1,478,656,967	1,871,781,256	2,154,145,179
Loan granted to a related party [(Note 39) d]	-	-	10,986,414	14,068,923
Other receivables (Note 15)	87,209,942	132,400,563	70,717,540	116,713,414
	1,560,548,718	1,655,470,859	1,988,353,969	2,322,226,831
Less: unmatured interest	(10,054,686)	(13,533,175)	(10,054,686)	(13,533,175)
Provision for impairment of receivables	(154,915,806)	(53,352,642)	(146,844,474)	(50,369,378)
	1,395,578,226	1,588,585,042	1,831,454,809	2,258,324,278
Total trade and other receivables	1,996,751,794	2,326,206,564	1,924,871,509	2,415,780,637
Less: non current portion of receivable from Male' Health Services Corporation Limited	(48,087,048)	(57,291,033)	(48,087,048)	(57,291,033)
Current portion	1,948,664,746	2,268,915,531	1,876,784,461	2,358,489,604

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.

Notes to the consolidated financial statements (continued)

d) Receivables from Male' Health Services Corporation Limited are unsecured, carry interest in the rate of 8% to 20% per annum and are repayable over a period of 5 years

e) Loans given by the Company to a related company represents an unsecured loan granted to Maldive Gas Private Limited during 2011 at an interest rate of 9.5% per annum. As at the balance sheet date, the outstanding loan balances of Maldive Gas Private limited was MVR 10,986,414 (2012: MVR 14,068,923)

15. Other receivables

	Group		Company	
	2013	2012	2013	2012
Government employee credit scheme	45,583,673	76,567,905	45,583,673	76,567,905
Less: unmatured interest	(3,210,162)	(4,837,057)	(3,210,162)	(4,837,057)
Provision for impairment on credit scheme	(8,003,976)	(5,465,662)	(8,003,976)	(5,465,662)
	34,369,535	66,265,186	34,369,535	66,265,186
Staff advances and other loans	4,920,064	5,499,600	4,920,064	5,499,600
Advances paid for custom duty	1,144,024	2,231,261	1,144,024	2,231,261
Miscellaneous receivables	46,776,319	58,404,516	30,283,917	42,717,367
	87,209,942	132,400,563	70,717,540	116,713,414

16. Reinsurance contracts

	Group		Company	
	2013	2012	2013	2012
Re-insurers' share of insurance liabilities	95,312,747	35,584,226	-	-
Unearned premium	52,053,375	56,909,554	-	-
	147,366,122	92,493,780	-	-

17. Investments held-to-maturity

	Group		Company	
	2013	2012	2013	2012
Treasury bills - Maldives Monetary Authority	62,643,934	49,850,570	-	-
Corporate bonds - HDFC	-	20,834,247	-	-
	62,643,934	70,684,817	-	-

The Group has invested MVR 62,643,934 (2012: MVR 49,850,570) in treasury bills issued by Maldives Monetary Authority for a maturity value of MVR 64,000,000 (2012: MVR 50,000,000) at the rate of interest ranging from 10.6% to 10.75% per annum (2012: 7.2% to 8% per annum) with the maturity period of 27 to 363 days (2012: 28 to 182 days).

The Group had 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.

Notes to the consolidated financial statements (continued)

18. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
Cash at bank and in hand	346,844,647	239,777,925	205,095,687	145,705,835
Short term bank deposit	180,532,833	627,410,228	149,479,791	607,794,092
	527,377,480	867,188,153	354,575,477	753,499,927

The weighted average effective interest rate on short-term bank deposits of the group was 2.45% annually (2012: 1.50%).
Cash and bank balances include the following for the purpose of cash flow statement:

	Group		Company	
	2013	2012	2013	2012
Cash and cash equivalents	527,377,480	867,188,153	354,575,477	753,499,927
Bank overdraft (Note 25)	(300,012,930)	(407,092,528)	(288,918,727)	(402,612,745)
	227,364,550	460,095,625	65,656,750	350,887,182

19. Share capital

	Number of shares	Ordinary shares	Share premium	Total
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
At 1 January 2013	1,126,910	56,345,500	27,814,500	84,160,000
At 31 December 2013	1,126,910	56,345,500	27,814,500	84,160,000

The total authorised number of ordinary shares is 1,155,555 (2012: 1,155,555) with a par value of MVR 50 per share (2012: MVR 50 per share). All issued shares are fully paid.

20. Claim equalisation reserve

Reserve for claim equalisation 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	
	2013	2012	2013	2012
At 1 January	17,465,979	11,162,078	-	-
Transfer during the year	6,029,466	6,303,901	-	-
At 31 December	23,495,445	17,465,979	-	-

Notes to the consolidated financial statements (continued)

21. Currency translation reserve

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

22. Non-controlling interest

	2013	2012
At 1 January	6,668,110	5,558,725
Add: share of net results of subsidiaries	2,043,370	1,109,385
Less: dividends paid	(266,252)	-
At 31 December	8,445,228	6,668,110

23. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
Trade payables	2,156,116,561	2,520,533,783	2,149,793,340	2,510,606,666
Payables to related parties [(Note 39) c]	26,161,378	46,789,541	48,341,975	83,192,198
Accrued expenses	16,405,621	26,266,501	13,580,260	23,749,981
Dividend payable	175,141,490	104,573,553	175,141,490	104,573,553
Other payables	75,974,089	79,509,158	39,255,427	26,533,142
Deferred revenue	6,087,255	4,549,252	-	-
Total trade and other payables	2,455,886,394	2,782,221,788	2,426,112,493	2,748,655,540
Less: non current portion (deferred revenue)	(3,104,500)	(2,320,119)	-	-
	2,452,781,894	2,779,901,669	2,426,112,493	2,748,655,540

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 1,806,081 (2012: MVR 1,671,078), advances received from customers of MVR 7,154,128 (2012: MVR 7,710,372), retention payable of MVR 9,355,109 (2012: MVR 7,936,923), reinsurance premium payable of MVR 16,662,150 (2012: MVR 8,959,110), insurance premium received in advance of MVR 1,115,260 (2012: MVR 20,808,465), cylinder deposits of MVR 2,379,133 (2012: MVR 2,747,708), GST payable of MVR 2,556,977 (2012: MVR 579,132), Import related payables MVR 11,256,169 (2012: MVR 5,331,881) and other miscellaneous payables MVR 23,689,082 (2012: MVR 23,764,488).

Notes to the consolidated financial statements (continued)

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 straight line basis over 5 years.

24. Derivative financial instruments

	Group		Company	
	2013	2012	2013	2012
Forward foreign exchange contracts				
Currency - SWAP	17,890,509	25,687,485	17,890,509	25,687,485
Total	17,890,509	25,687,485	17,890,509	25,687,485
Less: non current portion				
Currency - SWAP	10,011,577	17,390,510	10,011,577	17,390,510
Current portion	7,878,932	8,296,975	7,878,932	8,296,975

The fair value of the SWAP currency is determined by multiplying the Maldivian Rufiyaa (MVR) exchange rate as at 31 December 2013 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 2013 was MVR 262,877,596 (2012: MVR 303,135,658).

25. Borrowings

	Group		Company	
	2013	2012	2013	2012
Non-current				
Bank borrowings	217,597,788	92,489,882	217,597,788	92,489,882
Current				
Bank borrowings	701,018,063	833,837,157	591,018,063	833,837,157
Bank overdraft (Note 18)	300,012,930	407,092,528	288,918,727	402,612,745
	1,001,030,993	1,240,929,685	879,936,790	1,236,449,902
Total borrowings	1,218,628,781	1,333,419,567	1,097,534,578	1,328,939,784

Notes to the consolidated financial statements (continued)

Bank borrowings of the Company will mature by December 2019 and bear an average interest of 8.21 % annually (2012: 7.44% 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	
	2013	2012	2013	2012
-At fixed rates	1,018,301,602	1,026,731,572	897,207,399	1,022,251,789
-At floating rates	200,327,179	306,687,995	200,327,179	306,687,995
	1,218,628,781	1,333,419,567	1,097,534,578	1,328,939,784

The Company has unutilised working capital facilities amounting to US$ 21,953,837.97 equivalent to MVR 338,528,181.49 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:

	Group		Company	
	2013	2012	2013	2012
Maldivian Rufiaa	160,000,000	-	160,000,000	-
United States Dollar	1,058,628,781	1,333,419,567	937,534,578	1,328,939,784

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

	Group		Company	
	2013	2012	2013	2012
Borrowings	212,596,874	92,489,882	212,596,874	92,639,512

The fair value of non-current borrowings of 2012 is based on cash flows discounted using effective average lending rate of 10.1 % (2012: 9.25 %).

Notes to the consolidated financial statements (continued)

Maturity of non current borrowings:

	Group		Company	
	2013	2012	2013	2012
Between 1 and 2 years	26,278,844	92,489,882	26,278,844	92,489,882
Between 2 and 5 years	145,775,018	-	145,775,018	-
Over 5 years	45,543,926	-	45,543,926	-
	217,597,788	92,489,882	217,597,788	92,489,882

26. Insurance contracts

	Group		Company	
	2013	2012	2013	2012
Claims reported and loss adjustment expenses	116,923,924	62,877,174	-	-
Unearned premiums	98,157,423	89,183,051	-	-
Valuation premium	10,595,235	7,300,730	-	-
unappropriated policyholders fund	270,257	-	-	-
reinsurance commission received in advance	18,652,846	-	-	-
Total insurance liabilities, gross	244,599,685	159,360,955	-	-

27. Revenue

	Group		Company	
	2013	2012	2013	2012
Retail and wholesale	1,389,386,630	1,402,807,873	1,385,507,896	1,400,230,432
Insurance (Note 28)	92,083,648	123,525,554	-	-
Gas	165,619,082	152,121,536	-	-
Fuel and lubricants	9,482,685,583	7,613,746,513	9,396,914,736	7,658,530,689
Other services	1,839,027	1,045,668	-	-
	11,131,613,970	9,293,247,144	10,782,422,632	9,058,761,121

Notes to the consolidated financial statements (continued)

Analysis by companies

	Group	
	2013	2012
State Trading Organization PLC	10,782,422,632	9,058,761,121
Allied Insurance Company of the Maldives Private Limited (Note 28)	112,304,819	142,853,984
STO Maldives (Singapore) Private Limited	808,145	205,632
STO Hotels & Resorts Private Limited	1,839,027	1,045,668
Maldive Gas Private Limited	176,396,340	161,633,199
Fuel Supplies Maldives Private Limited	2,557,014,037	2,563,637,173
Maldives National Oil Company Limited	2,809,802	-
	13,633,594,802	11,928,136,777
Less: inter-company transactions	(2,501,980,832)	(2,634,889,633)
	11,131,613,970	9,293,247,144

28. Net insurance premium revenue and fee income

	2013	2012
Long term insurance contracts with fixed terms		
- premium receivable	2,831,653	5,989,979
- change in unearned premium provision	2,062,127	1,403,204
Premium revenue arising from insurance contracts issued	4,893,780	7,393,183
Short term insurance contracts		
- premium receivable	263,772,629	223,217,153
- change in unearned premium provision	(11,036,499)	17,973,255
Premium revenue arising from insurance contracts issued	252,736,130	241,190,408
Reinsurance contracts		
Long term reinsurance contracts with fixed terms		
- premium payable	(259,876)	(189,000)
Premium revenue ceded to reinsurers on insurance contracts	(259,876)	(189,000)
Short term reinsurance contracts		
- premium payable	(177,733,649)	(158,586,273)
- change in unearned premium provision	(4,856,179)	10,647,725
Premium revenue ceded to reinsurers on insurance contracts issued	(182,589,828)	(147,938,548)
Net insurance premium revenue	74,780,207	100,456,044
Reinsurance commission	37,524,612	42,397,941
Fee income	37,524,612	42,397,941
Total income	112,304,819	142,853,985
Less: inter-company transactions	(20,221,171)	(19,328,430)
	92,083,648	123,525,555

Notes to the consolidated financial statements (continued)

29. Other operating income

	Group		Company	
	2013	2012	2013	2012
Profit on disposal of property, plant and equipment	18,939	78,296	3,026	78,296
Gain on dilution of significant influence	9,820,705	-	-	-
Income from vessels and fleets	10,797,673	10,488,569	2,710,496	2,100,252
Fines and claims received	25,760,254	5,969,820	25,283,294	5,471,857
Rent income	17,240,614	17,017,414	21,507,206	20,449,213
Discounts received	21,358	134,486	21,358	134,486
Administration fee income - Aasandha	43,919,391	43,197,687	-	-
Miscellaneous income	22,165,238	24,994,097	2,739,092	418,391
	129,744,172	101,880,369	52,264,472	28,652,495

30. Expenses by nature

	Group		Company	
	2013	2012	2013	2012
Depreciation (Note 6)	84,921,609	79,170,904	54,608,907	50,741,044
Employee benefit expenses (Note 31)	277,184,318	241,689,867	179,318,237	157,338,420
Amortisation charge (Note 7)	11,735,538	11,239,875	10,804,372	10,096,649
Operating lease rentals	6,170,585	4,309,709	-	-
Directors' remuneration	4,114,301	5,696,627	1,168,090	1,145,095
Raw material and consumables used	9,764,998,113	8,066,763,174	9,629,934,448	8,053,984,287
Transportation	13,299,481	14,722,851	12,380,643	14,231,347
Vessel and fleet expenses	9,582,355	8,946,111	9,582,355	8,946,111
Advertisement and sales promotion expenses	27,324,116	26,967,678	24,364,147	23,019,819
Agents' commission	13,228,114	11,800,014	1,134,260	11,085
Audit fees	1,185,166	1,166,008	493,440	462,369
Accounting and legal charges	2,267,207	1,490,165	829,112	886,460
Provision for impairment of receivables	121,216,387	50,548,107	111,326,410	41,683,127
Provision for impairment of assets	671,375	13,914,728	671,375	10,149,522
Receivables written off	64,366	1,417,831	64,366	1,331,193
Provision for slow and non moving inventories	4,540,835	33,114,196	4,439,996	32,517,550
Fuel expenses	40,515,574	40,049,023	16,109,798	17,397,185
Rental expenses	9,321,106	10,399,070	8,442,944	8,707,774
Telephone, electricity and water charges	29,010,794	27,522,024	18,509,627	16,677,799
Bank charges	30,089,033	33,321,423	29,278,049	32,345,618

Notes to the consolidated financial statements (continued)

	Group		Company	
	2013	2012	2013	2012
Insurance expenses	(12,075,409)	(9,279,613)	6,433,880	8,445,569
Repair and maintenance	45,651,153	34,540,549	23,527,852	20,483,365
Rebate on fuel	4,755,412	1,778,587	34,794,516	5,743,119
Demurrage charges	14,666,759	2,118,720	14,666,759	2,118,720
Other selling and distribution costs	4,315,586	3,312,148	4,315,586	3,312,147
Other expenses	59,411,442	58,623,151	44,947,363	45,682,968
Total cost of sales, Selling and marketing costs, administrative expenses and other operating expenses	10,568,165,315	8,775,342,928	10,242,146,532	8,567,458,342
Classified as:				
- cost of sales	9,822,126,433	8,110,929,917	9,661,088,716	8,072,590,516
- Selling and marketing costs	414,228,711	314,683,344	362,381,734	247,305,470
- administrative expenses	330,859,953	347,728,033	216,940,473	244,447,514
- other operating expenses	950,218	2,001,634	1,735,609	3,114,842
	10,568,165,315	8,775,342,928	10,242,146,532	8,567,458,342

31. Employee benefit expenses

	Group		Company	
	2013	2012	2013	2012
Salaries and wages	152,000,908	136,888,119	72,210,966	67,504,128
Staff welfare	4,339,812	3,987,472	3,246,757	2,959,929
Employer's contribution to Government pension fund	7,513,247	6,813,763	4,492,267	4,111,924
Staff medical expenses	38,391	66,457	28,420	51,741
Bonus, overtime and allowances	108,989,237	90,057,989	96,036,309	79,411,824
Employee redundancy expenses	1,240,595	901,777	906,424	611,635
Other staff related expenses	3,062,128	2,974,291	2,397,093	2,687,239
	277,184,318	241,689,868	179,318,236	157,338,420

32. Finance income and costs

	Group		Company	
	2013	2012	2013	2012
Finance costs				
Interest expense:				
- bank borrowings	(41,741,757)	(82,273,948)	(41,741,757)	(82,273,948)

Notes to the consolidated financial statements (continued)

	Group		Company	
	2013	2012	2013	2012
- bank overdrafts	(30,943,824)	(43,878,181)	(28,717,756)	(40,240,016)
- other borrowings	(133,502,159)	(119,264,690)	(134,607,081)	(120,665,166)
Foreign exchange loss	(347,472,099)	(260,798,853)	(347,079,589)	(260,798,853)
Less : compensatory grant received from Government of Maldives	-	70,454,142	-	70,454,142
	(347,472,099)	(190,344,711)	(347,079,589)	(190,344,711)
	(553,659,839)	(435,761,530)	(552,146,183)	(433,523,841)
Finance income				
Interest income on loans granted	-	25,104	1,104,921	1,425,580
Interest income on Government credit scheme	13,101,519	12,163,936	13,101,519	12,163,936
Interest income on fixed deposits	6,203,811	7,990,268	6,203,811	7,990,256
Foreign exchange gain	2,160,730	3,601,625	-	-
Dividends on investments	10,606,203	12,514,454	63,317,475	48,635,454
Discounts on treasury bills	-	5,856,534	-	5,856,534
	32,072,263	42,151,921	83,727,726	76,071,760
Net finance costs	(521,587,576)	(393,609,609)	(468,418,457)	(357,452,081)

33. Business profit tax

	Group		Company	
	2013	2012	2013	2012
Current tax				
- Current tax on profits for the year	45,944,837	48,664,963	27,499,759	29,657,303
- Adjustment in respect of prior year	(36,378)	(3,730,325)	-	(4,142,350)
Total current tax	45,908,459	44,934,638	27,499,759	25,514,953
Deferred tax release (Note 8)	(32,443,035)	(17,686,673)	(30,298,403)	(20,662,239)
Business profit tax	13,465,424	27,247,965	(2,798,644)	4,852,714

Notes to the consolidated financial statements (continued)

Reconciliations between Business profit tax expense and the accounting profit:

	Group		Company	
	2013	2012	2013	2012
Profit before tax	243,328,100	266,069,056	124,122,115	162,503,193
Add: Loss of subsidiaries which are not liable for business profit tax	19,221,968	18,789,884	-	-
Less: Basic exemption limit MVR 500,000 / proportionately taken amount of MVR 500,000	(285,715)	(267,858)	(71,429)	(71,429)
Profit and income earned during the tax period liable to Business profit tax after basic exemption limit	262,264,353	284,591,082	124,050,686	162,431,764
Tax calculated at domestic tax rate of 15% applicable to profit	39,339,653	42,688,662	18,607,603	24,364,765
Tax effect of				
- results of associates reported net of tax	(9,938,062)	(4,750,225)	-	-
- results of joint venture reported net of tax	(820,365)	(1,233,887)		
- income not subject to tax	(10,814,398)	(9,952,088)	(9,497,621)	(7,295,318)
- expenses not deductible for tax purposes	28,178,009	21,912,501	18,389,777	12,587,856
- deferred tax	(32,443,035)	(17,686,673)	(30,298,403)	(20,662,239)
Adjustment in respect of prior year	(36,378)	(3,730,325)	-	(4,142,350)
Business profit tax	13,465,424	27,247,965	(2,798,644)	4,852,714

	Group		Company	
	2013	2012	2013	2012
Current tax liabilities :				
As at 1 January	29,375,035	21,642,080	16,735,224	15,966,937
Tax provision during the year	45,944,837	48,664,963	27,499,759	29,657,303
Tax paid during the year	(54,727,495)	(37,201,683)	(31,564,998)	(24,746,666)
Adjustment in respect of prior year	(36,377)	(3,730,325)	-	(4,142,350)
As at 31 December	20,556,000	29,375,035	12,669,985	16,735,224

Notes to the consolidated financial statements (continued)

34. Earnings per share

Basic earnings 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	
	2013	2012	2013	2012
Profit attributable to equity holders of the parent / Company	227,819,306	237,711,706	126,920,759	157,650,479
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)"	202.16	210.94	112.63	139.90

35. Dividends per share

At the Annual General Meeting held on 16 May 2013, a dividend in respect of 2012 of MVR 75 per share (2012: declared dividend MVR 72 per share in respect of 2011) amounting to a total of MVR 84,518,250 (2012: declared MVR 81,137,520) 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 2013.

36. Cash generated from operations

	Group		Company	
	2013	2012	2013	2012
Profit before business profit tax	243,328,100	266,069,056	124,122,115	162,503,193
Adjustments for:	-	-	-	-
- Depreciation (Note 6)	84,921,611	79,170,904	54,608,907	50,741,044
- Amortization (Note 7)	11,735,538	11,239,875	10,804,372	10,096,649
- Interest income (Note 32)	(19,305,330)	(26,035,842)	(20,410,252)	(27,436,306)
- Interest expense (Note 32)	206,187,741	245,416,819	205,066,594	243,179,130
- Dividend income (Note 32)	(10,606,202)	(12,514,454)	(63,317,475)	(48,635,454)
- Gain on dilution of significant influence (Note 10)	(9,820,705)	-	-	-
- Provision for impairment of receivables (Note 30)	121,216,387	50,548,107	111,326,410	41,683,127

Notes to the consolidated financial statements (continued)

	Group		Company	
	2013	2012	2013	2012
- Provision for impairment of assets (Note 30)	671,375	13,914,728	671,375	10,149,522
- Receivables written off (Note 30)	64,366	1,417,831	64,366	1,331,193
- Provision for slow and non moving inventories	4,540,835	33,114,196	4,439,996	32,517,550
- Share of profit from associates (Note 10)	(66,253,748)	(31,668,165)	-	-
- Share of profit from joint venture (Note 11)	(5,469,101)	(8,225,915)	-	-
- Profit on disposal of property, plant and equipment (see below)	(18,939)	(78,296)	(3,026)	(78,296)
- Currency translation differences	393,210	(362,750)	-	-
Changes in working capital				
- Inventories	(203,246,124)	153,051,733	(246,245,458)	156,316,345
- trade and other receivables	206,146,924	(561,376,322)	378,128,528	(647,194,672)
- Reinsurance contracts	(54,872,344)	(16,476,449)	-	-
- Insurance contracts	88,958,506	(9,176,803)	-	-
- Trade and other payables	(383,673,963)	171,246,847	(379,881,615)	235,176,716
Cash generated from operations	214,898,137	359,275,100	179,374,837	220,349,741

Non-cash transactions

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

	Group		Company	
	2013	2012	2013	2012
Net book amount (Note 6)	220,858	1,489,796	32,686	1,248,511
Profit on disposal of property, plant & equipment	18,939	78,296	3,026	78,296
	239,797	1,568,092	35,712	1,326,807

Notes to the consolidated financial statements (continued)

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 Products Private Limited.

	2013	2012
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 Supreme Court claiming compensation of MVR 1,228,397 and another two customers have filed suit in Civil Court claiming compensation of MVR 4,695,392 which were not accepted by State Trading Organisation PLC. These cases are in progress. In the event the Court holds in favour of the customers, the Group (and the Company) will need to recognise liability in respect of those claims.

(ii) Two policyholders had filed suits in civil court claiming insurance compensations, which were not accepted by the Allied Insurance Company. The cases are in progress. In the event the court holds in favour of the policyholders, the Group will need to recognise liability in respect of those claims.

(iii) 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.

Notes to the consolidated financial statements (continued)

38. Commitments

Capital commitments

	Group		Company	
	2013	2012	2013	2012
(i) Capital expenditure contracted as of the balance sheet date but not yet incurred.	378,157,534	164,956,208	378,157,534	164,956,208
(ii) Shares subscribed as of the balance sheet date but not yet paid.	11,818,000	11,943,000	11,818,000	11,943,000
	389,975,534	176,899,208	389,975,534	176,899,208

(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	
	2013	2012	2013	2012
Not later than 1 year	13,687,370	13,876,096	11,565,000	5,782,500
Later than 1 year and not later than 5 years	70,889,627	63,704,742	65,535,000	46,260,000
Later than 5 years	227,484,478	258,411,755	225,517,500	256,357,500
	312,061,475	335,992,593	302,617,500	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) There were no 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:

	2013	2012
Allied Insurance Company of the Maldives Private Limited		
(Subsidiary Company)		
- sale of goods	56,630	5,022
- services obtained	(17,717,749)	(16,764,724)
- Advance received	(7,000,000)	(30,000,000)
- Purchase of foreign currencies	-	(6,168,000)

Notes to the consolidated financial statements (continued)

39. Related party transactions (continued)

	2013	2012
- rent received	2,231,885	1,436,324
- dividends received	33,899,774	18,149,979
Maldives National Oil Company Limited		
(Subsidiary Company)		
- sale of goods	1,446	1,446
- advance received	(3,084,000)	(7,710,000)
- rent received	-	192,219
Maldives Gas Private Limited		
(Subsidiary Company)		
- sale of goods	376,938	-
- purchases of goods	(7,090,462)	(6,570,423)
- dividends received	2,396,272	-
- rent received	533,353	490,250
- interest on advance	1,104,921	1,400,476
Fuel Supplies Maldives Private Limited		
(Subsidiary company)		
- sale of fuel	2,452,608,748	2,573,061,684
- purchases of fuel	(20,565,492)	(34,113,879)
- dividends received	8,414,450	17,593,850
- rent received	1,501,355	1,313,006
- rebate paid on fuel sales	(34,794,516)	(5,743,119)
STO Maldives (Singapore) Private Limited		
(Subsidiary company)		
- services obtained	(36,431)	(882,684)
Koodoo Fisheries Maldives Limited		
(Government undertaking)		
- sale of goods	1,784,975	20,045,434
- services obtained	(17,375)	(46,543)
- purchases of foreign currency	(89,436,000)	(97,146,000)
Felivaru fisheries		
(Government undertaking)		
- services obtained	(20,378,310)	(20,655,450)
Maldives Structural Products Private Limited		
(Joint venture company)		
- sale of goods	8,092	-
- purchases of goods	(29,569,854)	(55,185,789)
- dividends received	18,000,000	376,000

Notes to the consolidated financial statements (continued)

39. Related party transactions (continued)

	2013	2012
Lafarge Maldives Cement Private Limited		
(Associate company)		
- purchases of goods	(59,703,405)	(73,183,727)
- sales of goods	-	61,841
- rent received	209,160	109,200
- interest on advance	-	25,104
Maldives Industrials Fisheries Company Limited		
(Investee company)		
- sale of goods	2,945,522	12,055,723
- purchases of goods	(188,450)	(241,448)
- purchases of foreign currency	(2,313,000)	(37,008,000)
Ministry of Finance and Treasury		
(Majority shareholder)		
- Compensatory grant received on exchange loss	-	70,454,142
- food subsidy income	297,142,544	281,062,054
- sales of goods	34,391,526	774,876
State Electric Company (STELCO)		
(company owned by MOFT)		
- purchases of goods	(18,892,150)	(13,764,650)
- sales of goods	1,232,683,680	1,131,260,870
Male' Health Services Corporation Limited		
(Government undertaking)		
- sales of goods	46,461,696	132,662,386
Rainbow Enterprises Private Limited		
(Co-venturer of a Joint venture company)		
- purchases of goods	(34,508)	(85,825)

(b) Key management compensation

For the year ended 31 December 2013, the total remuneration of the directors of the Group was MVR 4,114,301 (2012: MVR 5,696,627) and total remuneration of the directors of the Company was MVR 1,168,090 (2012: MVR 1,145,095).

(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**	
	2013	2012	2013	2012
STO Maldives (Singapore) Private Limited	-	-	9,718,702	6,879,140
Maldives Gas Private Limited	-	-	6,135,032	10,230,010
Fuel Supplies Maldives Private Limited	-	-	269,948,828	495,997,174
Allied Insurance Company of the Maldives Pvt Ltd	-	-	-	-

Notes to the consolidated financial statements (continued)

39. Related party transactions (continued)

Receivables from related parties (Note 14):	Group		Company	
	2013	2012	2013	2012
Rainbow Enterprises Private Limited	422,046	-	422,046	-
Maldives National Oil Company Limited	-	-	5,606,501	5,607,947
G.Dh Atoll Rayyithunge Cooperative Society	831,492	831,492	831,492	831,492
Ensis Fisheries Private Limited	-	317,613	-	-
Maldives Industrials Fisheries Company Limited	868,056	1,571,554	868,056	1,027,220
Ministry of Finance and Treasury	264,482,587	518,755,961	264,482,587	518,755,961
Koodoo Fisheries Maldives Limited	17,400	156,437	17,400	156,437
State Electric Company (STELCO)	239,509,283	199,038,080	239,509,283	199,038,080
Male' Health Services Corporation Limited	312,053,736	276,523,871	312,053,736	276,523,871
Lafarge Maldives Cement Private Limited	9,109	16,436	384	2,000
National Social Protection Agency	2,978,254	10,754,579	1,739,837	1,047,283
Addu International Airport	83,588,417	-	83,588,417	-
Aasandha Private Limited	76,862,375	29,997,492	65,542,914	29,997,492
Champa Oil and Gas Company Private Limited	68,430	-	-	-
Maldives Airport Company Limited	122,369,113	247,532,154	122,369,113	247,532,154
STO Hotels & Resorts Private Limited	-	-	176,010,184	167,357,620
Other Government entities	312,936,744	193,161,298	312,936,744	193,161,298
	1,416,997,042	1,478,656,967	1,871,781,256	2,154,145,179

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 in the rate of 8% to 20% per annum and are repayable over a period of 5 years.

Payables to related parties (Note 23):	Group		Company	
	2013	2012	2013	2012
Lafarge Maldives Cement Private Limited	3,588,889	13,202,421	3,588,889	13,202,421
Maldives Structural Product Private Limited	1,786,726	8,463,189	1,786,726	8,463,189
Allied Insurance Company of the Maldives Pvt Ltd	-	-	8,175,830	30,562,887
Maldives National Oil Company Limited	-	-	5,782,655	9,366,655
STO Maldives (Singapore) Private Limited	-	-	327,735	1,996,629
Koodoo Fisheries Maldives Limited	10,420,000	-	10,420,000	-
Rainbow Enterprises Private Limited	6,466	-	6,466	-

Notes to the consolidated financial statements (continued)

39. Related party transactions (continued)

Payables to related parties (Note 23):	Group		Company	
	2013	2012	2013	2012
Fuel Supplies Maldives Private Limited	-	-	13,977,095	6,126,222
National Social Protection Agency	10,108,234	11,398,193	-	-
Champa Oil and Gas Company Private Limited	-	251,543	-	-
Addu International Airport	251,063	11,331,570	251,063	11,331,570
Maldives Gas Pvt Ltd	-	-	4,025,516	-
Other Government entities	-	2,142,625	-	2,142,625
	26,161,378	46,789,541	48,341,975	83,192,198

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

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

	Group		Company	
	2013	2012	2013	2012
At 1 January	-	797,866	14,068,923	14,866,789
Loans repayments received	-	(797,866)	(3,082,509)	(797,866)
At 31 December	-	-	10,986,414	14,068,923

Loans given by the Company to related companies represent an unsecured loan granted to Maldive Gas Private Limited during 2011 at an interest rate of 9.5% per annum repayable in 12 monthly installments.

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.

STO will stimulate
the country's growth
by providing a faster
and more reliable
infrastructure in each and
every line of business.

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E: sto134@stomaldives.net

GA. ATOLL STO TRADE CENTRE
Haveeree Hingun
Ga. Vilingili, Republic of Maldives
T: +960 3012668
E: sto163@stomaldives.net

STO SHOP NO. 138
No. 59, Dhaan'naa Magu
GDh. Thinadhoo, Republic of Maldives
T: +960 3012674
F: +960 6842013
E: sto138@stomaldives.net

STO SHOP NO. 136
Velifaanu Magu, Maadhan'dhu
Gn. Fuahmulah, Republic of Maldives
T: +960 6860038
F: +960 6862032
E: sto136@stomaldives.net

STO SHOP NO. 137
Ziyaaraiy Fannu Magu
S. Hithadhoo, Republic of Maldives
T: +960 6885954
E: sto137@stomaldives.net

STO SHOP NO. 159
Shaafee Hingun
S. Maradhoo Feydhoo
Republic of Maldives
T: +960 6891831
E: sto159@stomaldives.net

STO SHOP NO. 123
Orchid Magu
S. Feydhoo, Republic of Maldives
T: +960 3012682
F: +960 6892098
E: sto123@stomaldives.net

STO SHOP NO. 164
Bahaaudheen Magu (Bodu Magu)
S. Hulhumeedhoo, Republic of Maldives
T: +960 6894904
E: sto164@stomaldives.net

MEDICALS

STO KULHUDHUFFUSHI PHARMACY
Kulhudhuffushi Regional Hospital
Bandaara Magu
Hdh. Kulhudhuffushi, Republic of Maldives
T: +960 6528301
F: +960 6528301
E: pharmacysr18@stomaldives.net

STO PHARMACY
Hulhumale Commercial Unit
Huvandhumaa Hingun
Hulhumale, Republic of Maldives
T: +960 3355605
E: pharmacyhm@stomaldives.net

STO PEOPLE'S CHOICE PHARMACY
Indhira Gandhi Memorial Hospital
Kanbaisarani Hingun
Malé, Republic of Maldives
T: +960 3344242
F: +960 3313261
E: pharmacy@stomaldives.net

STO MEDICAL WAREHOUSE
Haveeree Hingun
Malé, Republic of Maldives
T: +960 3012604
E: medicals@stomaldives.net

HULHUMEEDHOO PHARMACY
Hulhumeedhoo Health Centre
Lily Magu, S. Hulhumeedhoo
Republic of Maldives
T: +960 3012715
E: hulhumeedhoo.pharmacy@stomaldives.net

THINADHOO PHARMACY
Dr. Abdul Samad Memorial Hospital
Gulhazaaru Magu, GDh. Thinadhoo
Republic of Maldives
T: +960 3102707
E: thinadhoo.pharmacy@stomaldives.net

EYDHAFUSHI PHARMACY
B. Atoll Hospital
B. Eydhafushi, Republic of Maldives
T: +960 3012721
E: eydhafushi.pharmacy@stomaldives.net

L. GAN PHARMACY
Mathimaradhoo Regional Hospital
L. Gan, Republic of Maldives
T: +960 3012720
E: l.gan.pharmacy@stomaldives.net

HITHADHOO PHARMACY
Hithadhoo Regional Hospital
Raydhebai Magu, S. Hithadhoo
Republic of Maldives
T: +960 3012711
E: hithadhoo.pharmacy@stomaldives.net

VILLIMALE PHARMACY
Villimale Health Centre
Hulhule Hingun
K. Hulhumale, Republic of Maldives
T: +960 3012722
E: villimale.pharmacy@stomaldives.net

CONSTRUCTION

STO CONSTRUCTION MATERIALS
Faarukedi Hingun,
Malé, Republic of Maldives
T: +960 3012635
E: construction@stomaldives.net

STO CONSTRUCTION MATERIALS WAREHOUSE
Ameenee Magu
Malé, Republic of Maldives
T: +960 3012631
E: cmwarehouse@stomaldives.net

STO THILAFUSHI DC
(K. Thilafushi) S2-008, S1-019
K. Thilafushi, Republic of Maldives
T: +960 3012596
F: +960 6640126
E: thilafushi.office@stomaldives.net

FUEL & LUBRICANTS / STAPLES

STO PEOPLE'S CHOICE FUEL & LUBRICANTS
Funadhoo Island
Kaafu Atoll, Republic of Maldives
T: +960 6645900
F: +960 6645901
E: fuel@stomaldives.net

STO STAPLE FOODS WAREHOUSE
Handhuvaree Hingun
Malé, Republic of Maldives
T: +960 3012607
F: +960 3006828
E: staple@stomaldives.net

HOME IMPROVEMENT & SERVICE CENTRE

STO PEOPLE'S CHOICE HOME IMPROVEMENT
Haveeree Hingun
Malé, Republic of Maldives
T: +960 3012478, +960 3012486,
+960 3012474
E: sales@stomaldives.net

STO SERVICE CENTRE
Haveeree Hingun
Malé, Republic of Maldives
T: +960 3012494, +960 3012495
E: service@stomaldives.net

STO HOME IMPROVEMENT WAREHOUSE
Haveeree Hingun
Malé, Republic of Maldives
T: +960 3012627

SUPERMART

STO PEOPLE'S CHOICE SUPERMART
STO Trade Centre
Orchid Magu
Malé, Republic of Maldives
T: +960 3012480
E: supermart@stomaldives.net

STO SUPERMARKET WAREHOUSE
Block No. 07
Ameenee Magu
Malé, Republic of Maldives
T: +960 3012615
E: safeenaz@stomaldives.net

SUBSIDIARY COMPANIES

ADDU INTERNATIONAL AIRPORT PVT LTD
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
Fen Building, 2nd Floor
Ameenee Magu
Machchangolhi
Malé, 20375
Republic of Maldives
T: +960 3341001
F: +960 3325035
E: info@allied.mv

FUEL SUPPLIES MALDIVES PVT LTD
STO Aifaanu Building, 4th Floor
Block A
Boduthakurufaanu Magu
Malé, Republic of Maldives
T: +960 3336655
F: +960 3313881
E: info@fuelmaldives.net

LAFARGE MALDIVES CEMENT PVT LTD
STO Trade Centre, 1st Floor
Orchid Magu
Malé, 20-02
T: +960 3315313
F: +9603315316

MALDIVE GAS PVT LTD
#02-21 STO Trade Centre
Orchid Magu
Malé, Republic of Maldives
T: +960 3335614
F: +960 3335615
E: info@maldivegas.com

MALDIVES NATIONAL OIL COMPANY LTD
STO Head Office, 7th Floor
Boduthakurufaanu Magu
Maafannu, Malé 20345
Republic of Maldives
T: +960 3344300
E: info@mnoc.com.sg

MALDIVES STRUCTURAL PRODUCTS PVT LTD
Marlinspike Building, 2nd Floor,
2/10 Alikilegefaanu Magu,
Malé, Republic of Maldives
T: +960 6640626

STO HOTELS AND RESORTS PVT LTD
STO Head Office, 6th Floor
Boduthakurufaanu Magu
Maafannu, Malé, 20345
T: +960 3344388
F: +960

STO MALDIVES (SINGAPORE) PTE LTD
10, Anson Road,
#39-10 International Plaza,
Singapore 079903
T: (65) 63244668
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 renamed as State Trading Organization on 09 June 1979. On 14 August 2001, State Trading Organization PLC became a public limited company.

STOCK EXCHANGE LISTING

Ordinary shares of the Company are listed in the Maldives Stock Exchange.

BOARD OF DIRECTORS

Mr. Ahmed Niyaz, Chairman
Mr. Adam Azim, Managing Director
Mr. Ahmed Shaheer
Mr. Amir Mansoor
Mr. Abdul Hadi Hussain Fulhu
Mr. Mohamed Farshath

AUDIT COMMITTEE

Mr. Amir Mansoor
Mr. Abdul Hadi Hussain Fulhu
Mr. Mohamed Farshath

CORPORATE GOVERNANCE COMMITTEE

Mr. Amir Mansoor
Mr. Abdul Hadi Hussain Fulhu
Mr. Mohamed Farshath

NOMINATION AND REMUNERATION COMMITTEE

Mr. Amir Mansoor
Mr. Abdul Hadi Hussain Fulhu
Mr. Mohamed Farshath

AUDITORS

PriceWaterHouseCoopers
P.O. Box 2124
Thandiraimaage 3rd Floor, Henveiru
Roashanee Magu
Malé , Republic of Maldives

BANKERS

Bank of Ceylon, Malé
Bank of Maldives Plc. Malé
BNP Paribas, Singapore
Habib Bank Limited, Malé
HSBC, Malé
HSBC, Hong Kong
Maldives Islamic Bank, Malé
Nations Trust Bank, Colombo
Selan Bank, Colombo
Societe General Bank, Singapore
State Bank of India, Malé

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
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,
Malé 20345
Republic of Maldives

CONTACT DETAILS

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F: +960 334 4511
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