



ANNUAL REPORT 2016
ENRICHING CUSTOMER EXPERIENCE

#surpriseparty #familytime #healthyliving #philipsairfryer #stohomeimprovement



PHILIPS

Airfryer

Rapid air technology enables you to fry, bake, roast & grill the tastiest meals with less fat than using little or no oil!



Attention

This report comprises the annual report of state trading organization plc prepared in accordance with the companies act of the republic of maldives (10/96), listing rules of maldives stock exchange, 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, associates and joint ventures collectively. The term 'company' refers to STO and/or its subsidiaries. STO prepares its financial statements in accordance with international financial reporting standards (IFRS). References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st december 2016. 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.

ENRICHING CUSTOMER EXPERIENCE

The STO Group operates nationwide with the long-term commitment to contributing the country's community by creating value and enriching the society's livelihood through the distribution of quality products and services. The company has its presence at all inhabited islands of the country and possesses the capability of reaching out every citizen through its 54 distribution centers. The close relationship developed by the frequent interaction between the company and the customer provides valuable information for the company to use as a foundation for the expansion and improvement of its product mix and offer new and innovative solutions.

One of the main reasons behind the effectiveness of the company's sales and services strategies is the understanding of the customer's needs, wants and behaviors throughout all the segments. The company conducted a number of customer on the products and services supplied to customers. The results of this survey provided the company with important data that enabled the better understanding of customer needs, the performance areas they value and where improvement is required in the company's services.

To increase customer value and create demand, the company focuses on delivering new and attractive products and services. For example, elements from two different trading segments, construction materials, and home improvements combine to provide a much-required solution to the construction industry by the supply of Kone elevators and the delivery of ready-mixed concrete solution directly to the construction site. Additionally, the identification of market pitfalls lead to the creation of tailor-made insurance packages such as the specialized scheme for guesthouses was introduced which offered protection

against manmade and natural disasters for the public by the Allied Insurance Company. Overall, more than 15 new brands and products were introduced within the year under the trading segment.

With its comprehensive customers and consumer insight, the Group aims not only to meet customers needs but to go beyond and exceed their expectations. The customer portfolio of the company is diverse, and it ranges from governmental departments, corporate organizations, resorts to wholesaling for sole proprietors. For instance, within the medical services segment, the company came to an agreement with HEMAS Pharmaceuticals to acquire quality products at a lower cost. The execution of this agreement will subsequently enhance the relationship developed between the company and pharmacies and hospitals, leading to the public being able to acquire essential drugs at affordable rates.

The Group always gives priority in supplying sustainable products and services that promote prosperity to the customer and their surrounding environments. Eco-friendly air conditioners, refrigerators and other home appliances are available at the company's home improvement outlets, educating customers to become more energy-efficient. Also, two major continuous medical programs were administered by the company towards healthcare professionals by bringing in experts from the medical field from abroad. The incorporation of MIFCO appended sustainability targets of the STO Group, as the MSC certified frozen and canned tuna are high-quality sustainable products produced from traditional pole and line fishing methods that meet both local and international consumer needs and expectations.

+250,000
Customers

Presence in
19
Atolls

STO GROUP IN 2016

Revenue

6,939

(in millions) MVR

Earnings Per Share

378

MVR

Operating Profit

580

(in millions) MVR

Operating Cash Flow

619

(in millions) MVR

Profit for the Year

431

(in millions) MVR

Dividend Proposed

51

(per share) MVR

SHARE OF REVENUE BY SEGMENTS

Fuel and Lubricants



Trading



Gas



Insurance



Fisheries



Other services 0.1%

CHAIRMAN'S MESSAGE



On behalf of the board of directors, it is my pleasure to present STO Group's annual report for the financial year ended 31st December 2016. I feel our report will provide you a comprehensive understanding of our business, financial results, current and future developments.

Towards our continuous focus in achieving better results, I can proudly say that the management and the employees of STO together have built an exceptional organization, which has gained immense respect and trust of the community. I can also assure you that our board has the skills, experience, knowledge and the diversity to discharge the company's operations and responsibilities successfully, and take the company to new heights.

Performance and Shareholder return

The Company generated a healthy result for 2016 in a volatile market environment. We continued to advance on our goals for a sustainable and profitable development; which include stabilizing essential commodity prices, offering new products, and providing excellent services to our customers.

The Group has created numerous job opportunities in the field of medical sector. Simultaneously, with the introduction of power-mix concrete, STO has made a significant mark in the construction industry.

The Group's consistent performance, despite the challenges in major markets, demonstrates the resilience of our strategy. As we execute our long-term sustainable business model, we are confident that we will continue to meet the expectations of our stakeholders.

Our strategic actions during the year have significantly enhanced our balance sheet, and efforts to decrease tied-up capital in the working capital have contributed strong net operating cash flow in 2016. The potential for profitable growth is better than ever.

Strategies

During the year 2016, the Government proposed the transfer of MIFCO to STO; and hence, the Board took the decision to include MIFCO in the portfolio of STO's subsidiaries. This strategic move proved to be very positive, as MIFCO is able to provide some relief to the huge foreign currency requirement of STO. And at the same time, we as STO Group can achieve great synergy through utilization of resources as well. All of STO's subsidiaries combined, STO Group is stronger and much more competitive in the current demanding business environment.

In addition to a company's business, I believe it is key for any company to give back to the community in order to strategically sustain in the future. Keeping this in mind, STO has always contributed towards various noble causes within the community, and also ensures that the same values are etched within the company, such as gender equality, women empowerment, good health and a favorable work environment for its staff. It is noteworthy that STO has always been a people's company.

STO's commitment to serving the nation is also truly visible in the 'all island pharmacy project' where the company efficiently set up a network to supply medical consumables, pharmaceuticals, and also medical equipment to the entire population. Today, each and every citizen can easily get their needed medications from their own island. I am proud to say that STO has transformed healthcare in the Maldives significantly.

Governance

STO has been an excellent company in terms of Corporate Governance, where the board and its committees ensure that the company is in compliance with relevant laws and regulations and provide necessary information to shareholders.

I am pleased to say that during the past year, there have been tremendous work done to instill the same values within our subsidiary companies, and that it has been a success. For instance, we have started evaluating our subsidiaries for CG compliance on an annual basis.

Good governance strengthens the company's processes and supports the company's efforts in generating

sustainable returns to our shareholders. STO has always ensured highest standards of corporate governance, and I believe this would continue in the future.

Future Outlook

Over the past five decades, STO has evolved from a company that focused only on providing essential items to one of the country's leading suppliers of fuel, construction items, medical consumables and pharmaceuticals, and home improvement items.

To maintain this momentum, we will focus on ensuring the long-term success of the business through our sustainable strategies. Also, with many of STO's projects scheduled to complete during the year 2017, the future looks promising. Hence, I have no doubt that, STO will go on to further to expand its business and provide an unmatched service which will be easily accessible at the fingertips of our stakeholders, and will continue to cater to domestic demand for decades to come.

Acknowledgements

On behalf of the board, I would like to take this opportunity to thank the management team for their commitment in taking this company forward and to new levels.

We would like to extend our deepest gratitude to the employees for their invaluable contribution to the company. We thank our consumers, partners, distributors and customers, for their continued support.

Further, I would like to express my appreciation to my fellow directors, for their advice on achieving long-term success for STO.

Last but not the least; I would like use this opportunity to thank all our loyal shareholders.



Hussain Salim Mohamed
 Chairman

MANAGING DIRECTOR'S MESSAGE



It is with great pleasure I address you with a healthier result for the year in review. 2016 has been another successful year for STO Group of Companies. Despite the volatile external factors, the Group managed to sustain its margins throughout most business segments and achieved impressive revenue figures. The Group was able to enhance its competitiveness by investing and expanding on projects and infrastructure that secure future growth and success. The Group is on the right track to achieve its long time strategy of creating values for its shareholders while at the same time enhancing the quality of life for the country's citizens.

Over the past year the Group realigned the business strategies in order to provide affordable products and services to the general public. As a part of this, the Group bravely took a step to cut down oil prices by downsizing the margins attainable from the company's core business segment of fuel and lubricants, which resulted in a decrease of the revenue generated from that segment compared to last year. This initiative has lifted a heavy burden off from the common citizen and brought a positive saving on the living cost. But even with this challenge, the Group managed to pull through and reach its goals through a disciplined strategy that resulted in increased performance and enhanced results in non-fuel segments, year on year. Specially the construction materials, regional sales, supermarket and insurance sector all experienced a significant growth in revenue. Furthermore, the operational cash flow of the Group is at a very healthy level which ensures that the day to day operations of the Group can be managed smoothly.

Sustaining Initiatives

The company took leadership in investing in the medical sector of the country by providing specialist healthcare equipment to hospitals and fulfilling the demand of the general public in consistently supplying much required

pharmaceuticals. Holding agencies of internationally renowned pharmaceutical brands gave the company the opportunity to provide quality drugs at affordable rates. In addition to successfully sustaining the 'all island pharmacy project' throughout every corner of the country, the commencement of the STO Henveiru Pharmacy assured the extension of the company's care to a greater area within the capital city.

The Maldives has an educated and talented youth population, bursting to seize any opportunity that comes their way. With the 'all island pharmacy project', the company was able to utilize on this by developing and educating around 400 local individuals as pharmacy assistants, in partnership with the Ministry of Education. This paved the way for disadvantaged youth to venture into the field of medicine, providing sustained employment to the country in an area that was previously dominated by foreigners.

The power-mix concrete solution was introduced to the public during the first quarter of 2016. These specially designed cement mixing vehicles enables the delivery of ready-mix concrete to the construction site without the hassle of closing down roads. This eases the dense traffic flow of the city and contributes to the reduction of congestion in such situations. Furthermore, the quality of the ready-mixed concrete is unparalleled as all raw materials are mixed proportionately and the quality is well-tested.

Employee Welfare

The company is well-known for providing excellent care and amenities for its employees. Within 2016, over 15 million was invested in providing staff training, welfare programs and employee medical insurance. The company was the first among public listed companies to announce a housing scheme directed towards employees that enable them

to purchase real estate at very competitive rates. The particulars of the scheme are currently under development and will be inaugurated eventually within the coming months of 2017. Also, the company was also among one of the first to introduce an employee aid scheme that provides the opportunity for employees to gain financial help when under circumstances of stress and hardship.

Building Infrastructure

The company is currently working on strengthening its logistic abilities by investing in new machineries, vehicles and infrastructure. One of the key project that is currently underway is the oil terminal expansion at K.Funadhoo, which is designed to expand the current storage capacity of fuel and lubricants up to 28 metric tons and provide support infrastructure to accommodate much bigger tankers. The product repackaging and distribution project that was in the planning stage in the previous year was abandoned due to the project not being feasible enough. Instead, the company is expanding the cement ready-mix project by establishing a station at Hulhumale' to further extend its reach to the greater Male' area. In order to enter in to the booming real estate business, the company is also undergoing negotiations with its subsidiary company, Allied Insurance Company of the Maldives Pvt. Ltd. to develop one of the land plots that is under the ownership of the company.

Corporate social responsibility

As the company has always been deeply connected to the livelihood and well-being of the general population of the country, priority is always granted in initiating corporate social responsibility programs that aim to enrich the society in areas that are in need of improvement. This includes pledging to NGOs in the form of sponsoring campaigns, donations and the provision of equipment and infrastructure. Several MOUs have been executed with

such entities in order to empower movements that aim to tackle issues such as gender discrimination and youth development.

Success through Subsidiaries

Subsidiaries are vital business ventures that contribute to the sustainability and success of the STO Group as a whole. One of the main underlying reasons behind incorporating subsidiary businesses is due to the substantial growth experienced by the respective lines of business when it was once a core business of STO itself. In order to induce further growth and incite flexibility, such lines of businesses are now currently operating as successful individual companies under the umbrella of the STO Group. One of the prime examples is MIFCO, which was once the export department of the company. After it was spun-off as an individual SOE, the government once again executed an order that brought about the fisheries company under the domain of the STO Group due to its recent deteriorating financial health. Our aim is to bring positive changes to the organization both financially and operationally. The same can be said regarding the STO Singapore Company which has been completely overhauled and transformed to a profit-generating company.

The STO Group's subsidiary companies conducted several successful activities within the past year that have enhanced and promoted the solidarity maintained between the companies. A numerous amount of brand new diversified and tailor-made products and insurance policies were introduced by the Allied Insurance Company of the Maldives. The Maldivian Gas Company exhibited strength by achieving its sales target even with the offset caused by the reduction in the sales prices on two separate occasions. Three new barges were added to the fleet managed by the Fuel Supplies Maldives Pvt. Ltd. resulting in an increase of 670 metric tons.

The company's success in managing subsidiary businesses can be evidenced by the fact that four of its subsidiary companies were included in the recent 'Gold 100' companies list.

Key Message

During my tenure as the managing director of the company, numerous challenges have been met accordingly with business intelligence and strategic execution from the

management team and employees. The completion of the 'all island pharmacy project' and the initiation of the ready-mix project are two of the most successful highlights of my term. Also, absorbing the shocks caused by the worldwide change in commodity prices was a big challenge that the company was able to overcome. However, we managed to generate a reasonable profit and maintain the company's status quo as the market leader in the respective segment. STO has always been a benchmark company in the Republic of Maldives. We need to strive hard to maintain the company's position and reputation and I am pleased to say that we have in our possession an experienced, dedicated and hard-working workforce that drives the company forward.



Ahmed Shaheer
Managing Director

01

OUR
BUSINESSES

BUSINESS ENVIRONMENT

The Economy

In 2016, advancements in factors such as technological innovation and greater productivity in labor forces, globally, provided the horizon to which organizations such as STO cling to in terms of expanding and strengthening the business. Within a global context, the world's economy expanded by 3.6% as per the data reported by the IMF. The continent of Asia, in particular, proved to be a wildcard with an increase in consumer expenditure and a decrease in commodity prices which enabled emerging economies to expand further.

Driven by an increase of imported construction materials to the country, continued investments into the construction industry in line with the commencement of several national development projects initiated by the government caused a substantial increase in the domestic demand subsequently driving the real GDP of the country forward. Prospects of wholesale and retail trade also looked favorable as reflected in an increase of commercial bank credit injected to the industry. Although not as incremental as expected due to the decrease of Chinese visitors, tourist arrivals to the country also increased by approximately 2.3%. Reflected by the dip of commodity prices, the local inflation rate floated below 0, in the second and third quarters and rose to 1.8% in the last quarter.

With the assumption that the value of commodities increase due to higher costs of importation, the inflation rate dependent on the local consumer price index is set to rise to 2.4%. This can also be attributable to the recovery of productivity in the tourism industry and the continuous investments by the private and public sector to the ongoing national social development projects.

SEGMENT PERFORMANCE

Similar to the past couple of years, the performance of most business segments under the umbrella of the STO Group continued flourishing.

Trading

The trade segment of the STO Group includes wholesaling and retailing of supermart, home improvement, medical and construction materials. It is the largest business segment in terms of the number of products offered.

Focus on core businesses

The company's progress towards long-term success is reflected by how the company confronts forthcoming challenges with precision and grasps business and social development opportunities that are innovative and relatively cutting-edge compared to our competitors. The core business of the company is the distribution of fuel and lubricant products which yielded approximately 57% towards the total revenue generated within the year. Despite the continuing dip of worldwide commodity prices, the company managed to maintain the operating margin which is contributable to an improvement observed in the sales volume and cost efficacy. The company is set to expand its reach domestically in line with the continuous investments by the government to the national social development projects. With the growth of demand for products constantly increasing, the company has planned to strengthen the operational and infrastructural capabilities.

NET REVENUE

2,344

(IN MILLIONS) MVR

Share of revenue

33.8%



Gas

The Maldivian Gas Pvt. Ltd. is the country's leading supplier of gas and has its distribution networks across multiple sectors including the resorts as well as numerous restaurants. The company provides household customers with LPG as well as medical gas solutions essential to the healthcare industry.

NET REVENUE
171
 (IN MILLIONS) MVR



Fuel and Lubricants

The aim of the fuel and lubricants segment is for selling, marketing and distribution of clean and reliable petroleum products to its customers nationwide. It is the most profitable business segment in terms of the share of revenue generated with a figure of MVR 3.9 billion generated within the year.

NET REVENUE
3,921
 (IN MILLIONS) MVR



Insurance

The Allied Insurance Company of the Maldives provides tailor-made insurance solutions and coverage to a diverse range of customers and is specially designed to meet the challenges faced in each specific market. This includes life insurance and general insurance plans along with health, diving, travel, accident and third-party motor insurance.

NET REVENUE
232
 (IN MILLIONS) MVR



Fisheries

The Maldives Industrial Fisheries Company (MIFCO) was incorporated under the umbrella of the STO group during this year. The company is engaged in the processing and exportation of tuna, tuna products, reef fish and other fishery products. MIFCO's products are in increasing demand by discerning customers, especially in Europe due to its high quality.

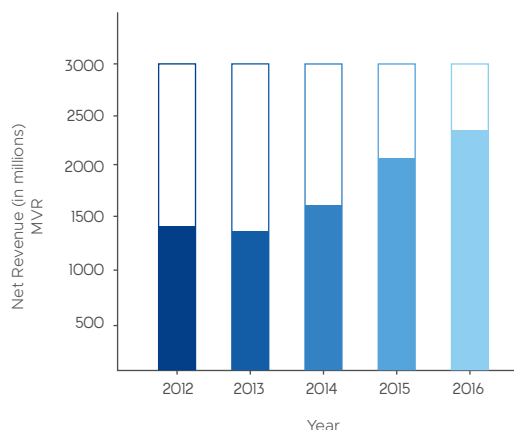
NET REVENUE
261
 (IN MILLIONS) MVR



TRADING

The aim of the company has always been to create and remain as a sustainable and responsible business by maintaining long-term value based on strategic development and a solid economic model that provides a satisfactory return for both the shareholders and stakeholders. With the founding objective of the company being the distributor of essential goods and services to the public, the company remains committed to catering the demands of the growing and evolving population. The largest business segment under the umbrella of the STO group is the component of trading which includes areas such as construction materials, home improvement and medical services.

Net revenue in trading



Share of trading revenue



Sustaining excellence in performance

The performance of the company in 2016 served its purpose of solidifying the company's reputation as the main forefront business enterprise in the country. Expansion was observed in the product portfolios of almost every segment and the subsequent service quality offered with these products were maintained and worked upon which led the company to successfully achieve a fruitful sales figure.

The trading segment experienced an ascent in revenue by 12.7% compared to the previous year, amounting to MVR 2.34 billion. It should be highlighted that within the trading segment, the construction materials sector made a huge leap of 60% growth in revenue, producing a sales figure of MVR 303 million which is contributable to the continuous investments by the government into constructing several national social development projects. However, revenue generated from the medical services sector was the highest out of all lines of business conducted under the trading segment. Approximately 34% of all the revenue generated by the trading segment can be drawn down to the success achieved through medical services, specifically the sustained income from the "all island pharmacy project" and the high sales of medical equipments.

Driving sales through customer experience

One of the main underlying factors that contribute to sustaining high volume of sales in all sectors of the trading segment is the priority given by the company in strategically placing customers in positions that incite memorable experiences. Such measures have been put in place by the company in the form of marketing and promotional activities to ensure repeat purchases. This can be evidenced by the amount incurred by the company in the form of selling and marketing expenses, which accounted to MVR 345 million. Some of these events include involvement in national trade fairs and exhibitions, sales trips, and promotions. Employing such people-oriented methods have resulted in the company successfully meeting the demands and needs of the public and enhance the quality of life for the population of the country.

Share of trading revenue

Regional Sales



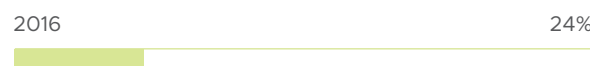
Construction Materials



Home Improvement



Food & Beverage



Medical Services



#woodshop #handcrafted #powertools #makita #stohomeimprovement



C-less Drill

Increased motor power for higher application speed and max tightening torque.

Construction Materials

As a leading supplier of construction materials in the country, the construction materials segment of the company was able to take full advantage of the increase in investment into the construction and real estate industry of the country. The market position of the company was well-enhanced throughout the year by maintaining the reputation of providing dependable and loyal services which include importing bulk shipments for projects, ready-mixed concrete and logistical solutions in delivering materials to construction sites. The company majorly dealt with supplying materials for resort projects, a residential and industrial construction which includes deliveries for public and private contractors.

Product and Project Portfolio

In order to diversify the range of roofing sheets supplied by STO, Salike Roofing Sheets was introduced which aimed to provide a more luxurious and elegant roofing experience with colors that include Autumn Red and Cottage Green. Sampling and the distribution of product information were used as a medium to market the new product. Also, C-Purlins were introduced, which are horizontal structures that are used to support the load from the roof deck or the sheathing. C-Purlins came as a simple yet innovative tool perfect for simple span construction. As far as projects go, a timber warehouse was planned to be developed after confirmation of land being allocated to the company from the newly developed industrial village. Business for the group's roofing material manufacturing subsidiary company, Maldives Structural Products appears to behave statically throughout the year due to a resurgence of competitor activity and difficulty obtaining raw materials due to lengthy ordering procedures. However, the company is believed to be in a good position to take full advantage of the market situation as the demand for roofing sheets is predicted to increase throughout the following years.

Power-mix Concrete

With the introduction of specially designed mixing vehicles to deliver readily mixed concrete to construction sites, the company initiated several campaigns to market the product and inject knowledge about the product into the construction industry. A batching plant specially designed for this operation was established in Male' City where the mixing vehicles could load and deliver readily mixed concrete from the plant to the construction site. The mixing operation which includes concrete pumps, testing mechanism and chemicals as part of the whole solution would expand market segments and contribute to positive sales growth in the coming years ahead. The product was introduced to the market by the president of the country at the "MACI Build and Home Expo" held at Dharubaaruge in early 2016. This was followed by marketing campaigns for the product which included a roadshow with batching vehicles used as demonstrations to propel the brand image within consumers as well as a promotion which featured a lucky draw coupon for every cubic meter of ready-mix purchased.

REVENUE
303

(IN MILLIONS) MVR

Share of revenue

13%



#savetime #durableconcrete #quality #powermix #stoconstructionmaterials



The revolutionary Powermix concrete ensures customers premium quality & durability of their concrete. It also saves time & labor costs compared to the conventional method.

Home Improvement

Continuing as the market leader for home and electrical appliances in the Maldives, the company maintained its strong position within the market, offering a range of products to household, professional and business users. The Home Improvement and Service Center generated a revenue of MVR 268 million, with an impressive product portfolio that contains worldwide leading brands such as Hitachi, Phillips, Makita, Nippon and Samsung. All available products at STO under these brands can now be easily viewed from the company website, which features a detailed description of each product accompanied by its reviews.

After-sales Services

After achieving the highest market share growth of Hitachi air conditioners during recent years, the after-sales services offered by the service center was integral in the commitment made to customers in maintaining the product performance following its purchase. The company employs well-trained and skilled technicians in providing this service with centers located both in Male' and the southern region of the country. These centers have the responsibility of servicing products, providing technical support as well as service delivery and follow-up as per the warranties issued with the product. The door to door delivery service was also expanded upon with washing machines and other project related items now being brought to the customer's doorstep.

Expansion and Promotion of Products

STO was newly appointed as the authorized distributor of Phillips Lights to the Maldives, amassing validity to an already prestigious portfolio of brands that include the leading home and electrical appliance products of the world. Philips Lighting is a global market leader with recognized expertise in the development, manufacturing & application of innovative (LED) lighting solutions. Some of the marketing activities held to promote these brands include the Makita Heyya promotion, STO Ramazaan Bazaar and Europhoria. Furthermore, marketing trips were conducted by the sales staff to places such as K.Guraidhoo, K.Thoddoo and Meeru Island Resort. In anticipation to the opening of the new showroom in the Umar Shopping Arcade Building, brands such as Dell, Kone and SMAG have been confirmed as additions to the brand portfolio. The new showroom will be a three-storey building with electronic items such as TVs, laptops, mobile phones, cables and AVM products. With the commencement of this showroom, sales are expected to increase significantly for the electronics category.

REVENUE

268

(IN MILLIONS) MVR

Share of revenue

11%



#diyproject #odourlessfun
#coloryourhome #nipponpaint #stohomeimprovement



Nippon Paint Odorless

Almost no paint odour during and after painting.

Medical Services

The medical segment of the STO group is a recognized national leader in the supply of essential drugs as well as healthcare equipment. Moreover, the medical sector of the country is supported and benefitted by the company's consistent provision of quality products and services which include medically prescribed healthcare specialist supplies for hospital treatments and patients suffering from chronic illnesses. The medical services segment provided the highest share of revenue from the trading segment. The objective of keeping our pharmacies at each and every island of the country adequately supplied is achieved by engaging on constant optimization of operations and enhanced process integration.

Contribution to the national health sector

The exponential growth of the company's medical segment is one of the reasons how the health and well-being of the country's population has been taken care of. In addition to the primary objective of supplying health organizations and hospitals, the company has always taken initiative in being one of the first to respond to nationwide pandemics, providing assistance when it is most required. This is a statement of how the company genuinely cares for the well-being of each and every citizen, as these services are not provided with only the intention of maximizing profit but rather as a contribution to the nation. Similarly, the 'all island pharmacy' project initiated in 2014 and successfully executed within 2015 is evident to the company's dedication in broadening the provision of better healthcare to all corners of the country. The project simultaneously continues to increase sales volume and strengthening the geographic presence of the company.

New products and services

It has always been the company's objective to broaden the product portfolio and increase market share by offering new and innovative products and services by liaising with major international players in the healthcare industry. As such, the company came to an agreement with HEMAS Pharmaceuticals to acquire quality products at a lower cost. The healthcare professionals of IGMH was provided with specialist training from experts sourced by the company from Nihon Kohden. Also, health screening activities were held on the occasion of the World Health Day at Dhamanaveshi. One of the landmark events for the medical segment of the company was the commencement of services from the STO Henveiru Pharmacy, making it a total of 187 active pharmacies under the company's management.

REVENUE

793

(IN MILLIONS) MVR

Share of revenue

34%



#newbeginning #parenthood #delight #gerathermpregnancytest
#stomedicalservices



Geratherm®

Pregnancy Test

Geratherm Early Detect is a Safe and accurate early detects kit which is easy and suitable for home use.

Food & Beverages

The STO Supermart is the largest single storey supermart in the country and is known throughout the country for providing a premium service and quality and diverse range of products at affordable prices. During the year, we were able to increase the number of customers in both the wholesale and retail sectors by 50% and create a favorable image with regard to the quality of the products offered, services provided and the overall shopping experience of the customer. A stable and good relationship was created with the loyal customer base of the STO supermart where a stance was reached that we were always reachable in hearing out the customer's feedbacks and input. The ever-growing product mix of the supermart was also complimented with the addition of new brands such as Ponimo Healthcare, Fine Tissues, Nabati Cheese Wafers, Rhodes Quality Juices, Al Noor Milk Powder and a rebranded B&W tea brand.

Improved Service and Technology

The Supermart express counter was introduced for customers who are on-the-go and require a quick service. These counters would only serve customers who purchase five items or less. The concept of the express counter is slowly being grasped by the retail customers, making the overall shopping experience a pleasant one. Adding to the overall convenience of the customer, a catalog of every individual supermart product exclusively imported by the company is listed in the company website, where the customer can easily browse through and view articles which are updated as they are introduced. To provide convenience for the wholesale customer, a one-stop shopping center is now established at an ideal location close to the local market where regional wholesalers are actively busy at trade. The establishment of this center has proven successful as evident from the increased number of walk-in customers and sales generated. Furthermore, the newly installed cold storage provides the capacity to store frozen items to accommodate the increase in demand for frozen food items. Similarly, the warehouse cooling project was carried out to ensure that products that are required to be stored at a specific temperature to maintain quality standards can be done so.

Promotional and Marketing Activities

Several promotional and marketing activities were conducted throughout the year to create awareness regarding the many brands that have come under the umbrella of STO Supermart. These include the Chocolate Week which is an annual festival where new range of chocolate products are brought and offered grand prizes. The Ramazan Bazaar was conducted from May 1st and included a weekly voucher prize to a lucky customer who purchased goods worth a certain limit. The Super Hunt promotion was carried out at a large scale with events simultaneously conducted at Male', Villimale', Hulhumale' and Addu City. The 25th anniversary of the STO Supermart was celebrated by awarding a gift for every 25th customer for 25 days.

REVENUE

559

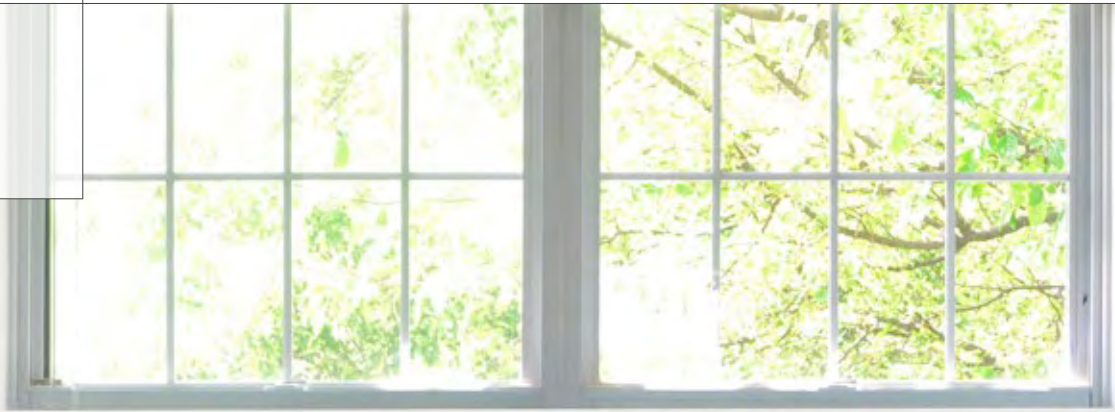
(IN MILLIONS) MVR

Share of revenue

24%



#healthylifestyle #joyful #motherhood #devondale #stosupermart



Devondale UHT Powder Full Cream

100% Pure milk from Australia,
made without any preservatives or chemicals.

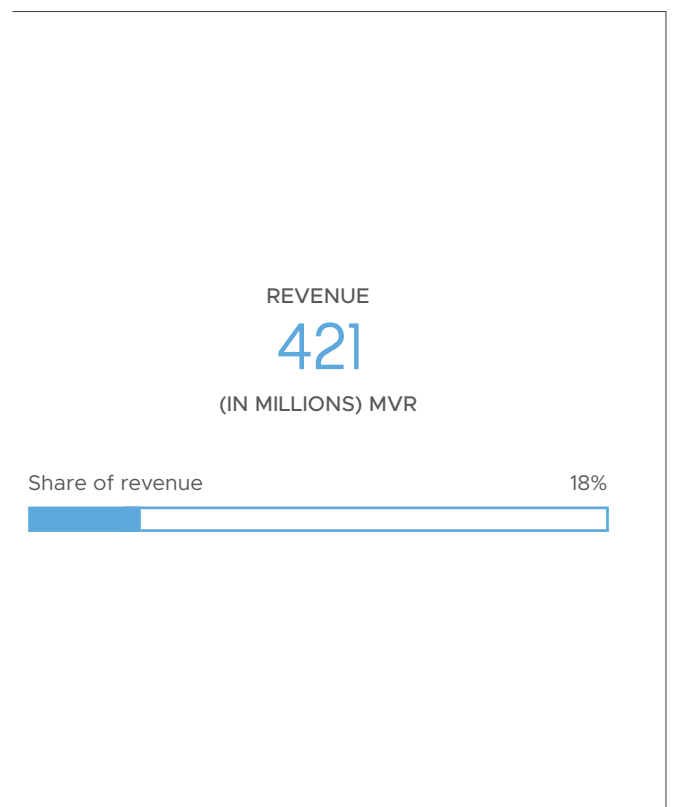
Regional Sales

Regional outlets are established by STO in all major areas of the country for the purposes of providing wide variety of goods available to the population in the capital city, to the many people living across the atolls at a reasonable price range. Supermart, construction, home improvement and staple food items are provided at 13 different outlets out of which seven outlets offer Maldives Gas cylinders as well.

Despite the challenges, one of the biggest achievements of the regional sales sector was generating MVR 421 million in revenue. This is an increase of 19% compared to the sales generated in the previous year of 2015. Among the sales, the construction materials sector was the highest contributing factor, generating over MVR 143 million. One of the main reasons of achieving such sales volume was the direct transport of construction materials to the Hulhumale', South and North regions. This lead for attaining sustainability in a competitive market by offering goods at a lower price range. Staples food were also directly shipped to regional outlets which in turn reduced the damaged stock and decreased the scrapped perishables amount by 11%.

Market Position

The market position is different when it comes to each regional store and it also differs based upon the product. However, based on the figures of imports to the Male' distribution center compared to the goods transferred to the regional outlets, it can be determined that cement, refrigerators and Kruger brand products are most popular in the construction materials, home improvement and supermart sectors respectively. Free tasting events and demo sessions are conducted with scheduled visits made every week to restaurants, shops and other related areas to maintain customer relationships and increase awareness among customers regarding our products. Some of these marketing and promotional activities were held in collaboration with the Male' outlets. These include the Makitta Heyyaa, Ramazaan Bazaar, Super Hunt and Warehouse Sales. To increase brand awareness, sales trip were conducted to nearby islands such as Ga.Villingili, Ha.Hoarafushi and Hdh.Kulhudhuffushi where products were sold to customers in order to generate turnover and increase sales.



#runforlife #healthylife #support #muellerkinesiologytape #stomedicalservices



Kinesiology Tape

Mueller Kinesiology Tape features a revolutionary wave pattern adhesive that moves with your skin and muscles as you heal.

FUEL AND LUBRICANTS

STO is the leader in the sale, distribution and marketing of petroleum products in the country. As such, the market position of the company is set to heighten even further with the expansion of the storage and infrastructural capabilities as well as the distribution network at an international scale. The company has captured a large percentage of the domestic market which includes the consistent supply to governmental entities such as the Maldives Airports Company Limited and the State Electric Company Limited as well as numerous private organizations.

Distribution Network

Even with the presence of stiff competition from other direct importers of fuel, the Fuel Supply Maldives (FSM) managed to strike an increment of 19% in sales of both diesel and petrol. Sales quantity was sustained throughout the year by slashing prices appointed to the more premium markets. This led to an increase in the number of resort customers and renewal of contracts ensuring the continuance of sales in the long run.

Performance

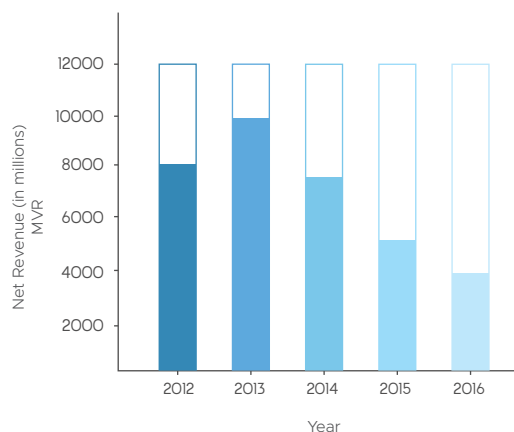
In 2016 the STO Group achieved increased sales in the quantity of fuel sold, yet experienced a reduction in revenue due to the revisions made to its price. Unlike the behavior of other segments, the fuel and lubricants segment experienced a dip of 19.2% in revenue performance. However, the Group was able to pull through and produce a satisfactory sales figure of MVR 3.9 billion. The global economy experienced a stunning decrease in the price of fuel, from reaching its peak price of \$115 per barrel in 2014 to descending down to under \$35 per barrel within the past year. The price decline appears to be a combination of two main reasons which is a collapse in demand and increase in oil production due to higher drilling.

Infrastructure Development

One of the primary sources of growth for the segment is its continuous investments in infrastructure, which effectively serves the purposes of achieving a better market position and also for the ease and improvement of customer service. The oil terminal expansion project that was initiated in 2015 is continuing strong. Above 15% of the project is reported to be completed at the end of financial year and it is expected to be concluded around July 2017. The project is designed in order to expand the current storage capacity by 28,000 tons and would also provide ancillary infrastructure to accommodate bigger tankers.

The largest vessel yet to be constructed by the FSM boatyard, the Handhi barge was added to the fleet in addition to two other barges, Meemas and Maatholhi which resulted in an increase of 670 Metric Tons to the 20 vessel strong fleet managed by the company. The boatyard was also opened as a revenue generating segment for the company, by providing dry-docking and other services to the public with the capacity to load 3 vessels of 200MT at once.

Net revenue



Share of fuel and lubricants



#whenever #whereever #themostrustedsource #countrywide
#fuelsuppliesmaldives



Whenever, Whereever

The most trusted source of fuel and related products
in the country. Whenever, whereever FSM makes sure
that you're in the light

GAS

Established 18 years ago as a joint venture between STO Plc and Champa Gas & Oil Pvt Ltd, Maldives Gas Pvt Ltd operates as STO's segment supplying Liquefied Petroleum Gas (LPG), Industrial Oxygen, Nitrous Oxide and many other similar products. Over the years, the company has captured over 70% of the domestic and household market and 40% of market share in the tourism industry. The company ensures that all inhabitants of the country is adequately supplied with LPG via 250 agents strategically located around the nation. In addition to the supply of gas products, the company is also involved in the sale of appliances such as gas stoves, regulators and camping cylinders.

Business Performance

Inclusive of both sales and deposits retained for new cylinder sales, an overall increase of 6.3% was observed compared to the previous year with the company totaling an annual sales figure of over MVR 215 million. December 2016 was specifically registered as a record-breaking sales month for any given period within the previous years. With both the sales of medical and industrial oxygen as well as LPGs increasing, the company successfully met and exceeded the sales target for 2016 despite the offset caused by the reduction in the sales price of LPGs on two occasions.

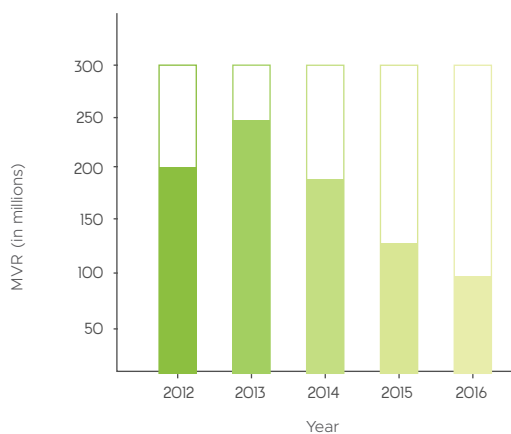
Strategic Growth

Sustainable results for the company through trade can be attributed to the employment of a strategic agenda that targets long-term value creation. Continuous investment in customer value creation, service and outlets as well as a more diverse product range including new products such as the FREON refrigerant and helium balloon gas is set to deliver long-term growth and returns. In order to achieve this, the organizational infrastructure was reorganized to streamline the operations and create an engaged and productive workforce.

Milestones

The opening of a new sales outlet in Thilafushi led to 90% of resort sales being diverted from Male' which incited a favorable response from customers whose turnaround time decreased to less than an hour. A newly purchased delivery vessel is now operational in transporting cylinders from the Thilafushi plant to outlets in Male' and Hulhumale'. A buffer zone was also established in the area to enforce security measures. Regional delivery services were initiated for operations in Fuvahmulah and Addu City which increased the company's presence further within the country. As a contribution to the development of the health industry of the country, medical oxygen plants were installed at both IGMH and Hulhumale' Hospital. As evidence to the company's success, Maldives Gas was awarded the Governance Excellency Award among all subsidiary companies of STO.

Net revenue



Share of gas segment



#medicalgas #industrialgas #greener #cleaner #economical #maldivegas



Greener, Cleaner & Economical

Industry leader in gas supply solutions including medical & industrial gas

INSURANCE

Ranging from fish boat owners to resort operators, the Group’s Insurance segment, Allied Insurance Company of the Maldives (Allied) caters for a diverse market with a product portfolio categorized into General, Life and Takaful insurance plans. Even though the insurance industry fluctuated with the addition of new service providers, Allied managed to maintain maximum market share with 100% local management.

Business Performance

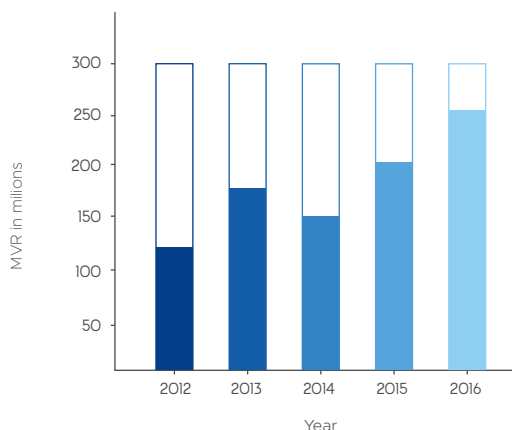
Despite the increasingly competitive market, the company managed to maintain a steady growth in sales throughout the year, achieving over 100% from the turnover of operations compared to the budgeted figures. A substantial increase was observed in the ‘accidents’ class with 162% of the budgeted figure being achieved in 2016. However, the highest turnover was observed from the MVR 11.4 million received from the ‘fire & loss of profits’ class.

A flurry of activities

In order to achieve the corporate vision of becoming “the preferred market – responsive insurer, providing diversified services in the Maldives and beyond”, the company took initiative in investing in various business opportunities and introducing many new products in 2016. One such product that the company underscored in was the Ayady Takaful window, which underwent many business and marketing activities such as introducing the Family Takaful package which was agreed to be provided to customs and police officers and their respective families. A unique online portal

was introduced for customers to acquire Takaful services such as the Family Takaful package in a convenient manner. A nationwide hull insurance project was initiated with the collaboration of the Transport Authority to insure all vessels registered in the country. Extending their reach to all corners of the country, a specialized insurance package for guesthouses was introduced which offered protection against manmade and natural disasters similar to the Kaarisaa Takaful introduced to owners and tenants of buildings that are used for commercial and domestic use.

Net revenue



Share of insurance



#maldiveskamana #unbeatable #women #girlpower
#alliedinsurancecompanyofthemaldives



Kamana

Insurance plan for unbeatable women

FISHERIES

The main activities of the Maldives Industrial Fisheries Company (MIFCO) are centered around the purchase, process and value addition of tuna and the subsequent sale and exportation of tuna, tuna products, reef fish and other fishery products. MIFCO's products are in increasing demand by discerning customers, especially in Europe due to its high quality as a result of exclusive pole-and-line skipjack fishery of the country complemented with the pristine waters of the Maldives.

Business performance

Despite the decline in the growth of the company, the production quantity and the export capacity has increased over the years. The fleet of vessels and the facilities at the respective sites has almost reached its maximum capacity. MIFCO continues to develop and promote value-added products to gain a higher price and a steeper foothold in the market which has led to an increase in the product range throughout the years. The local market has always been positive for the value added services provided by MIFCO. The sales of the MIFCO Masfihaara has been escalating over the years due to the improvements brought to the value added products and also the renovations and upgrade of the store itself. However, fish purchases for MIFCO during the past year has been dramatically inconsistent and significantly below the expected target levels. Similar trends follow in production and export quantities as well.

Sales and Marketing

In 2016, the main marketing activities were based on sponsorship of events, community welfare and promoting a healthy lifestyle. Ramadan was the main sales highlight of the year. During the year, new products were introduced and promoted in-store, as weekend promotions. A special recipe book sponsored by MIFCO featuring a recipe of products was launched by a renowned local chef. A special promotional offer for canned tuna was announced to all private and government organizations through which several organizations purchased Felivaru canned tuna to offer to their staffs as a Ramadan complimentary gift. Among the new products launched and promoted in 2016 the Maaniya Mas cans, tuna sausages and flavored range of smoked tuna were deemed as successful product launches. In-store promotions and a family day event was held to promote these products. The final event of the year was the Fisherman's day celebrations, which was sponsored by the company in cooperation with the Ministry of Fisheries and Agriculture and was fruitful in building public relations with fishermen of Kooddoo Area. Furthermore, international fairs such as the North American Sea Food Expo at Boston, OPIC Fair at Saudi Arabia and INFOFISH Conference at Bangkok was attended by the company to promote their products.

REVENUE

261

(IN MILLIONS) MVR

Share of fisheries segment

3.8%

*Share of 3 months consolidated revenue since acquisition

#fish #healthy #readyforanyfunction #tasty #fasmeeru #mifco



Fasmeeeru

Proudly serving the oldest and finest canned tuna brand
in the Maldives

FINANCIAL REVIEW

Revenue

STO Group revenue declined by 5% in 2016 as revenue decreased from MVR 7,313 million to MVR 6,939. The adverse impact on revenue was due to lower fuel prices. However, Trading and Insurance had a positive impact on the Revenue.

Fuel and Lubricants being Group's main business, it had shown a continued decline in revenue since 2015 due to the tumbling fuel prices. While Fuel revenue declined by 19%, revenue from other businesses as a whole reported a steady growth of 12%. This growth is primarily due to the introduction of new products and services and enhanced marketing. Of the other businesses, a notable increase comes from insurance which was escalated by 24% and trading improved by 13% year on year.

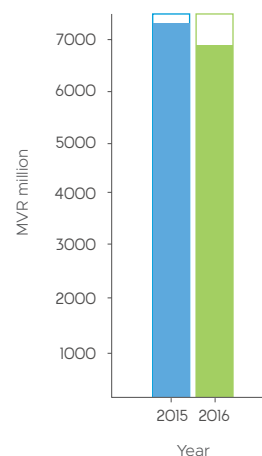
Gross Profit and Operating Profit

The decline in fuel prices had a significantly adverse impact on the Gross Profit. In 2016, the Group generated a lower gross profit of MVR 1,375 million compared to MVR 1,505 million in 2015. The lower selling and marketing expenses and increase in other income had a positive effect on the operating profit. However, corresponding to lower gross profit and salary restructuring and increase in number of staff, the Group's Operating Profit decreased to MVR 580 million (2015: MVR 678). Profit before tax had a significantly adverse impact from Fuel, Gas and Fisheries while trading, insurance and other services had a favourable impact.

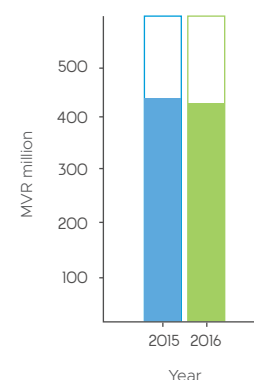
Group Key Figures

| MVR in millions | 2015 | 2016 |
|-----------------------------------------|-------|-------|
| REVENUE | 7,313 | 6,939 |
| GROSS PROFIT | 1,505 | 1,375 |
| OPERATING PROFIT | 678 | 580 |
| PROFIT BEFORE TAX | 520 | 492 |
| PROFIT FOR THE YEAR | 435 | 431 |
| EARNINGS PER SHARE, MVR | 382 | 378 |
| NET ASSET PER SHARE, MVR | 1,962 | 2,167 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 381 | 619 |
| RETURN ON EQUITY, % | 21.4 | 18.5 |
| NET DEBT/EQUITY RATIO | 1.3 | 1.6 |
| DIVIDEND PER SHARE, MVR | 57 | 51 |
| INTEREST COVER RATIO | 4.5 | 5.1 |

Revenue



Profit for the Year



Profit for the Year and Earnings per Share

Profit for the year amounted to MVR 431 million (2015: MVR 435 million), while Earnings per Share in 2016 was 378 (2015: MVR 382).

Net Finance Cost

Net finance cost in 2016 amounted to MVR 99 million (2015: MVR 166 million). The improvement is mainly due to lower interest rate on borrowing and restructuring of bank overdraft facilities and loans held by the Group and reduction in exchange loss for the year.

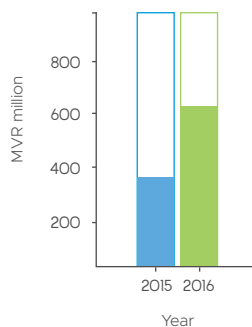
Taxes

Total income tax expense for 2016 amounted to MVR 61.2 million (2015: MVR 84.6 million), corresponding to an effective tax rate of 12.4% (2015: 16.3%). As per the statutory laws and regulations, the Group also paid Goods and Service Tax (GST), Withholding Tax, Royalties, lease rent and other taxes and levies required by the law.

Cash Flow

Net cash generated from operating activities in 2016 increased by MVR 238 million to MVR 619 million (2015: MVR 381 million). The strong cash flows were generated due to increase in trade payables and lower interest and taxes paid. The increases in construction of Investment properties including Radisson Hotel Project, Umar Shopping Arcade Project and Funadhoo expansion project resulted in investing activities in net cash outflow to MVR 446 million. (2015: MVR 281 million). Further, financing activities generated net cash outflow of MVR 229 million (2015: Net cash inflow MVR 169 million), primarily due to repayment of loans and payment of dividend to government in order to collect long outstanding receivables from the government (i.e. Southern Utilities and Male' Health Services Corporation in 2016).

Net Operating Cash Flow



Financial Position

In 2016, Group's equity increased to MVR 2,442 million compared to MVR 2,211 million in 2015, which corresponds to Earning Per Share of MVR 378 (2015: MVR 382). While Return on Equity declined to 18.5% (2015: MVR 21.4%), Net Debt increased by 37% to MVR 3,842 million (2015: MVR 2,804), representing a gearing of 61.1% (2015: 55.9%).

This was due to the increase in net debt of the Group as a result of the acquisition of MIFCO as a subsidiary, which had liabilities exceeding the assets at the date of acquisition. During the year, loans and borrowings amounting to MVR 906 million were repaid and new loans and borrowings worth of MVR 814 million were raised.

Acquisition

In September 2016, the Board has approved the Government's decision to transfer its 100% shares of Maldives Industrial Fisheries Company Limited (MIFCO) to STO Group, for nil consideration. The Government also agreed to inject MVR 333.6 million in cash to MIFCO's past loss compensation. The acquisition enhances STO position as a diversified company, offering an unparalleled opportunity to invest in fishing industry in the Maldives, which will benefit customers, employees and shareholders. The scale and efficiencies from combining the businesses reduces the burden of dollar purchase requirement to the Group. In addition, the Group is expected to increase its presence in both local and international market of fish and related products. The STO group will further strengthen its operating performance and expected to generate cost synergies of assets and management.

SHARE PERFORMANCE

Ownership structure

The share capital structure of the Company remained unchanged. The majority of the share capital as of December 2016 is owned by Government of Maldives amounting to 81.6%. The remaining 18.4% share is owned by general public.

No single party other than the Government directly or indirectly, owned more than 5% of the shares of the Company. The nominal value of the share is MVR 50 and each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend.



Trading volume

The STO share is listed on Maldives Stock Exchange (MSE). During 2016, a total 479 shares were traded compared to 550 during 2015. The highest price quoted was MVR 500, the lowest MVR 400, and the weighted average of MVR 500. The market capitalization at year-end 2016 was MVR 563.5 million.

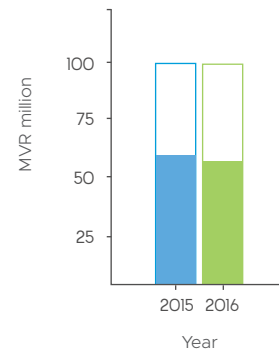
Dividend

During the year, the Board has declared and paid dividend for 2015 of MVR 57 per share, MVR 64.2 million (2014: 76 per share, 85.6 million), and the same was approved by the shareholders in the Annual General Meeting held on 4th June 2016.

The Board of Directors proposes a dividend for 2016 of MVR 51 per share, equivalent to a total dividend payment of MVR 57.5 million.

The level of dividend reflects, the Board's confidence in the Groups business and is consistent with policy to have disciplined balance between availability of capital to invest and return to shareholders.

Dividend per Share



Share trading data:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------------------|---------|---------|---------|---------|---------|
| HIGHEST | 500 | 980 | 550 | 510 | 450 |
| LOWEST | 400 | 400 | 360 | 360 | 350 |
| WEIGHTED AVERAGE | 500 | 472 | 411 | 411 | 387 |
| NO. OF TRADES | 24 | 61 | 9 | 41 | 17 |
| NO. OF SHARES TRADED | 479 | 550 | 292 | 520 | 346 |
| LAST TRADING PRICE | 500 | 500 | 400 | 380 | 400 |
| NO. OF SHARES ISSUED | 1126910 | 1126910 | 1126910 | 1126910 | 1126910 |
| MARKET CAPITALIZATION (MILLION) | 563.5 | 563.5 | 450.8 | 428.2 | 450.8 |

#daddyson #qualitytime #chocolateygoodness #krugerpastanussa #stosupermart



Pasta Nussa

The German Hazelnut chocolate spread.

With the perfect combination of roasted hazelnuts and chocolates

STO FAMILY

Investment in people

STO Group of Companies aims to provide its employees an enjoyable work environment and the support to develop their careers. The Group believes that investing in human resource is important in staying competent in the modern business environment. As such, STO Group aims to build a workforce that is capable of making informed decisions, providing quality services to the customers and supporting the Group on its business endeavours.

Training and Development

Short term courses; a total of 39 staff participated in short term local courses from both the operational and the managerial level of the company. These trainings served its purpose in enhancing the customer service provided and increasing the efficiency of the staff.

Long term courses; Among a total of 26 locally held courses, 42 operational staff were given the opportunity develop their careers and gain valuable knowledge via courses conducted in various fields. This included Bachelor's Degree courses in fields such as Business Administration, Marketing and Human Resource Management.

Short term overseas trainings; A total of 45 staff from operational and managerial level participated in 33 trainings held across different countries. Trainings vary from specialist professional workshops to operational skills needed on day to day basis such as effective time management.

In-house trainings; As any other year, several in-house trainings were conducted for the staff. Trainings consisted of programs that were conducted by locals and as well as professionals brought from abroad. 471 staff from the operational, managerial and the executive level participated in 13 in-house trainings held within the company.

Employee well-being

In hopes of promoting a healthy lifestyle amongst the staff of the Group the managing director personally highlighted his commitment to promote a healthy lifestyle for the purpose of building a workforce both physically and mentally fit for any challenge.

Health screening for employees; The health screening conducted for the staff was one of the first steps taken in promoting a healthy lifestyle within the workforce. As such the staffs were screened on the basis of several health factors.

Leadership Enhancement Program; The program was aimed at both the managerial and operational level staff. The 2 day camp held and Girifushi served its purpose to promote fitness whilst teaching leadership skills for the existing and future managers of the company. The camp which was held with the coordination of MNDF, with a total of 52 participants.

Biggest Loser; This program offered rewards to the team who lost the most amount of weight in the given time frame. It acted as a source of motivation for those staff who needed a little push towards their personal fitness. The program received a huge support from the staff, and the exhilarating rewards offered further boosted the hype.

Systems to raise concern

STO has established systems to raise concerns for its staff through intranet and other means. As such staff are provided with facilities such as whistleblower facility and raise your concern facilities to top management. The whistleblower facility messages are directed to Chairman of Audit Committee while the raise your concern facility is directed straight to Managing Directors Bureau.

The Company has in place a Disciplinary and Grievance Committee and a Sexual Harassment Prevention Committee to report staff grievances. During the year, the committees have looked into the concerns received and has taken the necessary actions in accordance with the policies of the Company.



Promoting Unity, Leadership and Discipline amongst the staff, the recreation of club of STO (STORC) has marked yet another successful year. The year 2016 was another remarkable year for STORC with various activities and programs conducted, which played a significant role in creating team work and unity amongst the staff while promoting a healthy lifestyle. The major highlights of the year include;

STO GROUP COMPANIES FUTSAL TOURNAMENT

IDEAS CUP

CLUB MALDIVES CUP

STO GROUP VOLLEY TOURNAMENT

MAS REYS

INTER OFFICE HANDBALL TOURNAMENT

INTER DEPARTMENT VOLLEY TOURNAMENT

STO INTER DEPARTMENT & GROUP
COMPANIES FUTSAL TOURNAMENT

RE-ELECTION OF STORC POSTS
& THE CLUB POSTS

REEF CLEANING





06

CORPORATE
GOVERNANCE
REPORT

BOARD OF DIRECTORS

Mohamed
Farshath



Amir
Mansoor



Aishath
Rafiyya



Ahmed
Shaheer



Hussain Salim
Mohamed



Aishath
Rayahneen
Shareef



Mohamed
Mihad



BOARD OF DIRECTORS PROFILE

Hussain Salim Mohamed

Hussain Salim Mohamed was appointed to the Board as the Chairman of the Company on 6th December 2016 by the majority shareholder (Government).

Hussain Salim Mohamed held the Chairmanship of Maldives Transport and Contracting Company Plc from 2015 to 2016. He also served in the Maldives National Defense Force from 1994 till 1996.

Salim has over 20 years of immense experience in the tourism and construction industry. He joined Sun Siyam Group in 1996, where he has held various positions such as the Base Leader of Sun Diving, Operations Manager of Vilu Reef Beach and Spa, Project Manager of re-development Project at Olhuveli Beach and Spa Resort, Deputy General Manager of Olhuveli Beach and Spa Resort and Project Director of Sun Constructions, where he undertook projects such as re-development of Ha. Manafaru and N. Irufushi.

Currently, as Director of Sun Constructions and Engineering, he is the head of all construction projects and re-development projects for whole of the Sun Siyam Group.

At the moment, Salim is pursuing a Master's in Business from the Anglia Ruskin University of United Kingdom.

Ahmed Shaheer

Ahmed Shaheer was appointed to the Board on 25th December 2013. He was appointed as the Managing Director of the Company on 09th March 2015.

Shaheer was initially appointed as a Manager in the Assets Department of the Company and has since risen through the ranks to be designated as the Managing Director. With over 20 years of experience in the Company, Shaheer currently also serves as the Chairman of the Board of Maldives Industrial Fisheries Company Ltd, Maldives National Oil Company Ltd. (MNOOC) and STO Maldives (Singapore) Pte. Ltd.

Shaheer 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.

Mohamed Farshath

Mohamed Farshath was appointed to the Board at the 2012 Annual General Meeting, as the only Director elected by the public shareholders. He is an Independent, Non-Executive Director in the Company. Farshath currently holds the post of Secretary General of Maldives Media Council. He has also provided his services to the Civil Service Commission as the Financial Controller, Director, and the acting-in-charge of several Divisions.

He also serves MTDC as a Board Director, and is a Member of Clique College Board. Farshath worked as a Certificate Panel Member for the former Maldives Qualifications Authority, and is a Member in various Committees of different Organizations. Farshath has also attained experience in various fields working at different departments of former Ministry of Tourism, Civil Aviation, Arts and Culture, and former Foreign Investment Services Bureau and also at former Clique Training Center.

Farshath has an educational background in Board Directorship, Management, Tourism, Business Administration, and Information Technology. He holds a Master of Arts in Tourism Management from University of Westminster, London; a Bachelor of Arts (Hons) in Business Administration from Northumbria University, United Kingdom; a Diploma of Higher Education (area of study on Business Information Systems and Business Studies) from Middlesex University, United Kingdom; a Diploma in Information Technology from Wollongong University, Australia; and has the Executive Diploma in Directorship from Singapore Management University, Singapore.

Aishath Rafiyya

Aishath Rafiyya was appointed to the Board of Directors as an Independent, Non-Executive Director by the majority shareholder (Government), in August 2014.

Started her career as a young banker and later a young diplomat, Rafiyya is currently the Director of Chairman's Bureau at the Sun Siyam Group of Companies, a multinational company & a leading hospitality group over the last 26 years. As a National Youth Award winner for Volunteerism, Rafiyya is known for her selfless contribution to social and voluntary service and is the Founding President of the Regional Alliance for Fostering Youth (RAFY) – the first international NGO established in the Maldives. She is a Deputy Leader and a founding member of the political party Maldives Development Alliance (MDA), the coalition partner of the current Government.

Rafiyya is a Doctorate Researcher focused on Women Empowerment through Tourism and holds a Master of Business Administration (Major in HRM) and BSC (Hons) in Business Information Systems from University of East London. She also holds a Graduate Diploma in Business Management and International Diploma in Computer Studies (NCC, UK). She is a personal mentor for Queen's Young Leaders -Leading the Change program of University of Cambridge UK, the first Maldivian fellow and the first south Asian to be the Honorary President of the Royal Institute of Public Administrators of Royal Institution Singapore, IYC Ambassador of Maldives and holds professional memberships of Institute of Directors-UK, Institute of Directors-India and Board Director Training Institute of Japan. In addition to this, Rafiyya has completed the Director Development program from Hawkamah, Institute of Corporate Governance, UAE.

In recognition of her continuous efforts in women empowerment, Rafiyya has received a number of local & international accolades, such as 'International Award of Distinction' from Royal Institution Singapore for her paper titled 'Challenges faced by women leadership in the Maldives' during the 6th GCCC; The 'Outstanding Women Leadership Achievement Award' at the World Women Leadership Congress, Mumbai, India; 'Young Women Achiever Award' for Outstanding Contributions, Significant Achievements and Sustained Excellence in the field of Human Resource Management of the Women Awards - VIWA 2016, Chennai, India; 'Golden Globe Tiger Outstanding Women Leadership Award' at the Golden Globe Summit, Kuala Lumpur, Malaysia; "Women Super Achievers for Excellence In Corporate & Public Affairs"

at Asia Women Leadership Excellence Awards held at Pan Pacific, Marina Square, Singapore; 'Young Women in Leadership Award' at the South Asian partnership Summit & Business Awards, held in Sri Lanka and Junior Chamber International's (JCI) 'Ten Outstanding Young Persons (TOYP)' National Award 2016, and selected as JCI TOYP 2017 Maldives Honoree.

Mohamed Mihad

Mohamed Mihad joined STO in 2009 as an accountant, continuing onto gaining experience and knowledge in the field of finance and audit, resulting in the designation of the post of Chief Financial Officer of the Company.

He was appointed to the Board of Directors as an Executive Director on 28th March 2016.

He also played a key role in the ERP implementation project of the Company, acting as a core team lead of the SAP ERP finance module and has also served as a Senior Auditor for 4 years. Mihad is a member of the Chartered Institute of Management Accountants.

Currently Mihad sits in the Board of Fuel Supplies Maldives Pvt Ltd as the Chairman of the Board and as a Director at Maldives Industrial Fisheries Company Ltd.

Amir Mansoor

Amir Mansoor 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., the Managing Director of Lily International Pvt. Ltd. and also the Managing Director (owner) of Grape Expectation Pvt. Ltd.

He has been in various business industries for over 25 years and is well versed with the past and present business norms. He is particularly interested in the Enterprise Risk Management and is completing an international training to become a Qualified Risk Director. He too holds an Executive Diploma in Directorship from Singapore Management University, Singapore.

Aishath Rayaheen Shareef

On 28th March 2016, Aishath Rayaheen Shareef was appointed as an Independent, Non-Executive Director to the Board of State Trading Organization (STO) by the majority shareholder.

Rayaheen has been working in the financial sector of the Maldives for more than 15 years. She has ample knowledge and expertise in areas such as Commercial Banking, Accounting, Marketing, Corporate governance and HR. She currently works at Maldives Finance Leasing Company Pvt. Ltd. (MFLC), where she is involved in developing and expanding consumer finance unit. Rayaheen has worked in the past at the Central Bank, Maldives Monetary Authority and Hong Kong and Shanghai Banking Corporation.

Furthermore, at the Regional Alliance for Fostering Youth, Rayaheen holds the position of Secretary General, where she plays a key role in empowering youth by organizing youth leadership programs.

Rayaheen has a Bachelors in Business Administration (Honors) from Open University Malaysia. She has also completed an Advanced Diploma in Applied Statistics, from Maldives College of Higher Education and is a senior member of Royal Institute Singapore since 2016. In addition to this, Rayaheen has also completed Director Development Program from Hawkamah, Institute of Corporate Governance (U.A.E).

EXECUTIVE MANAGEMENT PROFILE

Ahmed Shaheer

(Managing Director) - refer page 44

Mohamed Mihad

(Executive Director/Chief Financial Officer) - refer page 45

Dr. Ibrahim Mahfooz

(Chief Internal Auditor)

Dr. Ibrahim Mahfooz joined STO in 1996 and worked in Accounting and Finance until 1999. From then, he moved to Internal Audit and has been the Chief Internal Auditor of the company since July 2010. Dr. Mahfooz is a member of the Association of Certified Fraud Examiners (CFE) USA and a fellow of the Association of Chartered Certified Accountants (FCCA) UK. From mid-2003 to mid-2004, he worked at Ernst and Young where he worked at various assignments at different companies in the Maldives and in Sri Lanka. Dr. Mahfooz obtained his Doctorate in Business Administration from the University of Newcastle, Australia, Master of Business Administration from the Charles Stuart University, Australia and Bachelor of Arts with Honors in Accounting and Finance from the Oxford Brookes University, UK.

Fathimath Ashan

(Senior General Manager – Regional Sales, Food and Beverages)

Fathimath Ashan joined STO in the year 1994 and has since served in many key positions of the Company during her 20 years of service. Ashan is now designated as the Head of Department for Regional Sales, Food and Beverages. She had previously served in positions of the Company such as the Head of Department for Human Resources and Administration and as the Company Secretary. She is currently a Board Director of Allied Insurance Company of the Maldives Pvt. Ltd and the Chairperson of STO Hotels and Resorts Pvt. Ltd. Ashan is also the Chairperson of Lafarge Maldives Cement Pvt. Ltd. Ashan holds a Master's in Business Administration from University of Lincoln and a Bachelor of Arts with Honors (First Class) in Business and Information Technology from University of Coventry.

Ahmed Shifan

(Senior General Manager – Administration and Human Resource)

Ahmed Shifan joined STO in the year of 2003 and is currently the Head of Administration and Human Resource Department. Prior to this he has served in many key positions of the Company such as the Head of Department for Regional Sales, Home Improvement, Store Operations and ICT. He was also involved in the key role of the SAP HCM implementation project of the Company, as the Project Manager. He currently serves as the Chairman of Maldivian Gas Pvt. Ltd. and was a member of the Board of Advisors for the SAP Asia Pacific Japan Regional Services Board, since January 2013. He also was the Chairman of the STO Recreation Club (STORC) from 2014 to 2017. Shifan holds a Master of Business Administration with Honors from Auckland University of Technology, New Zealand and a Bachelor of Science with Joint Honors (First Class) in Business Information Systems and Business Studies from Middlesex University, UK.

Aishath Shaffana Rasheed

(Company Secretary)

Aishath Shaffana Rasheed joined STO in the year of 2004. She serves as the Company Secretary, since 2007. Shaffana is also the Head of Department of Company Secretariat. Shaffana holds a Masters in Business from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University, Australia.

Musthafa Azmy

(Chief Information Officer – Information & Communications Technology)

Musthafa Azmy joined STO in the year of 1994 and is currently the Chief Information Officer and the Head of Department for Information & Communications and Technology.

Azmy served in the Board of Directors of Allied Insurance Company Pvt. Ltd. He is currently the Chairman of Maldives Structural Products Pvt. Ltd and Board Director of Maldives Industrial Fisheries Company Limited. Azmy holds a BSc from London Metropolitan University and is also a certified SAP ABAP and HCM Associate Consultant.

Mariyam Nuzla

(General Manager – Corporate & Legal Affairs)

Mariyam Nuzla joined STO in the year of 1999 and has since served the Company in various positions including the role of a Personal Assistant to the Managing Director from 2008 to 2013. She is currently the Head of Department for Corporate & Legal Affairs and is also a Board Director for Allied Insurance of the Maldives Pvt Ltd. She served as a Board Member at Maldivian Gas Pvt. Ltd from 2013 to 2016. Nuzla holds a Masters in Business from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University, Australia

Muslih Maseeh

(General Manager - Business Development & Public Relations)

Muslih Maseeh joined the Company in the year of 2008 and is the current Head of Department for Business Development and Public Relations.

He had previously served in the Ministry of Planning and National Development, Faunu Travels Pvt Ltd and Stern' Textiles - Australia, gaining experience in the public sector, tourism industry and operations management. He is also a Board Director of Maldives National Oil Company Ltd. and STO Maldives (Singapore) Pte. Ltd.

Muslih holds a Master of Business Administration from University of Nottingham, UK and a Bachelor's Degree (Hons) in International Business (First Class) from the University of East London, UK.

Abdul Wahid Moosa

(General Manager – Construction, Transport)

Abdul Wahid Moosa joined the Company in the year of 2009. He has a vast array of knowledge and experience in the field of maritime studies, chartering and shipping management. Wahid is the current Head of Department for Transport. He also serves as a Board Director for Fuel Supplies Maldives Pvt. Ltd. Wahid holds a Bachelor's Degree of Business (Management and Marketing) from the Edith Cowan University, Australia. He has also completed various maritime related courses such as the Certificate to conduct ISO 9001:2015 Quality Management System Audit from the Bureau VERITAS, French Classification Society in Singapore.

Ramzee Aboobakuru

(General Manager – Energy, Staple Foods)

Mr. Ramzee Aboobakuru joined STO in the year of 2007 and is now currently serving as the Head of Department for Energy, Staple Foods. He previously served as a Manager in Medical and Marketing & Sales Department. Ramzee is also a Board Director of Fuel Supplies Maldives Pvt. Ltd. and Maldives Industrial Fisheries Company Limited. Ramzee holds a Bachelor of Arts (Hons) in Marketing from the University of Hertfordshire, UK.

Hussain Sobah

(General Manager – Medical Services)

Hussain Sobaah joined STO in the year of 2003 and has since excelled in many of the company's projects involving the pharmaceutical and hospital supplies field such as the takeover of IGMH stock management in the year of 2010 and the All Island Pharmacy Project in 2014. Sobah currently serves as the Head of Department for Medical Services and also as a Board Director for Lafarge Maldives Cement Pvt. Ltd. Sobah holds a Bachelor's Degree in Business (Marketing and Management) from the Edith Cowan University, Australia.

Mohamed Shujau

(General Manager – Procurement)

Mohamed Shujau joined the Company in the year of 1998 and is the current Head of Department for Procurement. He had previously served in the Information & Communications Technology Department for 18 years. Shujau is currently a Board Director of Maldivian Gas Pvt. Ltd. He played a key role in the successful migration from the legacy systems to SAP ERP. Shujau is pursuing a Master of Technology Management from Staffordshire University, UK. He holds a Post Graduate Diploma and a Post Graduate Degree in Technology Management from Staffordshire University, UK. Furthermore, he holds a Bachelor of Science (Honours) Computer Systems Engineering (Networking) from Nottingham Trent University, UK.

Mohamed Nizam

(Chief Risk Officer)

Mohamed Nizam joined the Company in the year of 2010 as Finance Manager and continued to excel in IT Department as Senior Information Systems Officer. He is currently in the post of Chief Risk Officer, the head of newly formed Risk Department.

He also serves as a Board Director of Allied Insurance Company of the Maldives, Fuel Supplies Maldives Pvt Ltd, Maldives Industrial Fisheries Company Limited, Maldives Stock exchange and Maldives Securities Depository.

He holds a Master's Degree in Business Administration from University of Ballarat, Australia and Bachelors of Arts (Hons) Finance and Accounting from University of East London, UK. He is also a certified SAP Finance and Controlling Associate Consultant.

Mohamed Murad

(General Manager – Home Improvement and Service Centre)

Mohamed Murad joined STO in the year of 1998 and has hence acquired substantial knowledge and experience in strategic leadership and operational knowledge with over 15 years of experience in the Company. He currently serves as the Head of Department for Home Improvement and Service Centre. Murad served as a Board Director for the Allied Insurance Company of the Maldives Pvt. Ltd and is currently a Board Director of Maldivian Gas Pvt. Ltd. Murad holds a BTEC Higher National Diploma in Spatial Design from the Academy of Design, Northumbria University, UK.

CORPORATE GOVERNANCE REPORT

State Trading Organization plc. (STO) complies with the Companies Act of the Republic of Maldives 10/96, the Corporate Governance principles of the Company and the Corporate Governance Code (Code) of the Capital Market Development Authority (CMDA). Compliance with the rules and recommendations of the Securities Act 02/2006, the Listing Rules of Maldives Stock Exchange Pvt. Ltd. (MSE) and Securities (Continuing Obligation of Issuers) Regulation 2010 were also followed, where applicable.

During the year, STO was committed to maintaining high standards in compliance with all legislations described above. Where there have been exceptions, it has been explained further in this report. Moreover, the Company paid immense attention to promote good governance principles across STO Group of Companies (Group) throughout the year.

Corporate Governance Guidelines

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

STO first established its governance guideline in 2006. Thereon, the Company has reviewed and made changes to it, considering the various amendments brought to the relevant legislations and the international codes. The Company further established its first Code for the Group in 2014. In addition, STO awarded the "Excellence in Governance" award to Maldivian Gas Pvt. Ltd. for achieving the highest in compliance to the Code in 2016.

The Board

The Board is the ultimate governing body of the Company. It is responsible for providing effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. Throughout the year, Board oversaw the business affairs and the economic, social and environment sustainability of the Group.

Following table indicates the members of the Board and its committees, highlighting the chairperson.

| | Board | Audit Committee | Nomination & Remuneration Committee | Corporate Governance & Compliance Committee | Risk Committee |
|--------------------------|-------|-----------------|-------------------------------------|---------------------------------------------|----------------|
| HUSSAIN SALIM MOHAMED | ● | | | | |
| AHMED NIYAZ | ◐ | | | | |
| AHMED SHAHEER | ● | | | | |
| MOHAMED MIHAD | ● | | | | |
| AMIR MANSOOR | ● | ● | ● | | ● |
| AISHATH RAFIYYA | ● | | ● | ● | ● |
| AISHATH RAYAHEEN SHAREEF | ● | ● | ● | ● | |
| MOHAMED FARSHATH | ● | ● | | ● | ● |

● Chairperson ◐ Former Chairperson
 ● Member

Below include the major roles and responsibilities of the Board that have been delegated to the Management;

Developing and agreeing with the Board, the corporate vision, mission and strategy of the Company;

- Developing business plans, budgets and company strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- Identifying and managing operational risks and, where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by Board;
- Managing the Company's current financial and other reporting mechanisms as well as its control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
- Ensure the Company understands, owns and works towards the profit and cash plan for the year;

- Establishing the technology direction for the Company;
- Ensuring that the Board and its various committees are provided with sufficient information on a timely basis regarding the Company's businesses, particularly in respect with the Company's performance, financial condition, operating results and prospects, to enable the Board and those committees to fulfil their governance responsibilities;
- Implementing applicable recommendations identified through internal audit reports;
- Implementing the policies, processes, guidelines and codes of conducts approved by the Board;
- Oversee recruitment and development of employee and their performance;
- To appoint, remove, determine and provide wages to employees of the Company on a structure approved by the Board.

Profile

The Directors' academic and professional qualifications are presented on pages 43 to 46 of this report.

Board Composition

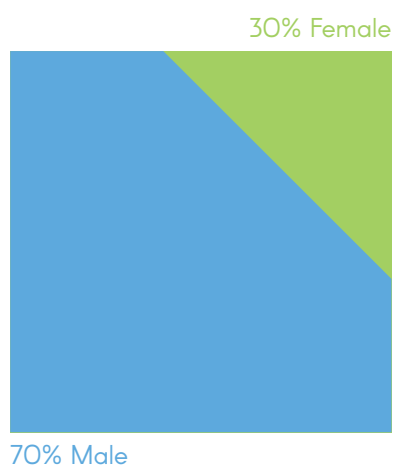
In Accordance with the Company's Articles of Association (AOA), the Board is comprised of 7 ordinary members appointed by shareholders at the Annual General Meeting (AGM) for a term of one year. Of these 7 members, 5 are Non-Executive members and 2 are Executive Officers of the Company, which include the Managing Director.

The Nomination and Remuneration Committee reviewed the size and composition of the Board and its' committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender within the Board. The Committee concluded that the Directors had the necessary competencies and knowledge to lead and govern the Group effectively, while the current size and composition of the Board also provided sufficient diversity for efficient decision making.

Diversity

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

STO Board comprised a mix of all such merits, in terms of age, gender, experience and knowledge. The Board had 6 male directors and 2 female directors, as required by the Code of CMDA.



Independence

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

Other Directorships held

No Director has held Directorship in more than three public listed companies, over the year. However, some of the Directors do practice membership on the Boards of group companies, private companies and non-profit organizations. Despite this, all Directors devoted sufficient time and effort to their duties as Board members of the Company.

Tenure

None of the directors have served on Board for a period exceeding six years from the date of their appointment, as recommended in the Code of CMDA. Furthermore, the Board acknowledges that at least one-third of the Board had retired or changed in every 2 years during the course of past 5 years.

Committees

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

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

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

The committee Chairman and the Company Secretary determine the frequency and duration of the committee meetings. Normally all committees are required to meet four times a year. Recommendations of the committees are then submitted to the entire Board for approval before the management is assigned the work for implementation.

Conflict of interest and materially significant related party transactions

The Company has a Board approved Conflict of Interest Policy for the Directors. As part of this process, the Directors must disclose any company, association or other affiliation where he/she and his/ her immediate family members hold a significant interest. This information is reviewed and tallied by the Registrar of Companies to confirm the information provided. There were no known substantial or material third party transactions, monetary transactions or relationships between the Company and its Directors, the Management, subsidiaries or relatives, except for those disclosed in the note 43 of audited financials.

Chairman and Managing Director

The Chairman and Managing Director's functions in the Company are assumed by different individuals. The Chairman, Mr. Ahmed Niyaz, was replaced by the majority shareholder with Mr. Hussain Salim Mohamed on 6th December 2016. The Managing Director of the Company Mr. Ahmed Shaheer remains in the post till date.

Responsibilities of Chairman and Managing Director

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

The Chairman:

- Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee and individual director.
- Takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretary and management.
- Approves the agenda for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- Promotes an open environment for debates and ensures Non-Executive Directors are able to speak freely and contribute effectively.
- Exercise control over the quality, quantity and timeliness of information flow between the Board and management.
- Provides close oversight, guidance, advice and leadership to the Managing Director and management.
- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at AGMs and other shareholder meetings.

The Managing Director is the highest ranking executive officer of the Group. The Managing Director is responsible for:

- Running the day-to-day business of the Group, within the authorities delegated to him by the Board.
- Ensuring implementation of policies and strategy across the Group as set by the Board.
- Day-to-day management of the executive and senior management team.
- Leading the development of senior management within the Group with the aim of assisting the training and development of suitable individuals for future directorship roles.
- Ensuring that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments.
- Leading the development of the Group's future strategies including identifying and assessing risks and opportunities for the growth of its businesses and reviewing the performance of its existing businesses.

Role of the Non-Executive Directors

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

For this to happen, the Board and Non-Executive Directors, in particular, must be kept well informed of the Group's businesses and be knowledgeable about the industries the Group operate in. To ensure that Non-Executive Directors are well supported by accurate, complete and timely information, non-executive directors have access to management.

The Board has also adopted processes to ensure that non-executive directors have sufficient time and resources to perform their functions effectively.

Process of re-election and appointment of new Directors

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

The process is summarized as below:

- Both the majority shareholder (the Government) and the minority shareholders are given 21 days of notice to submit their candidates.
- The nominees for public share representatives are then evaluated according to the Board Profile and Candidacy Guideline. The prime purpose of this evaluation is to identify the skills, knowledge and experience of the candidates and to see how it would strengthen the existing Board.
- Nomination and Remuneration Committee also meets with the shortlisted candidates to assess and to further evaluate the candidates.
- Nomination and Remuneration Committee recommends the candidates who meets the required criteria to the Board.
- The majority shareholder makes appointments to the Board through Privatization and Corporatization Board.

In 2016, 2 candidates from the public shareholders submitted their name for directorship. Both candidates were decided by Nomination and Remuneration Committee to have met the required criteria and during the AGM a vote was taken on these candidates to elect the member for the seat of a public shareholder in the Board. As such, Mr. Mohamed Farshath was re-elected by shareholders vote to represent the minority shareholders of the Company, for yet another term.

Board Evaluation

Board continuously monitors and reviews the board evaluation framework. Board has laid down a set of evaluation criteria for the performance review of chairman, executive / non-executive / independent directors through a peer evaluation, evaluation of the performance of the company, board, its committees and the company secretary. This evaluation is carried out through an online questionnaire. This process enables to review the functioning and effectiveness of the Company and the Board while also identifying possible paths for improvement. The questionnaire assesses on board dynamics and relationship with stakeholders, company performance and strategy, information flow, decision-making of the directors, and the effectiveness of the whole board and its various committees. The evaluation for the year 2016 was completed in March 2017 and areas for improvement were identified.

Director Remuneration

Details on director remuneration are provided in the remuneration report of Nomination and Remuneration Committee. Refer to page 68 for this information.

Board Meetings

The Board of Directors held 25 Board meetings during the year. In addition to this, the Committees' altogether, held 30 meetings. The Company Secretary drafts the agenda for each meeting through consultation with the Chairman and MD. The Directors are given notice as per the Articles of Association and are authorized to suggest the inclusion of additional items on the agenda, where necessary.

The illustration below indicates the attendance of Directors to the Board Meetings.

Hussain Salim Mohamed

Attended meetings 1/1



Ahmed Shaheer

Attended meetings 25/25



Mohamed Mihad

Attended meetings 17/19



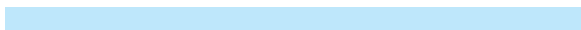
Aishath Rafiyya

Attended meetings 22/25



Aishath Rayaheen Shareef

Attended meetings 19/19



Ahmed Niyaz

Attended meetings 24/24



Ibrahim Ziyath

Attended meetings 6/6



Amir Mansoor

Attended meetings 24/25



Abdul Hadi Hussain Fulhu

Attended meetings 6/6



Mohamed Farshath

Attended meetings 25/25



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

Board Proceeds and Major Decisions

The Board has access to all company related information, including that of the employees. At Board meetings, executive team members and managers who can provide additional insights into the items being discussed, are invited. To allow sufficient time to prepare for the meetings, all board and board committee papers are distributed to directors well in advance of the meeting via email. Any additional material or information requested by the directors are promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

In order to keep Directors abreast on Company's performance, management also shares management reports with the Board. These reports include budgets, forecasts, quarterly financial reports and monthly management accounts. In addition, the Head of internal Audit department also provides the Audit Committee and where necessary to the Board with audit reports. These reports include, annual audit plans, fraud risk assessment and other findings from such audits. The management continuously strives to improve the information flow to the Directors. As such a web based portal has recently been developed and used as trial among the directors to facilitate an easy mechanism to share and access information in a secure environment.

Some of the major decisions taken during the year include;

- Developed a staff recreation policy.
- Approved and launched WILL campaign – an internal campaign to review the internal processes in terms of reducing costs and improving efficiency.
- Approved to take on the project to develop a food court in Male' south harbor in collaboration with Ministry of Housing and Infrastructure.
- Approved to award hajj trips to 4 staff, at company's expense.
- Reviewed Board performance results for 2015 and identified areas for improvement.
- Approved to form Allied Thakaful.
- Approved dividend for 2015.
- Approved policy hierarchy for new policy and procedure development project for the whole Company.
- Reviewed the policies and procedures of the Company including the Remuneration Policy.
- Appointed a Chief Risk Officer and formed a Risk Management Department.
- Approved to take on the project to set up Automatic Car Parking Systems in Male' City in collaboration with Ministry of Housing and Infrastructure.
- Decided to take on Maldives Industrial Fisheries Company (MIFCO) Ltd., following the decision by the President's Office on 29th September 2016.

Non-Executive Directors meeting

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

Board Development

The Company has a comprehensive orientation program designed for newly appointed directors to familiarize themselves with business and governance policies. The orientation program arranged by the Company Secretariat gives directors an understanding of the Group's business to enable them to assimilate into their new roles. The program also allows the new director to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management.

As part of the Company's continuing education for Directors, Directors attended a total of 14 different training programs conducted abroad. These training focused on areas such as corporate risk management, corporate governance, Business Continuity, strategic planning, leadership and corporate finance.

The effectiveness of control activity levels are monitored by the Internal Audit at Group level, business area levels, functional levels and process levels, which is reported to the Audit Committee and the Management. Controls that have failed are remediated, by establishing and implementing actions to correct the weaknesses.

The Board is confident that the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Groups in its current business environment including financial, operational, compliance and information technology risks.

Management Review and Responsibility

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

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

The operations of the Company is divided into Energy, Supermart, Home Improvement, Staple Foods, Construction Materials and Medicals. These businesses are catered throughout 'Male' and many of the Atolls of the Country while the Company has its presence through its Pharmacies in every inhabited island. These six business areas are supported by a Finance, Information and Communication Technology, Corporate and Legal, Human Resources and Administration, Business Development and PR Media, Procurement and Transport Department. Apart from these, STO has in place an Internal Audit, Risk Management and Secretariat Department.

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

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

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

The Managing Director, the Chief Financial Officer and the Head of Business Development and Public Relations Media Department represent the Company in interactions with investors, the media and the Government. The individual Executives and Head of Human Resources and Administration interact with employees while individual Executives deal with their clients.

Group Management

The Board of Directors have entrusted the Managing Director of STO with the function of overseeing its' Group of Companies. As many such measures have been taken to establish good governance practices within the Group. In September 2016, the Government decided to transfer its 100% shares of Maldives Industrial Fisheries Company Ltd (MIFCO) to STO. STO Board accepted to acquire MIFCO in October 2016. The Board of Directors of the Company was reformed according to the Subsidiaries and Commercial Activities Policy of the Company.

As such, currently there are altogether 7 subsidiaries of STO; where STO holds more than 90% of shares. STO also has 1 Joint Venture Company and holds associate shares in 4 other Companies.

Details of STO Shares held in these Companies as required by the CDOI Regulations 2010 is provided on page 89.

Internal Audit

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

The company has a well-established in-house audit function as an independent function. The Head of Internal Audit (Chief Internal Auditor) reports directly to the Audit Committee functionally and to the Managing Director administratively.

External Audit

The current appointment of External Auditor is reviewed every year by the Audit Committee. The Audit Committee advises the Board on the results of this assessment which is then submitted to the AGM for shareholders' approval. The Board of Directors welcome the impartial opinion and recommendations of the appointed independent auditors and will strive to improve the findings pointed out in the auditor's report.

The shareholders re-elected KPMG as the external auditors for 2016. The Auditors provide an audit opinion regarding STO and the consolidated financial statements of STO Group. The Audit was conducted in accordance with International Standards on Auditing. These standards ensure that the auditors comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

Internal Controls

The process of internal control and risk management framework provides reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting.

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

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

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

The limits of authorities and responsibilities are given in instructions for delegation of authority, manuals, policies and procedures and code, including the Code of Conduct, Employee Handbook and various policies and procedures. Together with laws and external regulations, these internal guideline form the control environment.

All entities within STO Group are required to maintain adequate controls.

Monitor and test of control activities is performed periodically to ensure the adequacy of these controls and to ensure that the risks are properly mitigated.

The effectiveness of control activity levels are monitored by the Internal Audit at Group level, business areas level, functional level and process level, which is reported to the Audit Committee and the Management. Controls that have

failed are remediated, by establishing and implementing actions to correct the weaknesses.

The Board is confident that the system of risk management and internal controls in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Risk Management

The Company has an integrated approach to managing risks inherent in various aspects of the business. The Risk Management Report forms part of this Annual Report on page 77.

Shares and Shareholders

STO's shares are listed on the Maldives Stock Exchange (MSE). At year-end 2016, STO had 4016 active shareholders in the shareholder register and of the total share capital, 83.6% was owned by the Government of Maldives while the rest of the 18.3% was owned by the General Public. None of the individual shareholders (other than the Government) hold shares more than 5% within the Company.

Voting rights

The share capital of STO consists of ordinary shares. Each share entitles holders to the same proportion of assets and earnings and carry equal rights in terms of dividends. According to the Articles of Association, each share accounts to one vote each. Voting is based on show of hands where vote is counted as 1 vote per member, unless 10% shareholders present or their proxy, request for poll where voting will be counted on shares represented.

Communication with Shareholders

The quarterly report, along with additional information and official news releases, are posted on the Company's website www.sto.mv. The proceedings of the AGM and the voting rights are also stated on the Company's website. In addition to this, the Company has set up a communication facility for the shareholders through the website http://sto.mv/Investor_Relations.aspx. All complaints or messages received through this facility are delivered directly to the Chairman and the Company Secretary. The Chairman then submits to and recommends for actions at the earliest Board meeting.

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

Certification of Financials

The Board has reviewed and approved the financials results of the Company. In presenting these results, the Board has aimed to provide shareholders with a balanced and clear assessment of the Group's position and prospects. AS required by the Corporate Governance Code of CMDA, the MD and CFO certifications on the financials are provided with this report. The Board, to the best of their knowledge confirms that the financial statements for the period from 1st January to 31st December 2016 has been prepared in accordance with applicable accounting standards and gives a true and fair view of the Group and the Company's consolidated and separate assets, liabilities, financial position and results of operations.

Prevention of Insider Trading

The Company has recently developed and adopted a guideline on trading in company's securities, to regulate, monitor and report trading by insiders. This guideline also includes practices and procedures for disclosure of price-sensitive information and continual disclosure.

System for raising concern

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

Annual General Meeting

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

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

Participation in decision-making requires the shareholders presence either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must register for the meeting in the manner prescribed.

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

The 2015 AGM was held at Kurumba Maldives on 4th June 2016. 392 shareholders presenting a total of 85% of the share capital were represented at the AGM.

Major decisions made at the Annual General Meeting 2016 include;

- Dividend payment of MVR 57 per share.
- Election of Directors to the Board
- Approval of Annual Report and Balance Sheet
- Appointment of KPMG as External Auditors for a fee of USD 39,000.

Dividend

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

In accordance with the dividend policy of the Company, the Board has declared MVR 51 per share for shareholder's approval in the upcoming Annual General meeting 2016.

Going Concern Declaration and Future Outlook

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

On behalf of the Board of Directors:



Hussain Salim Mohamed
Chairman



Ahmed Shaheer
Managing Director

CORPORATE GOVERNANCE & COMPLIANCE COMMITTEE REPORT

The Corporate Governance and Compliance Committee consisted of 4 members until the changes made to the Board on 28th March 2016. On 12th April 2016, the Committee was reformed with 3 Non-Executive members, Chaired by Ms. Aishath Rayaheen Shareef. With this reformation, the other two members of the Committee are Mr. Mohamed Farshath and Ms. Aishath Rafiyya. All the members of the Committee are deemed to be independent. The Committee held 6 meetings in 2016. The attendance record of the members is shown below.

Mohamed Farshath

Former Chairman

Attended meetings 6/6

**Aishath Rayaheen Shareef**

Chairperson

Attended meetings 4/4

**Aishath Rafiyya**

Attended meetings

6/6

**Abdul Hadi Hussain Fulhu**

Attended meetings

2/2

**Amir Mansoor**

Attended meetings

2/2



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

Key Duties

- 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, Committees and its individual Directors and ensure that the Board conducts these evaluations annually.
- Ensure that Board and its' committees annually review its Charters.
- Develop and ensure implementation of a conflict of interest disclosure policy for the Directors and employees 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

Conclusion

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



Aishath Rayaheen Shareef
Chairperson

Main activities of 2016

- Discussed the outcome of Corporate Governance Audit Report compliance, from time to time
- Discussed on the compliance to Committee Charter
- Reviewed subsidiaries compliance to Code of Conduct
- Reviewed the sub reports of Director's Report 2015
- Attended the queries submitted by the subsidiaries on the Code of conduct
- The Corporate Governance Committee focused on further strengthening the governance aspects of the Group. Like previous year high importance was given to pass down the same good governance practices of the parent company to its subsidiary companies
- Reviewed and evaluated the subsidiary Board's, its Chairmen, MD's, individual directors, Company Secretary, Committees and the Company's financial performance. Results were submitted to Board and further discussed. Recommendations were given to subsidiaries, considering the findings and some changes were also brought to the members of the Boards
- Reviewed the Board Charter and Corporate Governance Guidelines
- Reviewed the Training and Induction policy

NOMINATION & REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee consisted of 4 members until the changes made to the Board on 28th March 2016. On 12th April 2016, the Committee was reformed with 3 Non-Executive members, Chaired by Ms. Aishath Rafiyya. With this reformation, the other two members in the Committee are Mr. Amir Mansoor and Ms. Aishath Rayaheen Shareef. All the members of the Committee are deemed to be independent. The Committee held 7 meetings in 2016. The attendance record of the members is shown below.

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

Amir Mansoor

Former Chairman

Attended meetings 7/7



Aishath Rafiyya

Chairperson

Attended meetings 7/7



Aishath Rayaheen Shareef

Attended meetings 5/5



Abdul Hadi Hussain Fulhu

Attended meetings 2/2



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

Key Duties

- Develop a policy on employee remuneration and 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 is 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 requirement, the provisions and recommendations of the CMDA CG Code and associated guidelines.
- Review the appropriateness and relevance of the current 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 individuals 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 into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board and management in the future.
- Be responsible for identifying and nominating 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.

Major Activities of 2015

- Reviewed Committee Charter.
- Approved changes to Remuneration Policy – produced a separate policy for Board Members and the Staff.
- Reviewed the adequacy of the composition of the Board in terms of number of members, qualification, diversity and experience. The Committee found the composition of the Board, adequate for functioning.
- Evaluated, interviewed and made recommendations on public directorship candidates to the Board.
- Discussed on appointing a suitable candidate for the post of Chief Risk Officer.
- Reviewed and made recommendation on changes to Company structure.

Appointment of Directors to the Board

According to article 48 of Articles of Association of the Company, the Board consists of 6 members appointed by the Majority Shareholder and 1 member appointed by the Minority Shareholders, based on the percentage of ownership held in the Company.

Members to the Board are appointed from one General Meeting to the other.

Shareholders, both majority and minority, are given a 21 day period of written notice to allow them to make their nominations. In case of Majority Shareholder, their representatives are appointed to the Board by the Privatization and Corporatization Board. In accordance with article 66 and 69 of the Articles of Association, the Chairman and the Managing Director are included in this appointment.

In case of Minority Shareholders, nominations made by the shareholders are vetted and interviewed by the Nominations and Remuneration Committee. Committee then makes their recommendations to the Board, before submitting for shareholder voting at the Annual General Meeting.

Information on the Major Shareholder appointments and nominees of Minority Shareholders are made available to the public at least 5 days prior to the Annual General Meeting.

Diversity

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

STO Board comprised a mix of all such merits, in terms of age, gender, experience and knowledge. The Board had 6 male directors and 2 female directors, as required by the Code of CMDA.

STO Board has further established a Board Profile and Candidacy Guideline for the Company.

Conclusion

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



Aishath Rafiyya
Chairperson

REMUNERATION REPORT

The Remuneration Policy of the Company, which was initially developed in 2011 was reviewed in 2016. The Remuneration Policy is now divided into two separate policies; one for Board Directors, stipulating remuneration matters of the Board and the other indicating the remuneration matters for the Staff. These policies have been established in line with the regulatory requirements of STO.

The remuneration provided to the Board Directors for serving on the Board are determined and approved by the shareholders at the Annual General Meeting, while the executive members of the Board are paid additional remuneration for their position in the Company. This information is further disclosed below. The remuneration of the Executive Directors is set in accordance with the salary structure inspected by the Nomination and Remuneration Committee and approved by the Board of Directors.

Summary of the Remuneration Policy

The Remuneration Policy contains the following guidelines:

- At least half the Board should comprise of Non-Executive Directors with majority of such Directors being independent. Non-Executive Directors shall be remunerated by way of fees paid, including fees paid in recognition of their memberships on the Board and its sub-committees.
- The Executive Directors should be paid the same fee as that received by the Non-Executive Directors, for their board membership.
- Executive Directors shall also receive variable salaries in addition to the Board membership fees. This salary must be a market median of companies comparable in, market segment, business complexity and international scope. The Executive's personal performance is also considered where performance is related to the fulfillment of various improvement targets and attainment of certain financial objective.
- 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 strategies in order to optimize long term shareholder value creation.
- All employee remuneration comprises of 2 basic principles - fixed and performance based components.
- The Company has a systematic evaluation methodology to evaluate each employees performance annually, which assesses the degree to which each employee is satisfying the requirement of their role and performance objectives.

Non-Executive Directors Remuneration Summary 2016

Salary – No changes were made to the remuneration of Non-Executive Directors. The current remuneration includes a monthly fee of MVR10, 000.00 and a sitting fee of MVR500.00 per meeting attended. A further remuneration of MVR10, 000.00 is provided to the Chairman. No further remuneration is provided to any Committee members or its Chairpersons.

Service contract – All Directors are appointed for a term of one year (i.e. from one Annual General Meeting to the next). The Non-Executive Directors in the Board were last appointed to the Board on 6th June 2016. All Directors have signed the Board Directors Charter, which indicates the term and their roles and responsibilities in the Board.

Other benefits – Non-Executive Directors are provided additional benefits such as travel and medical insurance and discount benefits as per the “benefits list” approved by the Board of Directors.

Annual bonus – Non-Executive Directors are not entitled to receive annual bonuses.

Deferred bonus - no deferred bonus is provided in the Company.

Share / stock options – no share options were provided to the Directors.

Pension – Non-Executive Directors do not receive pension as per the Company Policies.

Notice period – Director Mr. Abdul Hadi Hussain Fulhu was given notice of termination by Majority Shareholder on 28th March 2016.

Severance fee – no severance fee was provided to any Executive Director during the year.

Executive Directors Remuneration Summary 2016

Salary – No increase was granted in 2016. The last increment was made in 2013, as previously reported

Service contract – the Managing Director was appointed for yet another term (one year) on 5th June 2016. The Chief Financial Officer was appointed to the Board as an Executive Director on 28th March 2016. Both are permanent employees in the Company, yet their term on the Board is confirmed by the Majority Shareholder.

Other benefits – Executive Directors are provided additional benefits such as travel and medical insurance and discount benefits as per the “benefits list” approved by the Board of Directors.

Annual bonus – received annual bonus as per the staff bonus policy.

Deferred bonus - no deferred bonus is provided in the Company.

Share / stock options – no share options were provided to the Directors.

Pension – the Executive Directors received pension as per the Company policies.

Notice period – Director Mr. Ibrahim Ziyath was given notice of termination by the Majority Shareholder, on 28th March 2016. He was transferred to the Maldives Transport and Contracting Company Plc. (MTCC) as the Chief Executive Officer.

Severance fee – no severance fee was provided to any Executive Director during the year.

Paid Remuneration

In 2016, a sum of MVR 1,103,677 was paid to the Board of Directors as remuneration in the Board, while MVR 2,237,355 was paid to Executive Directors as remuneration for their executive position in the Company. A total of MVR 7,071,208.59 was paid to the top management, excluding the Executive Directors, as basic salary and allowances.

Due to salary disparities in the employment market, the Board of Directors have chosen not to disclose the individual remuneration and package of top management and Executive Directors. The following table indicates the remuneration paid to Board of Directors for the year 2016.

| | Position on the Board | Total remuneration paid in MVR |
|--------------------------|-------------------------------|--------------------------------|
| AHMED NIYAZ | Former Chairman | 247,565 |
| HUSSAIN SALIM MOHAMED | Chairman | 18,113 |
| AHMED SHAHEER | Managing Director | 132,500 |
| IBRAHIM ZIYATH | Former Executive Director | 31,710 |
| MOHAMED MIHAD | Executive Director / CFO | 99,790 |
| AMIR MANSOOR | Non-Executive Director | 145,000 |
| ABDUL HADI HUSSAIN FULHU | Former Non-Executive Director | 36,210 |
| AISHATH RAYAHEEN SHAREEF | Non-Executive Director | 109,790 |
| AISHATH RAFIYYA | Non-Executive Director | 139,000 |
| MOHAMED FARSHATH | Non-Executive Director | 144,000 |

Letter of Appointment

All Non-Executive Directors were re-elected to the Board at the Annual General Meeting 2015. All members of top management are permanent employees of the Company.

Below table indicates the date of initial appointment and the date of the last appointment in case of Board Directors and the employment date and the date of appointment to top management, in the case of top management team. No notice periods, severance fees or stock options were provided to the members of top management.

Board of Directors

| | Position on the Board | Date of Initial Appointment | Date of Last Appointment |
|--------------------------|-------------------------------|-----------------------------|--------------------------|
| AHMED NIYAZ | Former Chairman | 07.05.2012 | 28.03.2016 |
| HUSSAIN SALIM MOHAMED | Chairman | 06.12.2016 | 06.12.2016 |
| AHMED SHAHEER | Managing Director | 25.12.2013 | 28.03.2016 |
| IBRAHIM ZIYATH | Former Executive Director | 20.04.2015 | 20.04.2015 |
| MOHAMED MIHAD | Executive Director / CFO | 28.03.2016 | 28.03.2016 |
| AMIR MANSOOR | Non-Executive Director | 07.05.2012 | 28.03.2016 |
| ABDUL HADI HUSSAIN FULHU | Former Non-Executive Director | 07.05.2012 | 17.02.2015 |
| AISHATH RAYAHEEN SHAREEF | Non-Executive Director | 28.03.2016 | 28.03.2016 |
| AISHATH RAFIYYA | Non-Executive Director | 21.08.2014 | 28.03.2016 |
| MOHAMED FARSHATH | Non-Executive Director | 14.06.2012 | 04.06.2016 |

Top Management

| | Designation | Date of Employment | Date of Appointment to top management |
|--------------------------|---------------------------|--------------------|-------------------------------------------------------------|
| FATHIMATH ASHAN | Senior General Manager | 20.12.1994 | 23.03.2004 (from Manager to Assistant Director) |
| AHMED SHIFAN | Senior General Manager | 31.12.2004 | 27.05.2007 (from Manager to Assistant Director) |
| DR. IBRAHIM MAHFOOZ | Chief Internal Auditor | 01.02.1996 | 01.07.2004 (from Assisnt Accountant to Assistant Director) |
| AISHATH SHAFFANA RASHEED | Company Secretary | 15.11.2004 | 12.03.2009 (from Assistant Manager to GM) |
| MUSTHAFA AZMY | Chief Information Officer | 19.07.1994 | 01.05.2013 (from Senior IS Manager to GM) |
| MARIYAM NUZLA | General Manager | 13.05.1999 | 03.12.2013 (from Personal Assistant to Assistant GM) |
| MOHAMED MURAD | General Manager | 21.10.1998 | 03.12.2013 (from Manager to Assistant GM) |

| | | | |
|-------------------|--------------------|-------------------------------------|------------------------------------------------------|
| HUSSAIN SOBAH | General Manager | 12.10.2003 | 03.12.2013 (from Manager to Assistant GM) |
| RAMZEE ABOOBAKURU | General Manager | 11.07.2007 | 03.12.2013 (from Manager to Assistant GM) |
| ABDUL WAHID MOOSA | General Manager | 12.03.2009 | 03.12.2013 (from Manager to Assistant GM) |
| MUSLIH MASEEH | General Manager | 12.08.2008 (re-hired on 14.04.2014) | 22.03.2015 (from S. Manager to Assistant GM) |
| MOHAMED SHUJAU | General Manager | 01.12.1998 | 15.11.2015 (from Senior IT Manager to Assistant GM) |
| MOHAMED NIZAM | Chief Risk Officer | 07.03.2010 | 01.07.2016 (from Senior IS Manager to CRO) |

Directors Shareholding

The Directors have the right to subscribe for securities in the Company. However, they do not have the right to subscribe for securities of the subsidiaries.

Director's shareholding in the Company as at 31st December 2016 is as follows:

| | Position on the Board | Direct | Indirect |
|--------------------------|-------------------------------|--------|----------|
| AHMED NIYAZ | Former Chairman | 1 | 0 |
| HUSSAIN SALIM MOHAMED | Chairman | 0 | 0 |
| AHMED SHAHEER | Managing Director | 50 | 125 |
| IBRAHIM ZIYATH | Former Executive Director | 0 | 0 |
| MOHAMED MIHAD | Executive Director / CFO | 0 | 0 |
| AMIR MANSOOR | Non-Executive Director | 0 | 0 |
| ABDUL HADI HUSSAIN FULHU | Former Non-Executive Director | 0 | 0 |
| AISHATH RAYAHEEN SHAREEF | Non-Executive Director | 60 | 220 |
| AISHATH RAFIYYA | Non-Executive Director | 0 | 0 |
| MOHAMED FARSHATH | Non-Executive Director | 50 | 0 |

Membership on other boards

According to the Subsidiaries and Major Commercial Activities Policy of the Company, the Executive Directors along with the senior management staff are allowed to sit on the Boards of subsidiary companies.

According to the Code of CMDA, no Director is permitted to sit in the Board of 3 or more public listed companies.

As such, below table includes the Board Members who hold directorships in other companies as at 31st December 2016, and it further stipulates any additional remuneration received from the said Boards.

| | Position on the Board | Other directorships held | Remuneration received |
|------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| AHMED SHAHEER | Managing Director | Chairman of Maldives National Oil Company Ltd. Chairman of STO Maldives (Singapore) Pte. Ltd. Chairman of Maldives Industrial Fisheries Company Ltd. Board Director of Addu International Airport | Monthly MVR2500 and MVR300 sitting fee for MNOC and STO Singapore Monthly MVR5000 and MVR500 per sitting at MIFCO Monthly MVR2500 from AIA |
| MOHAMED MIHAD | Executive Director / Chief Financial Officer | Chairman at Fuel Supplies Maldives Pvt. Ltd. Board Director of Maldives Industrial Fisheries Company Ltd. | MVR5000 monthly from both Companies and MVR300 per sitting |
| MOHAMED FARSHATH | Non-Executive Director representing General Public shares | Board Director at Maldives Tourism Development Corporation Plc | Monthly MVR5000 and MVR500 per sitting |

Payment to past Directors

There were no payments made to past Directors.

Declaration

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



Aishath Rafiyya.

AUDIT COMMITTEE

Following the changes made to Board on 28th March 2016, and the reformation of Committee on 12th April 2016, the Audit Committee now consists of 3 Non-Executive members and is Chaired by Mr. Amir Mansoor. With this reformation, the other two members in the Committee are Ms. Aishath Rayaheen Shareef and Mr. Mohamed Farshath. All the members of the Committee are deemed to be independent and are believed to have adequate expertise and experience in the financial field.

The Committee held 13 meetings in 2016 and the attendance record of the members to the meetings is as shown below.

Abdul Hadi Hussain Fulhu

Former Chairman

Attended meetings 5/5



Amir Mansoor

Chairman

Attended meetings 13/13



Aishath Rayaheen Shareef

Attended meetings

8/8



Mohamed Farshath

Attended meetings

13/13



The Audit Committee assists the Board in overseeing the quality and integrity of the accounting, reporting, information dissemination and internal control practices of the Company. The Committee also ensures compliance with legal and regulatory requirements, the qualifications, performance and independence of the external auditor and the performance of the internal audit function.

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

Key Duties

- Monitoring the integrity of the annual and interim financial statements, accompanying reports to shareholders and corporate governance statements.
- Reviewing and monitoring the effectiveness of the Company's internal 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.

Major Activities of 2016

- Reviewed Internal audit reports and made recommendations where required.
- Reviewed special audit reports and enforced implementation of the audit recommendations.
- Reviewed and endorsed Audit Committee Charter.
- Reviewed and endorsed Internal Audit Department Charter.
- Reviewed Chief Internal Auditors' performance.
- Discussed on the quarterly audit reviews presented by Internal Audit.
- Attended to the whistleblower messages received. Reviewed the Internal Audit Department Manual.
- Discussed on the proposals received by Audit firms for the conduct of 2016 Audit.
- Reviewed and discussed on the financial performance of Company and Group in 2015.
- Reviewed and made recommendations on the supplementary budget 2016.
- Periodically reviewed internal audit progress.
- Reviewed the issues identified in the management letter and made recommendations, giving deadlines for completion.
- Reviewed and made recommendations to Board with regard to Budget 2017.
- Approved Internal Audit Plan 2016-2017.

Conclusion

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

On behalf of the Audit Committee;

Amir Mansoor
Chairman

RISK COMMITTEE

Following the changes made to Board on 28th March 2016, and the reformation of Committee on 12th April 2016, the Risk Committee consist of 3 Non-Executive members and is Chaired by Mr. Mohamed Farshath. With this reformation, the other two members in the Committee are Ms. Aishath Rafiyya and Mr. Amir Mansoor.

The Committee held 03 meetings in 2016 and the attendance record of the members to the meetings is as shown below.

Amir Mansoor

Former Chairman

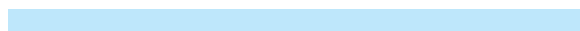
Attended meetings 3/3



Mohamed Farshath

Chairman

Attended meetings 3/3



Aishath Rafiyya

Attended meetings

3/3



The Risk Committee assists the Board in its oversight of the management of key risks as well as the frameworks, guidelines, policies and processes for identifying, monitoring and mitigating such risks.

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

Key Duties

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the frameworks, guidelines, policies and processes for risk assessment and risk management.
- Monitor risk management policy implementation in the Group.
- Receive and review reports from management concerning risk management in the Group.
- Consider individual significant risks, risk issues, risk strategies and emerging risks as presented to the Committee by management.
- Provide a formal forum for communication between the Board and senior management in relation to risk management.
- Approve the appointment and, when and if appropriate, replacement of the Company's chief risk officer.
- Review disclosure regarding risk contained in the Company's Annual Report.
- Review reports on selected risk topics as the committee deems appropriate from time to time.

Major Activities of 2016

- Reviewed Risk Committee Charter.
- Established a Risk Management Department.
- Appointed a Chief Risk Officer.
- Worked with the Risk Consultant in formulating a Risk Policy for the Company.
- Identified and discussed on major business risks to Company.

Conclusion

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

On behalf of the Risk Committee;

Mohamed Farshath

Chairman

RISK REPORT

STO Group faces varied risks which could affect its ability to meet objectives, create value, preserve assets, business reputation and goodwill. The Board is committed to effective risk management and recognizes that management of business risk is crucial to continued growth and success. Risk and its identification, assessment, management and mitigation are fundamental to the Group's business. All aspects of the risk management process underpin the execution of Boards strategy and planning for the future.

Risk management is viewed by the Board as both a set of vital policies and procedures to protect the Group from existing risks and also as a mean of ensuring the future risks and uncertainties are properly prepared for, as far as practical. Overall Board policy for risk management is communicated to the Management of the Group for implementation, through a formal Risk Management Policy of the Board.

Risk Governance and Oversight

The Group maintain strong risk governance and oversight practices, with responsibility for identification of material risks to the business and implementation of appropriate systems and processes to identify, monitor and manage risks. The Board oversees the Group risk management process at STO.

The Group continued to review its approach to risk management to ensure that the focus is aligned to the changing needs of the business and that processes and standards follow good international practices. The newly established Risk Management Committee of the Board appointed a Chief Risk Officer (CRO) for the head of the Risk Management Department. The RMC and the CRO work closely to ensure that risk management complies with the relevant standards and that it is working effectively.

The head of business units and departments are responsible and accountable for the management of risks in their area and may delegate specific responsibilities appropriately. Oversight and reporting of risk management

at departments and functional level takes place through appointed focal staff (risk champions) from each department to RMD, executive committee and the various boards of the subsidiaries. Responsibility and accountability for group risk management process resides with Chief Risk Officer.

During 2016, RMC reviewed and endorsed the Group Risk Management Policy and Framework, which is based on the International Standard ISO (International Organization for Standardization) 31000:2009 Risk Management Principles and Guidelines. The Policy and Framework outline the principles, governance, roles and responsibilities, and approach within a coherent risk management framework that addresses and prioritizes risks that are material and relevant to the Group's corporate goals.

Focus on Major Risks

The Group risk management process underpins the successful execution of the strategy and planning for the future. STO has identified major risks in eight categories that would threaten the business model, sustainability, future performance, solvency or liquidity of the Group. These major risks are related to, strategy, financial, operational, market and physical security, cyber security, political challenges, and compliance and control risks. Many of the risks described could have positive or negative impacts on the Group.

Strategic and Investment Risks

A rapidly changing external environment demands greater focus on strategic and investment risks to enhance the ability to anticipate risks and respond with agility and confidence. In line with this, the Board must make appropriate strategic decisions and adjustments throughout the year. However, the Board is very much aware that each business strategy has a unique set of risks which could prevent the benefits of the strategy being achieved. For this reason, all significant strategic risks are evaluated by the Executive Committee of Management and by the Board before embarking on a new or changed strategy. Where investments are strategic or above a certain value of internal review thresholds, the investments and the associated risks are assessed by the Board.

Financial Risks

Core to our management of financial risks is our comprehensive system of planning, budgeting and management reporting for both capital expenditure and annual operations. The Group's financial risks are regulated by the number of policies and procedures including credit policy, bad debt policy and cash handling policy etc. that has been adopted by the Board of Directors. The Group also have policies and processes in place to manage and monitor its exposure to liquidity risk in both Ruyiyaa and foreign currencies and capital management risks. Management of these risks are centralized to STO finance department.

Operational Risks and Management systems

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

Market and Supply Risks

As a diverse trading company, STO's business is increasingly concerned about the impact of volatility, intensified competition and international market developments. STO Group is exposed to fluctuations in the price of commodities and products including fuel, gas and consumables and related risks such as interest rates, currency rates, insurance costs and freight rates.

The Company minimizes these risks by monitoring fluctuations and where appropriate, by entering into long term supply arrangements. The ownership of an own fuel tanker, provides a partial cushion against increases in fuel freight costs. The Company continually evaluates its supplier base, logistics and supply chain while implementing improvements on service development, system, team members, and process improvements.

Political Challenges

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

Physical Security

In common with all other establishments, the business is open to physical calamities such as natural disasters, fire, storm and accidents. It is also at risk from hostile acts such as terrorism or piracy which could harm our employees, disrupt our operations and destroy our assets. Hence, the Company monitors for emerging threats and vulnerabilities to manage its physical security.

Physical security threats tend to vary geographically and by type of business. The Emergency, Health and Safety Committee together with Regional Sales team of STO provides guidance and support for conduct assurance with respect to the management of security risks affecting the people and operations. The Company also maintains disaster recovery, crisis and business continuity management plans in the subsidiaries.

Cyber Security

The threats to the security of the Group's digital infrastructure continue to evolve and, like many other global organizations, its reliance on computers and network technology is increasing. Cyber risk appears in many forms, all of which can represent major threats to the business. A cyber security breach could have a significant impact on business operation.

STO seeks to manage this risk through adhering to cyber security's best standards, ongoing monitoring of threats, close co-operation with authorities and employee awareness initiatives throughout the Group. The Company also maintains ICT disaster recovery management plans.

Compliance and Control Risks

Ethical misconduct and legal or regulatory non-compliance, or breaches of applicable laws or regulations could damage the reputation, adversely affect operational results and shareholder value. Compliance is assured by an effective team of legal and compliance in the Company.

The Company keeps abreast of new regulations and legislation and plans adequate responses to them. A special attention is paid to risks within Corporate Governance. Various policies and procedures have been adopted with defined authority for effective compliance and controls such as Fraud Response Policy, Whistleblower Policy and Group Companies Code of Conduct. Further, employees are provided with a range of compliance training and monitoring programmes. STO Group is open to feedback and listens to its employees, contractors and other stakeholders closely.

07

SUSTAINABILITY

A RESPONSIBLE PERFORMANCE

STO Group of Companies achieved a solid performance in 2016. This performance is inseparable from the responsible approach the group employed towards attaining a sustainable future. This is clearly demonstrated from the company's endorsement of the United Nations Sustainable Development Goals. Prior to this, STO was also part of the Millennium Development Goals and UN Global Compact as well. Each of the 17 goals set by the UN has a specific target to be achieved in the next 15 years. This report highlights on 8 of these 17 goals and how STO as a Group contributes to responsible performance.

GENDER EQUALITY AND REDUCED INEQUALITIES



STO is a proud advocate for gender equality and in particularly female empowerment. This is evident from the top of the hierarchy, the Board of Directors; to the bottom of the management structure. STO is one of the very first public listed companies in the country to meet the corporate governance guideline of appointing two female directors to represent the Board. At the operational level, the female representation is higher (643 females) than the male (542 males) representation. STO firmly stands against gender based discrimination. There is no differentiation in employee benefits such as salary, training, work environment or even in decision making based on the gender. STO believes that gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world.



Reducing inequality is the greatest single cause for a sustainable future. The root cause for much of the goals of the UN sustainable development program is down to inequality in the society. Reducing the difference between the top tier and the lower tiers of a country could ultimately determine its economic growth, well-being and even eliminate poverty. This approach is reflected within both STO and its contribution to the society. Within the organization, the management has setup measures in terms of a salary structure to reduce the income inequality between the top and lower tiers. Furthermore, STO has helped people with disabilities to attain a normal life as any other. As such, STO has employed 6 staff (PWD-People With Disabilities) at various posts in the organization. Likewise, STO has contributed to the Fiyavathi – children's orphanage to improve their life and to provide equal education and social privileges to them.

Photo: The opening of Children's Playgroup at Fiyavathi. STO Managing Director - "STO believes that every child here should get the same opportunity as any other child in the society in terms of education, health and even in lifestyle. Children here should have access to playgrounds like any other child in the society".



FOOD SECURITY AND HEALTHY WELL-BEING



The uninterrupted provision and affordability of essential goods is part of STO's mission statement. Over the years STO has proudly taken this crucial responsibility and fulfilled this mission to the public. STO's business strategies are also aligned primarily to provide affordable products to the citizens. As such STO plays the role of a regulator (both price and quality) in some commodities such as staple foods and medical / pharmaceutical items. Ensuring the nation's food security is more than just a mission for STO. Rather it is seen as a national obligation that cannot fail.



STO's contribution to the nation's health is well known to each and every citizen. In recent years STO's medical sector has grown exponentially with the primary focus on improving the health and wellbeing of every single citizen in the nation. In addition to supporting health organizations and hospitals, STO is always amongst the first to respond and provide assistance in nationwide pandemics. While most of the time these services are provided not with the intention of profit making but rather just to ensure good health and well-being of citizens.



Photo: Foods Security and Healthy well-being for citizens is more than just a mission of STO. Rather it is seen as national obligation that we cannot fail.

CLIMATE ACTION AND LIFE BELOW WATER



Climate action and life below water are two related goals of the UN sustainable development goals. Being a low lying island nation, these two targets are of particular importance to the Country. STO has always been a strong advocate for environmental issues. In 2016, STO signed a Memorandum of Understanding with Waste Management Corporation Limited to integrate the best practices in waste management in all business operations. The MOU also agrees to create awareness among the staff and the public on the best practices in waste management. In this regard STO is the first public listed organization in the country to manage recycle waste and general waste separately according to industry best practices.



In addition to this, STO also started an initiative to use bio-degradable bags which is crucial for a country that is heavily dependent on healthy well-being of its marine reefs. Without healthy reefs, the two main industries; Fisheries and Tourism sector would collapse. Hence sustaining life underwater is of utmost importance to STO and thus this is reflected in all the organization's business strategies. The newly joined subsidiary – Maldives Industrial Fisheries Company Ltd. (MIFCO) is a prime example to this business approach. MIFCO is a MSC certified fisheries company. This means that MIFCO would use sustainable fishing methods so that they play their part to ensure that the world's oceans remain teething with life – today, tomorrow and for generations to come.

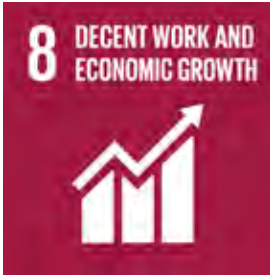


Photo: MIFCO - a MSC certified Company which opts sustainable fishing methods in order to ensure that the oceans remain teething with life for future generations.

SUSTAINABLE CITIES AND ECONOMIC GROWTH



With the rapid growth in the Country's development, the greater Male' area and even some larger islands are seeing the trend of urbanization. As cities develop more and more, people are moving in to these areas in order to upgrade their standard of living. STO being a leader in the construction industry plays an active role in the urbanization of cities. Though at no point does STO consider the development of the cities at the expense of sustainability and community wellbeing. Over the years STO has contributed to the community with the development of green public spaces, parks, pharmacies and playgrounds. The Company also provides flexible assistance for other companies in improving urban planning and management.



With the urbanization of the cities, it is important that new jobs are created in order to gain economic growth. STO leads as an example and provide new jobs with every new project. In 2016 alone STO hired 330 new employees for various positions in the organization. As such STO plays a key role in economic growth by providing decent work opportunities to the public.



Photo: Construction of Fishing Pier at Male' West Coast – a project by State Trading Organization Plc



SUMMARY

Though this report focuses on 8 areas of UNDP sustainable development goals, it does not mean by any chance that they are the only areas that STO contributed. In 2016, STO spent almost 54% of the marketing budget towards developing a sustainable future. These included contributions to education, community, health, environment, sports, children, women and even special needs. Hence this means that STO has directly or indirectly contributed to attain the targets of all 17 UNDP sustainable development goals. Furthermore, this report mostly focuses on how STO as an individual company contributed towards the sustainable development goals. However, it is important to emphasize that such contributions are made by each and every subsidiary company of the Group. Hence it would not be an understatement to state that STO as a Group is the largest contributor to the sustainable development of the Country.



08

GENERAL
INFORMATION

GENERAL INFORMATION

Name of Company

State Trading Organization plc.

Company Registration

Number

C186/2001

Legal Form

A Public Listed Company with limited liability.

Initially incorporated as a Government Company, Athireemaafannu Trading Account (ATA), on 20th December 1964. Renamed as State Trading Organization on 9th June 1979. Changed to a public listed company on 14th August 2001.

Stock Exchange Listing

Ordinary shares of the Company are listed at the Maldives Stock Exchange Pvt. Ltd.

Board of Directors

Hussain Salim Mohamed

Ahmed Shaheer

Mohamed Mihad

Amir Mansoor

Aishath Rafiyya

Aishath Rayaheen Shareef

Mohamed Farshath

Audit Committee

Amir Mansoor (Chairman)

Mohamed Farshath

Aishath Rayaheen Shareef

Risk Committee

Mohamed Farshath (Chairman)

Amir Mansoor

Aishath Rafiyya

Corporate Governance and Compliance Committee

Aishath Rayaheen Shareef

(Chairperson)

Mohamed Farshath

Aishath Rafiyya

Nomination and Remuneration Committee

Aishath Rafiyya (Chairperson)

Aishath Rayaheen Shareef

Amir Mansoor

Auditors

KPMG,

Mialani, 2nd Floor, Henveiru

Sosun Magu, Male'

Republic of Maldives

Bankers

Bank of Ceylon, Male'

Bank of Maldives plc, Male'

BNP Paribas, Singapore

Habib Bank Limited, Male'

HSBC, Hong Kong

Maldives Islamic Bank, Male'

Nations Trust Bank, Colombo

Seylan Bank, Colombo

Commercial Bank of Maldives

State Bank of India, Male'

Rabobank, Singapore

The Mauritius Commercial Bank

(Maldives) Pvt. Ltd.

Registered Address

State Trading Organization plc.

Boduthakurufaanu Magu,

Maafannu, Male' 20345

Republic of Maldives

Call Centre: +960334333 Fax:

+9603344511

Email: info@stomaldives.net

Website: www.sto.mv

SHARE DETAILS

| | No. of Shares | @MVR.50/- | Percentage |
|----------------------|---------------|-------------|------------|
| GOVERNMENT | 919,869 | 45,993,450 | 81.63 |
| PUBLIC | 207,041 | 10,352,050 | 18.37 |
| TOTAL SHARES | 1,126,910 | 56,345,500 | 100 |
| UNAUTHORIZED CAPITAL | | 100,000,000 | |
| PAID-UP CAPITAL | | 56,345,500 | |
| PREMIUM | | 27,814,500 | |

#proudmom #gentleskin #hypoallergenic #cetaphilbabylotion #stomedicalservices



Baby Daily Lotion

All products contain calming organic calendula, derived from the marigold flower. This extract has been used for centuries to soothe sensitive and irritated skin

GROUP COMPANIES

1984
1st November



ALLIED INSURANCE COMPANY OF THE MALDIVES PVT. LTD.

Insurance Company

Incorporated & operated in Maldives



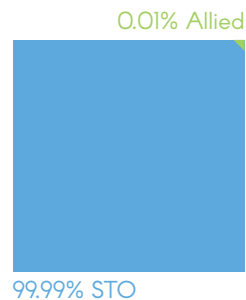
1993
1st November



MALDIVES INDUSTRIAL FISHERIES COMPANY LTD.

Processing, exporting tuna and related products

Incorporated & operated in Maldives



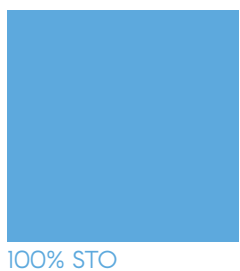
1997
30th November



STO MALDIVES (SINGAPORE) PTE. LTD.

Trading Company

Incorporated & operated in Singapore



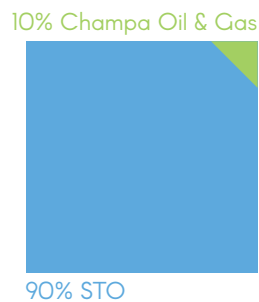
1999
3rd October



MALDIVES GAS PVT. LTD.

Gas Distributor

Incorporated & operated in Maldives



2000
23rd October



MALDIVES STRUCTURAL PRODUCTS PVT. LTD. *

Roofing Material Manufacturer

Incorporated & operated
in Maldives

50% Rainbow Investment



50% STO

2000
18th December



FUEL SUPPLIES MALDIVES PVT. LTD.

Fuel Distributor

Incorporated & operated
in Maldives

0.01% MNOC



99.99% STO

2002
7th January

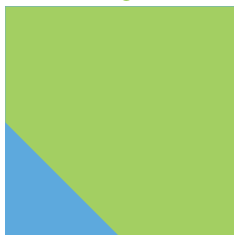


LAFARGE MALDIVES CEMENT PVT. LTD. **

Cement Distributor

Incorporated & operated
in Maldives

75% Lafarge (Zurich)



25% STO

2003
6th October



MALDIVES NATIONAL OIL COMPANY LTD.

Fuel Trader

Incorporated in Maldives
& operated in Singapore

0.01% Allied



99.99% STO

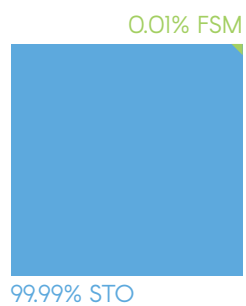
2012
7th February



**STO HOTELS & RESORTS
PVT. LTD.**

Tourism Sector

Incorporated & operated
in Maldives



STO DIRECTORY



+960 3344333



info@stomaldives.net



www.sto.mv

STO PLC

Administration and Human Resources

Business Development and Public

Relations

Company Secretariat

Construction Materials and Transport

Department

- Construction Office

- STO Construction Materials, K.

Thilafushi Warehouse

- Construction Materials 158 Shop

- STO Construction Materials

Warehouse

Corporate and Legal Affairs

Energy and Staple Foods

- Fuel & Lubricants

- Staple Warehouse

Finance Department

Food and Beverages

- STO Supermart

- STO Supermart Warehouse

Home Improvement and Service

Centre

Internal Audit

Information and Communication

Technology

Procurement – Essential Goods

Procurement – General Goods

Regional Sales

- Ha. Hoarafushi Store

- Hdh. Kulhudhufushi Store

- B. Eydhafushi Store

- K. Hulhumale' Store

- K. Villimale' Store

- L. Fonadhoo Store

- Ga. Villingili Store

- Gdh. Thinadhoo Store

- Gn. Fuvamulah Store

- S. Hithadhoo Store

- S. Feydhoo Store

- S. Maradhoo Feydhoo Store

- S. Hulhumeedhoo Store

Risk Management

Medical Services

- Medical Service - Male'

- Medical Store

- Medical Warehouse

- STO IGMH Pharmacy

- STO IGMH – Warehouse

- STO Hdh. Nellaidhoo Pharmacy

- STO Th.Madifushi Pharmacy

- STO R.Maakurathu Pharmacy

- STO Lh. Kurendhoo Pharmacy

- STO L. Maamendhoo Pharmacy

- STO Ga.Dhevvhadhoo Pharmacy

- STO Sh.Feydhoo Pharmacy

- STO N. Kendhikolhudhoo Pharmacy

- STO N. Maafaru Pharmacy

- STO L.Maabaidhoo Pharmacy

- STO Gdh.Nadella Pharmacy

- STO Hdh. Vaikaradhoo Pharmacy

- STO Ga. Nilandhoo Pharmacy

- STO Ha.Maarandhoo Pharmacy

- STO L.Dhanbidhoo Pharmacy

- STO Sh. Maroshi Pharmacy

- STO R. Rasgetheemu Pharmacy

- STO Ha.Thakandhoo Pharmacy

- STO Hdh.Makunudhoo Pharmacy

- STO N. Velidhoo Pharmacy

- Ga. Kanduhulhudhoo Pharmacy

- STO Ha.Utheemu Pharmacy

- STO K.Gulhi Pharmacy

- STO B. Kendhoo Pharmacy

- STO K. Huraa Pharmacy

- STO Th.Dhiyamingili Pharmacy

- STO Ha.Muraidhoo Pharmacy

- STO R. Rasmaadhoo Pharmacy

- STO L. Kunahandhoo Pharmacy

- STO F.Bileddhoo Pharmacy

- STO Hdh.Naivaadhoo Pharmacy

- STO R. Innamaadhoo Pharmacy

- STO M. Kolhufushi Pharmacy

- STO Sh.Bileffahi Pharmacy

- STO Sh.Maungoodhoo Pharmacy

- STO Sh. Lhaimagu Pharmacy

- STO Th. Omadhoo Pharmacy

- STO Sh.Komandoo Pharmacy

- STO Aa.Bodufulhadhoo Pharmacy

- STO Sh. Feevah Pharmacy

- STO F. Feeali Pharmacy

- STO B.Dharavandhoo Pharmacy

- STO Aa. Himandhoo Pharmacy

- STO M. Mulah Pharmacy

- STO Adh.Omadhoo Pharmacy

- STO N.Miladhoo Pharmacy

- STO Ha. Thuraakunu Pharmacy

- STO Th. Vandhoo Pharmacy

- STO Th.Kandoodhoo Pharmacy

- STO Aa.Ukulhas Pharmacy

- STO Th. Burunee Pharmacy

- STO B. Kudarikilu Pharmacy

- STO N.Landhoo Pharmacy

- STO R.Kinolhas Pharmacy

- STO Dh. Bandidhoo Pharmacy

- STO Dh. Hulhudheli Pharmacy

- STO N.Maalhendhoo Pharmacy

- STO Adh.Fenfushi Pharmacy

- STO Hdh. Finey Pharmacy

- STO N. Lhohi Pharmacy

- STO Ga.Kondey Pharmacy

- STO B.Maalhos Pharmacy

- STO Dh. Rinbudhoo Pharmacy

- STO R. Vaadhoo Pharmacy

- STO Hdh.Hirimaradhoo Pharmacy

- STO B.Dhonfaru Pharmacy

- STO F. Magoodhoo Pharmacy

- STO R. Angolhitheemu Pharmacy

- STO V.Keyodhoo Pharmacy

- STO M.Naalaafushi Pharmacy

- STO B. Kamadhoo Pharmacy

- STO Hdh. Nohivaranfaru Pharmacy

- STO Ha.Vashafaru Pharmacy

- STO Aa.Mathiveri Pharmacy

- STO B. Kihaadhoo Pharmacy

- STO Adh. Haggnaameedhoo Pharmacy
- STO N. Foddhoo Pharmacy
- STO Sh. Milandhoo Pharmacy
- STO Sh. Narudhoo Pharmacy
- STO R. Fainu Pharmacy
- STO Adh. Dhigurah Pharmacy
- STO Sh. Goidhoo Pharmacy
- STO Sh. Noomaraa Pharmacy
- STO M. Maduvvaree Pharmacy
- STO N.Henbandhoo Pharmacy
- STO N. Kudafaree Pharmacy
- STO V. Rakeedhoo Pharmacy
- STO Ha. Molhadhoo Pharmacy
- STO N.Magoodhoo Pharmacy
- STO L. Mundoo Pharmacy
- STO B. Fulhadhoo Pharmacy
- STO Sh. Foakaidhoo Pharmacy
- STO Adh. Kunburudhoo Pharmacy
- STO M. Veyvah Pharmacy
- STO Lh. Olhuvelifushi Pharmacy
- STO Adh.Mandhoo Pharmacy
- STO Ga.Gemanafushi Pharmacy
- STO B. Fehendhoo Pharmacy
- STO Aa. Maalhos Pharmacy
- STO V.Thinadhoo Pharmacy
- STO M.Raimmandhoo Pharmacy
- STO Adh. Dhiddhoo Pharmacy
- STO Hdh.Kurinbi Pharmacy
- STO S. Maradhoo Pharmacy
- STO Peoples Choice Medical Pharmacy
- STO Henveyru Pharmacy
- STO Medical Store - Hulhumale'
- STO Hdh. Kulhudhufushee Pharmacy
- STO G.Dh. Thinadhoo Pharmacy
- STO S. Hithadhoo Pharmacy
- STO Hulhumeedhoo Pharmacy
- STO L.Gan Pharmacy
- STO B.Eydhafushi Pharmacy
- STO K.Vilimale Pharmacy
- STO Ga.Viillingili Pharmacy
- STO Th.Veymandoo Pharmacy
- STO Ga. Kolamaafushi Pharmacy
- STO K. Himmafushi Pharmacy
- STO L.Maavah Pharmacy
- STO Ha. Hoarafushi Pharmacy
- STO Ha. Kelaa Pharmacy
- STO Dh. Maaenboodhoo Pharmacy
- STO R. Meedhoo Pharmacy
- STO Th. Thimarafushi Pharmacy
- STO L.Fonadhoo Pharmacy
- STO Aa.Rasdoo Pharmacy
- STO M. Muli Pharmacy
- STO R. Ungoofaaru Pharmacy
- STO A.Dh.Mahibadhoo Pharmacy
- STO. Ha. Dhihdhoo Pharmacy
- STO F.Nilandhoo Pharmacy
- STO V.Felidhoo Pharmacy
- STO N. Manadhoo Pharmacy
- STO Lh. Naifaru Pharmacy
- STO Gn.Fuvahmulah Pharmacy
- STO Dh. Kudahuvadhoo Pharmacy
- Sh. Funadhoo Pharmacy
- STO R.Dhuvaafaru Pharmacy
- STO Th. Guraidhoo Pharmacy
- STO Ha. Ulhigamu Pharmacy
- STO Hdh.Nolhivaram Pharmacy
- STO Adh. Maamingili Pharmacy
- STO B.Thulhaadhoo Pharmacy
- STO K. Thulusdhoo Pharmacy
- STO Gdh. Gaddhoo Pharmacy
- STO K. Dhiffushi Pharmacy
- STO Adh. Dhangethi Pharmacy
- STO L. Hithadhoo Pharmacy
- STO Th.Hirilandhoo Pharmacy
- Gdh. Hoandeddhoo Pharmacy
- STO Ha.Ihavandhoo Pharmacy
- STO Lh.Hinnavaru Pharmacy
- STO K.Kaashidhoo Pharmacy
- STO Th.Vilufushi Pharmacy
- STO Hdh. Hanimaadhoo Pharmacy
- STO K. Maafushi Pharmacy
- STO R. Alifushi Pharmacy
- STO Ga. Dhaandhoo Pharmacy
- STO Ha. Baarah Pharmacy
- STO K.Guraidhoo Pharmacy
- STO R.Inguraidhoo Pharmacy
- STO Ha.Filladhoo Pharmacy
- STO B.Hithaadhoo Pharmacy
- STO Gdh.Fares-Maathodaa Pharmacy
- STO B.Goidhoo Pharmacy
- STO S.Feydhoo Pharmacy
- STO Gdh.Vaadhoo Pharmacy
- STO Gdh. Rathafandhoo Pharmacy
- STO M. Dhiggaru Pharmacy
- STO Dh. Meedhoo Pharmacy
- STO Th. Gaadhiffushi Pharmacy
- STO F. Dharanboodhoo Pharmacy
- STO V Fulidhoo Pharmacy
- STO Aa.Feridhoo Pharmacy
- STO R. Maduvvaree Pharmacy
- STO Gdh. Fiyoaree Pharmacy
- STO N.Holhudhoo Pharmacy
- STO R.Hulhudhuffaar Pharmacy
- STO Sh. Kanditheemu Pharmacy
- STO Ga. Maamendhoo Pharmacy
- STO G.Dh.Madaveli Pharmacy
- STO Hdh.Neykurendhoo Pharmacy
- STO Hdh. Kumundhoo Pharmacy
- STO Th. Kinbidhoo Pharmacy
- STO A.A Thoddoo Pharmacy
- STO K.Gaafaru Pharmacy
- STO L. Isdhoo Pharmacy

STO GROUP OF COMPANIES

Allied Insurance Company of the Maldives Pvt. Ltd.

Umar Shopping Arcade Building, 3rd Floor

Chaandhane Magu, Male' 20156

Maldives

T: +960 334 1001, Hotline: 1600 F: +960 332 5035

E: info@alliedmaldives.net

Website: www.allied.mv

Maldives Structural Products Pvt Ltd

G. Marline Spike Building, 2/10

Alikilegefaanu Magu, Male' 20117

Maldives

T: +960 3337720 F: +960 3337721

E: msroof@dhivehinet.net.mv

Fuel Supplies Maldives Pvt Ltd,

STO Aifaanu Building, Block A, 4th Floor,

Boduthakurufaanu Magu, Male' 20-05,

Maldives

T: +960 3336655, F: +960 3313881

E: info@fuelmaldives.com

Website: www.fuelmaldives.com

Maldives Industrial Fisheries Company Ltd

MIFCO Head Office Building

Hilaalee Magu, Male' 389

Maldives

T: +960 3323932 +960 3323955 E: info@mifco.com.mv

Website: www.mifco.mv

Maldivian Gas Pvt Ltd,

#02-21 STO Trade Centre, 2nd Floor,

Orchid Magu, Male' 20188

Maldives

T: +960 333 5614 F: +960 3335615

E: info@maldivegas.com

Website: www.maldivegas.com

STO Hotels and Resorts Pvt Ltd

STO Head Office Building, 6th Floor,

Boduthakurufaanu Magu, Male' 20345

Maldives

T: +960 3344388 +960 3344374 F: +960 3344599 E:

Website: hotels@stomaldives.net

Maldives National Oil Company Ltd

STO Head Office Building, 7th Floor

Boduthakurufaanu Magu, Male' 20345,

Maldives

T: +960 3344333 F: +960 3344533

E: info@mnoc.com.sg

Website: www.mnoc.com.mv

STO Maldives (Singapore) Pte Ltd

#39-10 International Plaza,

10 Anson Road 079903,

Singapore

T: (65) 6324 4668

E: stosing@stomaldives.com.sg

09

INDEPENDENT
AUDITOR'S
REPORT & FINANCIAL
STATEMENTS

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

FOR THE YEAR ENDED 31ST DECEMBER 2016

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(Chartered Accountants)
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Sosun Magu,
Male',
Republic of Maldives.

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+960 3323 393
Fax : +960 3323 175
E-mail : kpmgmvmv@kpmg.com

Independent Auditors' Report To the Shareholders of State Trading Organization PLC

We have audited the accompanying consolidated and separate financial statements of State Trading organization PLC (the "Company") and its subsidiaries (together with the "Group"), which comprise the consolidated and separate statements of financial position as at 31st December 2016 and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information set out in pages 11 to 59 .

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Opinion - Company

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31st December 2016 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

- **Revenue recognition of retail, wholesale and insurance sectors**

(Refer to the significant accounting policies in note 3.14 and Note 7 of the consolidated and separate financial statements).

| Description | How the matter was addressed in our audit |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Revenue is an important measure used to evaluate the performance of the Group and the Company. Given the significance of the total value, the number of transactions, geographical locations and the dependence on IT systems over recognition of revenue from retail and wholesale sector of the Company and the significance of the estimations involved in the revenue from the subsidiary engaged in insurance services, revenue from these segments was considered as a key audit matter that required our significant attention.</p> | <p>In this area, our audit procedures included, among others;</p> <ul style="list-style-type: none"> - Testing the key IT controls and manual controls over recognition of revenue. - Testing the assumptions made by the Group in the computation of revenue to be recognized during the year. - Performing procedures in order to establish the completeness of the revenue recognized in the appropriate period. - Performing substantive analytical procedures over insurance premium revenue. - Re computing the unearned premium revenue relating to the insurance segment. |

- **Transfer of the ownership of Maldives Industrial Fisheries Company Limited (“MIFCO”)**

(Refer to the notes 17.1 of the consolidated and separate financial statements).

| Description | How the matter was addressed in our audit |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Pursuant to the decision made by the cabinet of the Government of Maldives, in October 2016, the entire stake in Maldives Industrial Fisheries Company Limited (“MIFCO”) owned by the Government of Maldives was transferred to the Group without any consideration. Due to the unusual nature and the complexity of the transfer, we considered this as a key audit matter that required our significant attention.</p> | <p>In this area, our audit procedures included, among others;</p> <ul style="list-style-type: none"> - Evaluating the substance of the transaction to test whether it satisfies the common control classification. - Checking the accuracy of the values recorded in the financial statements of the Group at the date of acquisition. - Evaluating the date on which the transaction is completed based on the agreements and other supporting evidences. - Evaluating the compliance with the relevant accounting Standards and the accounting policy disclosed in Note 2.5 (vi) selected by the Group for the consolidation of MIFCO. |

• **Recognition of Insurance Claim Liabilities and reinsurance claim receivable**

(Refer to the significant accounting policies in note 3.13 and Note 32 of the consolidated and separate financial statements).

| Description | How the matter was addressed in our audit |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The provision for claims outstanding comprises the estimated costs of settling all claims incurred but unpaid at the reporting date of the subsidiary Allied Insurance Company Private Limited, whether reported or not. This was considered as a significant area of estimation given the uncertainty of estimation claims not reported, future costs of settling claims, discount rates.</p> <p>The valuation of reinsurance claim receivable is dependent on the valuation of underlying insurance claim liabilities as a result the same will be subject to estimation uncertainties.</p> <p>As a result, recognition of insurance claim liabilities and reinsurance claim receivable was considered as a matter that require our significant attention.</p> | <p>In this area, our audit procedures included, among others;</p> <ul style="list-style-type: none"> - Testing the key controls over claim process and performed substantive analysis over the trends in claims frequency and amounts. - Assessing the basis of estimation by reviewing the history of estimation against the actual claims made. - Evaluating the assumptions used in the actuarial valuation performed by the external expert over the Life insurance liabilities and incurred but not reported provisions as at the reporting date. - Verifying provision for pending claims with surveyor reports and recalculating the claim recoverable from reinsurers. |

Other Information

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

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

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

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

Responsibilities of the Board of directors for the Consolidated and Separate Financial Statements

The Board of directors ("the Board") is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Board of directors for the Consolidated and Separate Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

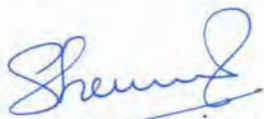
**Responsibilities of the Board of directors for the Consolidated and Separate Financial Statements
(Continued)**

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Mohamed Shameel.



Mohamed Shameel

For and on behalf of KPMG

25th April 2017

Male'

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

| FOR THE YEAR ENDED 31ST DECEMBER 2016 | Note | Group | | Company | |
|----------------------------------------------------------------|-----------|----------------------|----------------------|--------------------|----------------------|
| | | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Revenue | 7 | 6,939,049,552 | 7,313,248,218 | 6,384,904,397 | 7,132,380,488 |
| Cost of sales | | (5,564,274,710) | (5,807,900,492) | (5,411,762,992) | (5,850,728,837) |
| Gross profit | | 1,374,774,842 | 1,505,347,726 | 973,141,405 | 1,281,651,651 |
| Other income | 8 | 76,247,438 | 66,507,428 | 39,976,006 | 48,540,886 |
| Administrative expenses | | (497,684,003) | (482,265,623) | (318,812,593) | (286,850,006) |
| Selling and marketing expenses | | (344,957,878) | (403,021,876) | (346,563,972) | (432,288,492) |
| Other operating expenses | | (28,206,135) | (8,609,535) | (7,544,337) | (6,092,414) |
| Operating profit | | 580,174,264 | 677,958,120 | 340,196,509 | 604,961,625 |
| Finance income | 9 | 26,193,084 | 29,550,031 | 111,997,103 | 66,547,082 |
| Finance costs | 9 | (124,899,646) | (196,031,435) | (114,468,354) | (187,914,931) |
| Net finance costs | 9 | (98,706,562) | (166,481,404) | (2,471,251) | (121,367,849) |
| Share of profit of equity accounted investees - net of tax | | 10,307,449 | 8,468,119 | - | - |
| Profit before tax | 10 | 491,775,151 | 519,944,835 | 337,725,258 | 483,593,776 |
| Income tax expense | 11 | (61,181,288) | (84,595,598) | (49,480,624) | (53,255,922) |
| Profit for the year | | 430,593,863 | 435,349,237 | 288,244,634 | 430,337,854 |
| Other comprehensive income | | | | | |
| Items that are or may be reclassified to profit or loss | | | | | |
| Available-for-sale financial assets - net change in fair value | 19 | (125,000) | 1,500,000 | - | - |
| Total other comprehensive income - net of tax | | (125,000) | 1,500,000 | - | - |
| Total comprehensive income for the year | | 430,468,863 | 436,849,237 | 288,244,634 | 430,337,854 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 426,197,749 | 430,484,964 | 288,244,634 | 430,337,854 |
| Non - controlling interest | | 4,396,114 | 4,864,273 | - | - |
| | | 430,593,863 | 435,349,237 | 288,244,634 | 430,337,854 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 426,072,749 | 431,984,964 | 288,244,634 | 430,337,854 |
| Non - controlling interest | | 4,396,114 | 4,864,273 | - | - |
| Total comprehensive income for the year | | 430,468,863 | 436,849,237 | 288,244,634 | 430,337,854 |
| Basic and diluted earnings per share | 12 | 378 | 382 | 256 | 382 |

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 11 to 59. The Report of the Independent Auditors is given on pages 1 to 5.

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

AS AT 31ST DECEMBER 2016

| | Note | Group | | Company | |
|------------------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 1,649,795,308 | 1,213,093,827 | 1,095,464,998 | 1,059,715,178 |
| Investment property | 14 | 686,187,345 | 581,444,662 | 686,187,345 | 581,444,662 |
| Intangible assets | 15 | 14,474,093 | 18,456,818 | 3,988,683 | 8,588,191 |
| Prepaid lease rent | 16 | 33,753,738 | 36,068,280 | 33,753,738 | 36,068,280 |
| Investment in subsidiaries | 17 | - | - | 117,249,835 | 117,249,835 |
| Interest in equity accounted investees | 18 | 34,718,709 | 37,411,260 | 15,267,267 | 15,267,267 |
| Investments available for sale | 19 | 22,865,800 | 22,990,800 | 12,740,800 | 12,740,800 |
| Amounts due from related parties | 22 | 1,665,151 | 7,727,213 | 1,665,151 | 7,727,213 |
| Deferred tax assets | 11 | 52,332,708 | 65,157,731 | 47,861,097 | 61,165,267 |
| Total non-current assets | | 2,495,792,852 | 1,982,350,591 | 2,014,178,914 | 1,899,966,693 |
| Current assets | | | | | |
| Inventories | 20 | 1,033,988,273 | 706,376,537 | 771,797,441 | 664,568,753 |
| Trade and other receivables | 21 | 648,190,054 | 568,547,262 | 223,418,415 | 207,577,938 |
| Prepaid lease rent | 16 | 2,314,542 | 2,314,542 | 2,314,542 | 2,314,542 |
| Amounts due from related parties | 22 | 1,738,484,959 | 1,370,060,364 | 1,870,785,283 | 1,558,361,016 |
| Reinsurance contracts | 23 | 210,619,258 | 283,962,492 | - | - |
| Investments held to maturity | 24 | 154,359,639 | 101,096,852 | - | - |
| Cash and cash equivalents | 25 | 765,761,706 | 697,711,840 | 547,503,243 | 479,943,117 |
| Total current assets | | 4,553,718,431 | 3,730,069,889 | 3,415,818,924 | 2,912,765,366 |
| Total assets | | 7,049,511,283 | 5,712,420,480 | 5,429,997,838 | 4,812,732,059 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 26 | 56,345,500 | 56,345,500 | 56,345,500 | 56,345,500 |
| Share premium | 26 | 27,814,500 | 27,814,500 | 27,814,500 | 27,814,500 |
| Claim equalization reserve | 26 | 33,212,779 | 33,212,779 | - | - |
| Currency translation reserve | 26 | 334,411 | 334,411 | - | - |
| General reserve | 26 | 646,301,585 | 588,652,658 | 637,019,775 | 579,370,848 |
| Fair value reserve | 26 | 125,000 | 250,000 | - | - |
| Retained earnings | | 1,661,937,730 | 1,489,660,990 | 1,399,690,637 | 1,233,328,800 |
| Total equity attributable to owners of the parent Company | | 2,426,071,505 | 2,196,270,838 | 2,120,870,412 | 1,896,859,648 |
| Non-controlling interest | 27 | 15,548,263 | 14,374,371 | - | - |
| Total equity | | 2,441,619,768 | 2,210,645,209 | 2,120,870,412 | 1,896,859,648 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Loans and borrowings | 28 | 873,544,160 | 811,480,567 | 778,315,651 | 811,480,567 |
| Deferred income | 30 | 14,509,955 | 10,959,625 | - | - |
| Deferred tax liability | 11 | 1,934,903 | 2,736,724 | - | - |
| Total non-current liabilities | | 889,989,018 | 825,176,916 | 778,315,651 | 811,480,567 |
| Current liabilities | | | | | |
| Loans and borrowings | 28 | 809,002,957 | 490,729,031 | 434,439,454 | 450,709,996 |
| Trade and other payables | 29 | 2,188,460,599 | 1,585,144,945 | 1,788,587,755 | 1,410,890,696 |
| Deferred income | 30 | 6,427,811 | 4,543,816 | - | - |
| Derivative financial instruments | 31 | - | 2,633,377 | - | 2,633,377 |
| Insurance contracts | 32 | 364,694,640 | 368,919,466 | - | - |
| Current tax liabilities | 33 | 15,685,739 | 47,902,844 | 7,925,936 | 27,850,170 |
| Amounts due to related parties | 34 | 128,721,517 | 96,080,340 | 232,714,607 | 152,923,937 |
| Bank overdrafts | 25 | 204,909,234 | 80,644,536 | 67,144,023 | 59,383,668 |
| Total current liabilities | | 3,717,902,497 | 2,676,598,355 | 2,530,811,775 | 2,104,391,844 |
| Total liabilities | | 4,607,891,515 | 3,501,775,271 | 3,309,127,426 | 2,915,872,411 |
| Total equity and liabilities | | 7,049,511,283 | 5,712,420,480 | 5,429,997,838 | 4,812,732,059 |

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 11 to 59. The Report of the Independent Auditors is given on pages 1 to 5.

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

Name of the Director
 Mohamed Mihad/CFO
 Ahmed Shaheer/ MD
 Hussain Salim Mohamed/
 Chairman

Signature


25 APR 2017

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

FOR THE YEAR ENDED 31ST DECEMBER 2016

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interest | Total equity |
|---------------------------------------------------------------------------|---------------------------------------|---------------|----------------------------|------------------------------|-----------------|--------------------|-------------------|---------------|-------------|---------------|--------------------------|---------------|
| | Share capital | Share premium | Claim equalization reserve | Currency translation reserve | General reserve | Fair value reserve | Retained earnings | Total | | | | |
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| As at 1st January 2015 | 56,345,500 | 27,814,500 | 29,028,054 | 334,411 | 498,978,237 | (1,250,000) | 1,238,680,332 | 1,849,931,034 | 10,071,163 | 1,860,002,197 | | 1,860,002,197 |
| Profit for the year | - | - | - | - | - | - | 430,484,964 | 430,484,964 | 4,864,273 | 435,349,237 | | 435,349,237 |
| Other comprehensive income | | | | | | | | | | | | |
| Net change in fair value of available-for-sale financial assets (Note 19) | - | - | - | - | - | 1,500,000 | - | 1,500,000 | - | 1,500,000 | - | 1,500,000 |
| Foreign operations - foreign currency translation differences | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 1,500,000 | 430,484,964 | 431,984,964 | 4,864,273 | 436,849,237 | | 436,849,237 |
| Transfer to / (from) during the year | | | | | | | | | | | | |
| - general reserve | - | - | - | - | 89,674,421 | - | (89,674,421) | - | - | - | - | - |
| - claim equalization reserve | - | - | 4,184,725 | - | - | - | (4,184,725) | - | - | - | - | - |
| Transactions with owners of the Company | | | | | | | | | | | | |
| - Dividends | - | - | - | - | - | - | (85,645,160) | (85,645,160) | (561,065) | (86,206,225) | | (86,206,225) |
| Total transaction with owners of the Company | - | - | - | - | - | - | (85,645,160) | (85,645,160) | (561,065) | (86,206,225) | | (86,206,225) |
| As at 31st December 2015 | 56,345,500 | 27,814,500 | 33,212,779 | 334,411 | 588,652,658 | 250,000 | 1,489,660,990 | 2,196,270,838 | 14,374,371 | 2,210,645,209 | | 2,210,645,209 |
| As at 1st January 2016 | 56,345,500 | 27,814,500 | 33,212,779 | 334,411 | 588,652,658 | 250,000 | 1,489,660,990 | 2,196,270,838 | 14,374,371 | 2,210,645,209 | | 2,210,645,209 |
| Profit for the year | - | - | - | - | - | - | 426,197,749 | 426,197,749 | 4,396,114 | 430,593,863 | | 430,593,863 |
| Loss from acquisition of MIFCO (Note 17) | - | - | - | - | - | - | (132,038,212) | (132,038,212) | - | (132,038,212) | | (132,038,212) |
| Other comprehensive income | | | | | | | | | | | | |
| Net change in fair value of available-for-sale financial assets (Note 19) | - | - | - | - | - | (125,000) | - | (125,000) | - | (125,000) | | (125,000) |
| Total comprehensive income for the year | - | - | - | - | - | (125,000) | 294,159,537 | 294,034,537 | 4,396,114 | 298,430,651 | | 298,430,651 |
| Transfer to / (from) during the year | | | | | | | | | | | | |
| - general reserve | - | - | - | - | 57,648,927 | - | (57,648,927) | - | - | - | - | - |
| Transactions with owners of the Company | | | | | | | | | | | | |
| - Dividends | - | - | - | - | - | - | (64,233,870) | (64,233,870) | (3,222,222) | (67,456,092) | | (67,456,092) |
| Total transaction with owners of the Company | - | - | - | - | - | - | (64,233,870) | (64,233,870) | (3,222,222) | (67,456,092) | | (67,456,092) |
| As at 31st December 2016 | 56,345,500 | 27,814,500 | 33,212,779 | 334,411 | 646,301,585 | 125,000 | 1,661,937,730 | 2,426,071,505 | 15,548,263 | 2,441,619,768 | | 2,441,619,768 |

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 11 to 59. The Report of the Independent Auditors is given on pages 1 to 5.

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

FOR THE YEAR ENDED 31ST DECEMBER 2016

| COMPANY | Share capital MVR | Share premium MVR | General reserve MVR | Retained earnings MVR | Total equity MVR |
|-----------------------------------------------------|--------------------------|--------------------------|----------------------------|------------------------------|-------------------------|
| As at 1st January 2015 | 56,345,500 | 27,814,500 | 493,303,277 | 974,703,677 | 1,552,166,954 |
| Profit for the year | - | - | - | 430,337,854 | 430,337,854 |
| Total comprehensive income for the year | - | - | - | 430,337,854 | 430,337,854 |
| Transfer to / (from) during the year | | | | | |
| - general reserve | - | - | 86,067,571 | (86,067,571) | - |
| Transactions with owners of the Company | | | | | |
| Dividends | - | - | - | (85,645,160) | (85,645,160) |
| Total transaction with owners of the Company | - | - | - | (85,645,160) | (85,645,160) |
| As at 31st December 2015 | <u>56,345,500</u> | <u>27,814,500</u> | <u>579,370,848</u> | <u>1,233,328,800</u> | <u>1,896,859,648</u> |
| As at 1st January 2016 | 56,345,500 | 27,814,500 | 579,370,848 | 1,233,328,800 | 1,896,859,648 |
| Profit for the year | - | - | - | 288,244,634 | 288,244,634 |
| Total comprehensive income for the year | - | - | - | 288,244,634 | 288,244,634 |
| Transfer to / (from) during the year | | | | | |
| - general reserve | - | - | 57,648,927 | (57,648,927) | - |
| Transactions with owners of the Company | | | | | |
| Dividends | - | - | - | (64,233,870) | (64,233,870) |
| Total transaction with owners of the Company | - | - | - | (64,233,870) | (64,233,870) |
| As at 31st December 2016 | <u>56,345,500</u> | <u>27,814,500</u> | <u>637,019,775</u> | <u>1,399,690,637</u> | <u>2,120,870,412</u> |

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 11 to 59. The Report of the Independent Auditors is given on pages 1 to 5.

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

FOR THE YEAR ENDED 31ST DECEMBER 2016

| | Note | Group | | Company | |
|-----------------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 491,775,151 | 519,944,835 | 337,725,258 | 483,593,776 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation on property, plant and equipment | 13 | 94,513,195 | 67,779,919 | 59,836,644 | 44,004,593 |
| Depreciation on investment properties | 14 | 1,280,742 | 1,276,529 | 1,280,742 | 1,276,529 |
| Amortization of intangible assets | 15 | 6,887,913 | 14,047,175 | 4,599,508 | 12,143,396 |
| Capital working progress written off | 13 | 3,570,327 | - | 2,795,560 | - |
| Investment property CWIP written off | 16 | 1,926,669 | - | 1,926,669 | - |
| Reversal of accrued fine on rent | 8 | (17,798,753) | - | - | - |
| Reversal of accrued lease rent | 8 | (9,492,841) | - | - | - |
| Gain on disposal of property, plant and equipment | 8 | (72,503) | (871,608) | (72,503) | (871,608) |
| Gain on disposal of available-for-sale investments | 8 | - | (1,600,000) | - | - |
| Loss on disposal of intangible assets | | - | 671,293 | - | - |
| Loss on disposal of airport operations | 10 | - | 27,097,105 | - | - |
| Provision for impairment of receivables | 10 | - | 16,019,369 | - | 10,328,575 |
| inventories | 20 | 11,299,567 | (17,175,098) | 6,852,764 | (10,184,633) |
| Receivable written off | | 1,421,611 | - | 1,421,148 | - |
| Share of profit of equity - accounted investees, net of tax | | (10,307,449) | (8,468,119) | - | - |
| Interest expense | 9 | 113,135,102 | 150,061,709 | 102,827,737 | 141,945,205 |
| Interest income | 9 | (9,620,752) | (10,763,743) | (9,010,069) | (10,763,743) |
| Dividend income | 9 | (2,018,522) | (1,195,000) | (102,987,034) | (53,949,343) |
| Operating profit before working capital changes | | 676,499,457 | 756,824,366 | 407,196,424 | 617,522,747 |
| Working capital changes | | | | | |
| Change in inventories | | (163,234,964) | 17,150,836 | (114,081,451) | (18,297,469) |
| Change in trade and other receivables | | (57,182,769) | (19,884,405) | (22,421,233) | 23,901,216 |
| Change in amount due from related parties | | (28,294,775) | 32,698,828 | (301,202,597) | 94,111,729 |
| Changes in reinsurance contracts | | 73,343,234 | (54,798,964) | - | - |
| Changes in deferred revenue | | 1,789,015 | 2,674,455 | - | - |
| Change in amount due to related parties | | (117,346,956) | (21,694,117) | 79,790,670 | (101,344,459) |
| Change in trade and other payables | | 432,104,291 | (118,124,314) | 447,984,676 | (205,062,249) |
| Changes in insurance contracts | | (4,224,826) | 49,857,375 | - | - |
| Cash generated from operating activities | | 813,451,707 | 644,704,060 | 497,266,489 | 410,831,515 |
| Interest paid | | (113,135,102) | (150,061,709) | (102,827,737) | (141,945,205) |
| Income tax paid | 33 | (81,375,191) | (113,950,509) | (56,100,688) | (89,537,708) |
| Net cash generated from operating activities | | 618,941,414 | 380,691,842 | 338,338,064 | 179,348,602 |
| Cash flows from investing activities | | | | | |
| Purchase and construction of property, plant and equipment | 13 | (208,114,153) | (299,873,954) | (96,281,482) | (248,022,560) |
| Purchase and construction of investment properties | 14 | (107,950,094) | (6,922,841) | (107,950,094) | (6,922,841) |
| Purchase of intangible assets | 15 | (2,831,564) | (1,592,292) | - | - |
| Proceeds from sales of property, plant and equipment | | 1,545,662 | 6,530,053 | 286,502 | 2,337,441 |
| Proceeds from sales of available-for-sale investments | | - | 7,600,000 | - | - |
| Purchase of held to maturity financial assets | 24 | (499,041,823) | (581,207,636) | - | (320,456,280) |
| Proceeds from sale of held to maturity financial assets | 24 | 445,779,036 | 570,795,385 | - | 320,456,280 |
| Interest received | | 9,620,752 | 10,763,743 | 9,010,069 | 10,763,743 |
| Cash and cash equivalents of MIFCO at the date of acquisition | 17 | (100,321,062) | - | - | - |
| Dividend received | | 15,018,522 | 13,195,000 | 102,987,034 | 53,949,343 |
| Net cash used in investing activities | | (446,294,724) | (280,712,542) | (91,947,971) | (187,894,874) |
| Cash flows from financing activities | | | | | |
| Loans and borrowings obtained | 28 | 814,380,563 | 1,255,625,784 | 814,380,562 | 1,245,447,848 |
| Repayments of borrowings | 28 | (905,514,999) | (1,063,173,765) | (863,816,020) | (1,010,196,144) |
| Net payment made for currency swap | 31 | (2,633,377) | (7,378,200) | (2,633,377) | (7,378,200) |
| Dividend paid | | (135,093,709) | (16,091,123) | (134,521,487) | (15,530,058) |
| Net cash (Used in) / generated from financing activities | | (228,861,522) | 168,982,696 | (186,590,322) | 212,343,446 |
| Net increase in cash and cash equivalents | | (56,214,832) | 268,961,996 | 59,799,771 | 203,797,174 |
| Cash and cash equivalents at beginning of the year | | 617,067,304 | 348,105,308 | 420,559,449 | 216,762,275 |
| Cash and cash equivalents at end of the year | 25 | 560,852,472 | 617,067,304 | 480,359,220 | 420,559,449 |

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 11 to 59. The Report of the Independent Auditors is given on pages 1 to 5.

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

1. REPORTING ENTITY

1.1 Parent company

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

The main business of the Company is importing and trading of fuel and various types of consumable and industrial goods.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

| Items | Measurement basis |
|----------------------------------------------------------------------------|--------------------------|
| Derivative financial instruments at fair value through profit or loss | Fair value |
| Non- derivative financial instruments at fair value through profit or loss | Fair Value |
| Available for sale financial Assets | Fair Value |

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation

(i) Business combinations

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

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

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

(ii) Subsidiaries

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

(iii) Interests in equity accounted investees

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

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

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

(iv) Transactions eliminated on consolidation

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

(v) Non-controlling interest

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

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

(vi) Common control transactions

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

(vii) Loss of control

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

(i) Transactions in foreign currencies

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

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

However, foreign currency differences arising from the translation of the following items are recognised on other comprehensive income (OCI).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Foreign currency (continued)

(i) Transactions in foreign currencies (continued)

Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in other comprehensive income (OCI) are reclassified to profit or loss)

(ii) Foreign operations

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

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

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group / Company disposes of part of its interest in a subsidiary but retain control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group / Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3.2 Financial instruments

(i) Financial assets (non-derivative)

The Group and the Company initially recognizes trade and other receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group and the Company becomes a party to the contractual provisions of the instrument.

The Group and Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group and Company is recognized as a separate asset or liability.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(i) Financial assets (non-derivative) (continued)

The Group and Company has the following financial assets (non-derivative):

- Available for sale financial assets
- Loans and receivables
- Cash and cash equivalents
- Held – to – maturity financial assets

Available for sale financial assets

The Group's investment in equity securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at cost less impairment loss since the fair value cannot be ascertained using the appropriate valuation techniques.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables, re-insurance contracts and amounts due from related parties.

Trade and other receivables, re-insurance contracts and amounts due from related parties are initially recognized at the fair value of the consideration received or receivable. Subsequent to initial recognition, they are measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash in hand. For the purpose of cash flows, the cash and cash equivalent is shown net of bank overdraft.

Held – to – maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(ii) Financial liabilities (non-derivative)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(ii) Financial liabilities (non-derivative) (continued)

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

The Group / Company has non-derivative financial liabilities such as loans and borrowings, amounts due to related parties, insurance contracts, derivative financial instruments, trade and other payables and bank overdraft. These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

3.3 Share capital

Ordinary shares

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

3.4 Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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

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

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

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

(iv) Capital work- in -progress

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

3.5 Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment properties (continued)

Leasehold buildings and structures 20 to 25 years

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

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

3.6 Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

| | |
|-------------------|---------------|
| Computer software | 3 to 10 Years |
|-------------------|---------------|

(iv) Capital work in progress

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

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

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

3.8 Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss, including an interest in an equity accounted investee are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group / Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (continued)

(i) Financial assets (including receivables) (continued)

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

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

3.9 Insurance and investment contracts

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

Product classification

Insurance contracts

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

Subsequent classification

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

Product portfolio of the Group

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

3.10 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group/ the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Events occurring after the reporting date

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

3.12 Liabilities and provision

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

3.13 Insurance contract liabilities

(i) Insurance contract liabilities – life insurance

Measurement / de - recognition

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

Liability adequacy test (LAT)

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under IFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

(ii) Insurance contract liabilities – Non life insurance

Measurement

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Insurance contract liabilities (continued)

(ii) Insurance contract liabilities – Non life insurance (continued)

Measurement (continued)

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS.

(iii) Reserve for unearned premiums (UPR)

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

3.14 Revenue

3.14.1 Sale of goods

Revenue from the sale of goods is recognized in the profit or loss when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.14.2 Revenue from service rendered

Revenue from services rendered is recognized by reference to the time of services rendered.

3.14.3 Gross written premium (GWP)

(i) Non - life insurance GWP

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (continued)

3.14.3 Gross written premium (GWP) (Continued)

(ii) Unearned premium reserve (UPR)

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

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

(iii) Life insurance GWP

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

(iv) Reinsurance premiums

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

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

(v) Unearned reinsurance premium

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

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

(vi) Fees and commission income

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (continued)

3.14.3 Gross written premium (GWP) (Continued)

(vii) Investment income

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

3.15 Benefits, claims and expenses recognition

3.15.1 Gross benefits and claims

(a) Non - life insurance

Gross claims expense include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR). The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

(b) Life insurance

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

3.15.2 Reinsurance claims

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

3.16 Acquisition cost

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Operating expenses

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

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

3.18 Finance income and finance costs

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

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

3.19 Borrowing costs

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

3.20 Tax expense

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

Current tax

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

Deferred tax

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Tax expense (continued)

Tax loss

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

3.21 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

At inception of an arrangement, the Group determines whether such an arrangement is or contains lease. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

3.22 Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are recognized initially at fair value. Any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

3.23 Deferred expenses

(i) Deferred acquisition costs (DAC)

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Deferred expenses (continued)

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

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

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

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

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

3.24 Reinsurance receivables

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognized in the income statement immediately at the date of purchase and are not amortized.

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

3.25 Premium receivables

Premium receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any loss is recorded in the income statement. Premium receivables are derecognized when the de-recognition criteria for financial assets have been met.

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4. DETERMINATION OF FAIR VALUES

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

(i) Trade and other receivables

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

(ii) Financial liabilities (non-derivative)

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

5. NEW STANDARDS AND INTERPRETATIONS

5.1 New standards and interpretations not yet adopted by the Group and Company

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2017. The Group / Company is currently in the process of evaluating the potential impact these standards and interpretation may have on the Group's and Company's consolidated and separate financial statements.

- IFRS 15 – Revenue from contracts with customers.
- IFRS 16 – Leases.
- IFRS 9 – Financial instruments.
- Disclosure initiative (amendments to IAS 1)

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6 OPERATING SEGMENTS

FOR THE YEAR ENDED 31 ST DECEMBER 2016

A. Basis of segmentation

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

The following summary describe the operations of each reportable segment.

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

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

Other operations include the development and operation of a tourist resort, airport operation, tourism related and other services. This segments does not meet the quantitative thresholds for a reportable segment in 2016 and 2015.

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

B. Information about reportable segments

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

FOR THE YEAR ENDED 31ST DECEMBER 2016

| | Reportable segments | | | | | | | Total |
|---------------------------------|---------------------|--------------|-------------------|-----------------------------|---------------|------------------|----------------|-----------------|
| | Trading | Gas | Insurance service | Fuel, lubricant & crude Oil | Fishery | Total reportable | Other segments | |
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | |
| Gross revenue | 2,350,168,405 | 198,599,698 | 261,997,607 | 6,169,258,819 | 270,737,709 | 9,250,762,238 | 20,135,450 | 9,270,897,688 |
| Inter-segment revenue | (5,767,345) | (27,567,010) | (30,301,979) | (2,248,299,929) | (10,227,203) | (2,322,163,466) | (9,684,670) | (2,331,848,136) |
| Segment revenue | 2,344,401,060 | 171,032,688 | 231,695,628 | 3,920,958,890 | 260,510,506 | 6,928,598,772 | 10,450,780 | 6,939,049,552 |
| Segment profit before tax | 41,875,636 | 50,819,389 | 62,234,410 | 326,356,756 | (15,741,988) | 465,544,203 | 26,230,948 | 491,775,151 |
| Interest income | 9,011,997 | - | 7,409,610 | - | - | 16,421,607 | - | 16,421,607 |
| Interest expense | (2,097,714) | (2,656,054) | - | (100,730,023) | (8,974,604) | (114,458,395) | - | (114,458,395) |
| Depreciation & amortization | (56,606,007) | (11,978,336) | (5,500,660) | (20,330,857) | (8,265,990) | (102,681,850) | - | (102,681,850) |
| Share of loss of associate | (116,919) | - | - | - | - | (116,919) | - | (116,919) |
| Share of profit of joint ventur | 10,424,368 | - | - | - | - | 10,424,368 | - | 10,424,368 |
| Segment assets | 885,539,237 | 220,844,937 | 592,048,071 | 3,625,681,455 | 893,542,119 | 6,217,655,819 | 797,136,755 | 7,014,792,574 |
| Equity accounted investees | 34,718,709 | - | - | - | - | 34,718,709 | - | 34,718,709 |
| Capital expenditure | 19,289,423 | 55,439,008 | 11,571,141 | 41,282,803 | 3,539,720 | 131,122,095 | 79,306,600 | 210,428,695 |
| Segment liabilities | (634,917,569) | (72,768,203) | (447,723,858) | (2,367,348,018) | (829,996,796) | (4,352,754,444) | (255,137,071) | (4,607,891,515) |

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6 OPERATING SEGMENTS (CONTINUED)

B. Information about reportable segments (continued)

FOR THE YEAR ENDED 31 ST DECEMBER 2015

| | Reportable segments | | | | | Other segments MVR | Total MVR |
|------------------------------------|---------------------|--------------|----------------------|--------------------------------|------------------------------|-----------------------|-----------------|
| | Trading | Gas | Insurance service | Fuel, lubricant & crude Oil | Total reportable segments | | |
| | MVR | MVR | MVR | MVR | MVR | | |
| Gross revenue | 2,099,576,904 | 193,915,428 | 211,656,503 | 7,317,183,304 | 9,822,332,139 | 13,859,183 | 9,836,191,322 |
| Inter-segment revenue | (19,256,982) | (17,588,376) | (24,121,086) | (2,461,976,660) | (2,522,943,104) | - | (2,522,943,104) |
| Segment revenue | 2,080,319,922 | 176,327,052 | 187,535,417 | 4,855,206,644 | 7,299,389,035 | 13,859,183 | 7,313,248,218 |
| Segment profit / (loss) before tax | 3,935,419 | 58,888,999 | 58,410,004 | 448,157,241 | 569,391,663 | (49,446,828) | 519,944,835 |
| Interest income | 12,593,104 | - | 9,446,995 | - | 22,040,099 | 4,635 | 22,044,734 |
| Interest expense | (5,717,758) | (1,538,600) | - | (144,477,589) | (151,733,947) | - | (151,733,947) |
| Depreciation & amortization | (48,617,156) | (10,115,994) | (4,819,989) | (15,715,638) | (79,268,777) | (3,834,847) | (83,103,624) |
| Share of profit of associate | (1,774,763) | - | - | - | (1,774,763) | - | (1,774,763) |
| Share of profit of joint venture | 10,242,882 | - | - | - | 10,242,882 | - | 10,242,882 |
| Segment assets | 933,163,852 | 210,107,269 | 669,343,791 | 3,131,064,689 | 4,943,679,601 | 731,329,619 | 5,675,009,220 |
| Equity accounted investees | 37,411,260 | - | - | - | 37,411,260 | - | 37,411,260 |
| Capital expenditure | 112,013,529 | 25,664,595 | 7,736,523 | 36,634,451 | 182,049,098 | 126,344,986 | 308,394,084 |
| Segment liabilities | (278,482,610) | (65,519,325) | (465,583,558) | (2,314,643,488) | (3,124,228,981) | (377,546,290) | (3,501,775,271) |

C. Reconciliations of information on reportable segment to IFRS measures

| | 2016 MVR | 2015 MVR |
|------------------------------------------------------------------|----------------------|----------------------|
| i Revenue | | |
| Total revenue for reportable segments | 9,250,762,238 | 9,822,332,139 |
| Revenue for other segments | 20,135,450 | 13,859,183 |
| Elimination of inter - segment revenue | (2,331,848,136) | (2,522,943,104) |
| Consolidated revenue | 6,939,049,552 | 7,313,248,218 |
| ii Profit before tax | | |
| Total profit before tax for reportable segments | 465,544,203 | 569,391,663 |
| Profit / (loss) before tax for other segments | 26,230,948 | (49,446,828) |
| Elimination of inter-segment profit | 2,692,551 | 3,531,881 |
| Dividend received from joint venture | (13,000,000) | (12,000,000) |
| Share of profit of equity - accounted investees | 10,307,449 | 8,468,119 |
| Consolidated profit before tax from continuing operations | 491,775,151 | 519,944,835 |
| iii Assets | | |
| Total assets for reportable segment | 6,217,655,819 | 4,943,679,601 |
| Assets for other segments | 797,136,755 | 731,329,619 |
| Equity -accounted investees | 34,718,709 | 37,411,260 |
| Consolidated total assets | 7,049,511,283 | 5,712,420,480 |
| iv Liabilities | | |
| Total liabilities for reportable segment | 4,352,754,444 | 3,124,228,981 |
| Liabilities for other segments | 255,137,071 | 377,546,290 |
| Consolidated total liabilities | 4,607,891,515 | 3,501,775,271 |

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6 OPERATING SEGMENTS (CONTINUED)

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

v. Other material items

FOR THE YEAR ENDED 31 ST DECEMBER 2016

| | Reportable segment totals MVR | Adjustment MVR | Consolidated totals MVR |
|---------------------------------------------|-------------------------------------|-------------------|-------------------------------|
| Interest income | 16,421,607 | (1,323,293) | 15,098,314 |
| Interest expense | (114,458,395) | 1,323,293 | (113,135,102) |
| Capital expenditure | 131,122,095 | - | 131,122,095 |
| Depreciation and amortization | (102,681,850) | - | (102,681,850) |
| Impairment losses on non - financial assets | (11,299,567) | - | (11,299,567) |
| | (80,896,110) | - | (80,896,110) |

FOR THE YEAR ENDED 31 ST DECEMBER 2015

| | | | |
|---------------------------------------------|---------------|-------------|---------------|
| Interest income | 22,040,099 | (1,672,238) | 20,367,861 |
| Interest expense | (151,733,947) | 1,672,238 | (150,061,709) |
| Capital expenditure | 182,049,098 | - | 182,049,098 |
| Depreciation and amortization | (79,268,777) | - | (79,268,777) |
| Impairment losses on non - financial assets | 17,175,098 | - | 17,175,098 |
| | (9,738,429) | - | (9,738,429) |

D. Geographic information

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

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

| | 2016 MVR | 2015 MVR |
|-----------------------------------|-----------------|-----------------|
| i. Revenue | | |
| Male | 6,433,992,506 | 7,605,782,316 |
| Thilafushi | 195,667,150 | 162,971,925 |
| Hulhumale' | 197,504,936 | 101,654,748 |
| Other Islands | 2,313,034,687 | 1,725,703,996 |
| Singapore | 130,698,409 | 240,078,339 |
| Less : Inter-company transactions | (2,331,848,136) | (2,522,943,106) |
| | 6,939,049,552 | 7,313,248,218 |
| ii. Non - current assets | | |
| Male | 1,354,494,347 | 1,306,592,730 |
| Thilafushi | 110,648,187 | 30,579,454 |
| Hulhumale' | 701,536,952 | 613,465,605 |
| Other Islands | 329,105,363 | 31,667,143 |
| Singapore | 8,003 | 45,659 |
| | 2,495,792,852 | 2,982,350,591 |

E. Major customer

Revenue from one customer of the Fuel, lubricant and crude oil segment represented approximately MVR 993,534,688 (2015: MVR 1,222,600,000) of the Group's total revenues.

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| 7 REVENUE | Group | | Company | |
|-----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Retail and wholesale | 2,344,401,060 | 2,080,319,922 | 2,344,480,675 | 2,095,626,608 |
| Insurance | 231,695,628 | 187,535,417 | - | - |
| Gas | 171,032,688 | 176,327,052 | - | - |
| Fuel and lubricants | 3,920,958,890 | 4,855,206,644 | 4,029,105,254 | 5,023,398,496 |
| Fishery | 260,510,506 | - | - | - |
| Other services | 10,450,780 | 13,859,183 | 11,318,468 | 13,355,384 |
| | <u>6,939,049,552</u> | <u>7,313,248,218</u> | <u>6,384,904,397</u> | <u>7,132,380,488</u> |
| 8 OTHER INCOME | Group | | Company | |
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Profit on disposal of property, plant and equipment | 72,503 | 871,608 | 72,503 | 871,608 |
| Profit on disposal of investments | - | 1,600,000 | - | - |
| Income from vessels and fleets | 7,766,859 | 2,050,005 | 5,021,074 | 2,050,005 |
| Fines and claims received | 8,652,067 | 14,321,421 | 6,996,926 | 14,004,347 |
| Rent income | 15,910,036 | 14,282,523 | 21,154,907 | 17,791,837 |
| Discounts received | 568,782 | 1,157,613 | 568,782 | 622,543 |
| Administration fee income from Aasandha | - | 8,250,000 | - | - |
| Reversal of provision for impairment of inventories | - | 17,175,098 | - | 10,184,633 |
| Reversal of accrued fine on rent | 17,798,753 | - | - | - |
| Reversal of accrued lease rent | 9,492,841 | - | - | - |
| Agency fee | 2,206,293 | 409,806 | 744,246 | 409,806 |
| Miscellaneous income | 13,779,304 | 6,389,354 | 5,417,568 | 2,606,107 |
| | <u>76,247,438</u> | <u>66,507,428</u> | <u>39,976,006</u> | <u>48,540,886</u> |

Pursuant to the settlement agreement dated on 10th January 2017 between STO Hotels & Resorts Private Limited and Ministry of Tourism, the lease rent and penalty relating to Muthaafushi island has been waved off. The process for signing the agreement has started before the year end 31st December 2016 and accordingly the lease rent and penalty payable has been reversed in the financial statements for the year, on the basis that this is an adjusting event.

| 9 NET FINANCE COSTS | Group | | Company | |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Finance income | | | | |
| Interest income on loans granted | 608,755 | - | - | - |
| Interest income on Government credit scheme | 8,981,965 | 10,716,843 | 8,981,965 | 10,716,843 |
| Interest income on fixed deposits | 30,032 | 46,900 | 28,104 | 46,900 |
| Foreign exchange gain | 698,276 | 76,303 | - | - |
| Dividend income | 2,018,522 | 1,195,000 | 102,987,034 | 53,949,343 |
| Discounts on treasury bills | 5,477,562 | 9,608,753 | - | 1,833,996 |
| Other Finance income | 8,377,972 | 7,906,232 | - | - |
| | <u>26,193,084</u> | <u>29,550,031</u> | <u>111,997,103</u> | <u>66,547,082</u> |
| Finance costs | | | | |
| Interest on bank borrowings | (36,043,200) | (49,634,646) | (31,163,635) | (49,634,646) |
| Interest on bank overdrafts | (12,425,191) | (18,059,660) | (5,674,098) | (16,521,060) |
| Interest on other borrowings | (64,666,711) | (82,367,403) | (65,990,004) | (75,789,499) |
| Net exchange loss | (11,764,544) | (45,969,726) | (11,640,617) | (45,969,726) |
| | <u>(124,899,646)</u> | <u>(196,031,435)</u> | <u>(114,468,354)</u> | <u>(187,914,931)</u> |
| Net finance costs | <u>(98,706,562)</u> | <u>(166,481,404)</u> | <u>(2,471,251)</u> | <u>(121,367,849)</u> |

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10 PROFIT BEFORE TAX

| | Group | | Company | |
|--------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Profit before tax is stated after charging all the expenses including the following: | | | | |
| Depreciation on property, plant and equipment | 94,513,195 | 67,779,919 | 59,836,644 | 44,004,593 |
| Depreciation on investment properties | 1,280,742 | 1,276,529 | 1,280,742 | 1,276,529 |
| Amortization of intangible assets | 6,887,913 | 14,047,175 | 4,599,508 | 12,143,396 |
| Rental expenses | 22,113,719 | 17,490,596 | 10,645,997 | 9,274,873 |
| Directors' remuneration | 4,807,606 | 3,899,300 | 1,191,177 | 1,145,447 |
| Transportation | 17,345,300 | 16,433,013 | 23,834,954 | 21,314,922 |
| Audit fees | 1,481,875 | 786,741 | 630,678 | 366,225 |
| Receivable write off | 1,421,611 | - | 1,421,148 | - |
| Provision for impairment of trade, other and related party receivable | - | 16,019,369 | - | 10,328,575 |
| Provision for slow and non-moving inventories | 11,299,567 | - | 6,852,764 | - |
| Loss on disposal of airport operations (Note 10.1) | - | 27,097,105 | - | - |
| Bank charges | 8,926,077 | 12,615,164 | 7,009,313 | 11,831,714 |
| Repair and maintenance | 67,051,010 | 68,359,556 | 37,654,905 | 46,207,546 |
| Advertisement and sales promotion expenses | 50,832,254 | 41,780,452 | 35,716,050 | 31,599,204 |
| Utilities | 35,716,660 | 30,225,022 | 27,172,411 | 22,045,029 |
| Personnel costs (Note 10.2) | 506,189,609 | 399,558,482 | 330,674,826 | 288,389,749 |

10.1 Loss on disposal of airport operations

The leasehold right and the operations of the Fuvahmulah Airport has been transferred to Regional Airport with effect from 28th February 2015. The Ministry of Tourism has confirmed that they will provide the lease hold right of Ekuhivaru island in Noonu Atoll as the consideration for the transfer of lease hold right of the Fuvahmulah Airport and the operations of the Airport. Accordingly the disposal proceed has been recognized up to the value of the lease hold right which amounts to US\$ 7,630,000 as at the reporting date.

10.2 Personnel costs

| | | | | |
|----------------------------------------------------|-------------|-------------|-------------|-------------|
| Salaries and wages | 199,053,589 | 149,473,500 | 112,099,802 | 103,831,777 |
| Staff welfare | 29,093,093 | 18,773,519 | 15,042,307 | 13,613,976 |
| Employer's contribution to government pension fund | 11,420,680 | 9,871,088 | 7,135,730 | 6,589,811 |
| Bonus, overtime and allowances | 242,822,227 | 201,051,556 | 181,883,003 | 149,501,234 |
| Employee redundancy expenses | 2,238,831 | 947,169 | 2,152,918 | 906,926 |
| Staff training expenses | 12,609,174 | 12,147,238 | 5,013,509 | 7,255,008 |
| Other staff related expenses | 8,952,015 | 7,294,412 | 7,347,556 | 6,691,017 |
| | 506,189,609 | 399,558,482 | 330,674,826 | 288,389,749 |

11 INCOME TAX EXPENSE

| | Group | | Company | |
|--------------------------------------------------------|-------------|-------------|-------------|-------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| 11.1 Current tax expense | | | | |
| Current tax expense (Note 11.2) | 49,043,666 | 90,129,871 | 36,176,454 | 58,117,222 |
| Under / (over) provision in respect of prior years | 114,420 | (1,270,802) | - | (1,270,802) |
| | 49,158,086 | 88,859,069 | 36,176,454 | 56,846,420 |
| Deferred tax expense | | | | |
| Deferred tax asset reversed / (recognized) (Note 11.3) | 12,825,023 | (4,007,558) | 13,304,170 | (3,590,498) |
| Deferred tax liability reversed (Note 11.4) | (801,821) | (255,913) | - | - |
| Income tax expense | 61,181,288 | 84,595,598 | 49,480,624 | 53,255,922 |

11.2 Reconciliation between accounting profit and taxable income:

| | Group | | Company | |
|------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Profit before tax | 491,775,151 | 519,944,835 | 337,725,258 | 483,593,776 |
| Loss of subsidiary which is not subject to tax | 21,864,956 | 59,489,160 | - | - |
| Results of associate reported net of tax | 116,919 | 1,774,763 | - | - |
| Results of joint venture reported net of tax | (10,424,368) | (10,242,882) | - | - |
| Aggregate disallowable items | 279,957,333 | 337,637,256 | 209,785,698 | 231,737,841 |
| Aggregate allowable items | (455,963,169) | (307,451,608) | (306,205,948) | (284,468,952) |
| Loss of subsidiary claimed during the year | - | - | (57,219) | (43,343,091) |
| Tax free allowance | (369,049) | (285,716) | (71,429) | (71,429) |
| Total taxable income | 326,957,773 | 600,865,808 | 241,176,360 | 387,448,145 |
| Income Tax @ 15% | 49,043,666 | 90,129,871 | 36,176,454 | 58,117,222 |

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

11.3 Deferred tax asset

| | Group | | Company | |
|------------------------------------------------------------|--------------|-------------|--------------|-------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 65,157,731 | 61,150,173 | 61,165,267 | 57,574,769 |
| Deferred tax asset recognized / (reversed) during the year | (12,825,023) | 4,007,558 | (13,304,170) | 3,590,498 |
| Closing balance | 52,332,708 | 65,157,731 | 47,861,097 | 61,165,267 |

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11 TAX EXPENSE (CONTINUED)

11.4 Deferred tax liability

| | Group | | Company | |
|-------------------------------------------------|-------------|-------------|-------------|-------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 2,736,724 | 2,992,637 | - | - |
| Deferred tax liability reversed during the year | (801,821) | (255,913) | - | - |
| Closing balance | 1,934,903 | 2,736,724 | - | - |

11.5 Deferred tax asset is attributable to the following;

| | Group | | | |
|------------------------------------------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | 2016 | | 2015 | |
| | Temporary difference MVR | Tax effect MVR | Temporary difference MVR | Tax effect MVR |
| Property, plant and equipment | 261,335,708 | 39,200,356 | 248,266,202 | 37,239,930 |
| Intangible assets | (6,904,798) | (1,035,720) | (5,030,971) | (754,646) |
| Specific provisions on trade, other and related party receivable | 94,453,813 | 14,168,072 | 191,149,643 | 28,672,446 |
| | 348,884,723 | 52,332,708 | 434,384,874 | 65,157,730 |

11.6 Deferred tax asset is attributable to the following;

| | Company | | | |
|------------------------------------------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | 2016 | | 2015 | |
| | Temporary difference MVR | Tax effect MVR | Temporary difference MVR | Tax effect MVR |
| Property, plant and equipment | 228,608,849 | 34,291,327 | 221,146,833 | 33,172,025 |
| Intangible assets | (3,988,683) | (598,302) | (4,528,025) | (679,204) |
| Specific provisions on trade, other and related party receivable | 94,453,813 | 14,168,072 | 191,149,643 | 28,672,446 |
| | 319,073,979 | 47,861,097 | 407,768,451 | 61,165,267 |

11.7 Deferred tax liability is attributable to the following;

| | Group | | | |
|-------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | 2016 | | 2015 | |
| | Temporary difference MVR | Tax effect MVR | Temporary difference MVR | Tax effect MVR |
| Property, plant and equipment | 12,899,354 | 1,934,903 | 18,244,824 | 2,736,724 |

12 BASIC AND DILUTED EARNINGS PER SHARE

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

| | Group | | Company | |
|---------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Profit for the year attributable to the ordinary shareholders - MVR | 426,197,749 | 430,484,964 | 288,244,634 | 430,337,854 |
| Weighted average number of ordinary shares | 1,126,910 | 1,126,910 | 1,126,910 | 1,126,910 |
| Basic and diluted earnings per share - MVR | 378 | 382 | 256 | 382 |

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| 13 | PROPERTY, PLANT AND EQUIPMENT | 13.1 | Group | Freehold | Freehold | Leasehold | Plant and | Vessels | Motor | Air | Office | Furniture | Other | Total | Total | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------|----------------------------------------------|-------------|-------------|------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|---------------|---------------|--|
| | | | | land | buildings | buildings | machinery | and fleet | vehicle | conditioners | equipment | and fixtures | assets | 2016 | 2015 | |
| | | | | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | |
| Cost | | | | | | | | | | | | | | | | |
| | | | Opening balance | 767,354,400 | 372,066,224 | 49,485,627 | 140,291,059 | 206,691,398 | 115,117,475 | 8,299,552 | 88,294,053 | 13,552,900 | 71,902,369 | 1,833,055,057 | 1,940,017,399 | |
| | | | Acquisition date balance of MIFCO | - | 309,258,130 | - | 357,384,228 | 348,782,930 | 30,124,232 | - | 33,351,845 | - | - | 1,078,901,365 | - | |
| | | | Additions during the year | - | 3,364,389 | - | 5,130,823 | 9,912,419 | 7,015,800 | 1,530,874 | 7,737,047 | 1,444,539 | 19,541,127 | 55,677,018 | 91,585,142 | |
| | | | Disposal during the year | - | - | - | (2,195,980) | - | - | (510,863) | (1,115,634) | (85,036) | (11,326,348) | (15,233,881) | (226,808,176) | |
| | | | Transferred from capital work in progress: | - | 15,883,675 | 10,620,704 | 10,267,176 | 81,169,554 | - | 897,790 | 4,020,895 | 1,441,141 | 1,592,945 | 125,893,880 | 28,260,692 | |
| | | | Closing balance | 767,354,400 | 700,572,418 | 60,106,331 | 510,877,306 | 646,556,301 | 152,257,507 | 10,217,353 | 132,288,206 | 16,353,524 | 81,710,093 | 3,078,293,439 | 1,833,055,057 | |
| Accumulated depreciation | | | | | | | | | | | | | | | | |
| | | | Opening balance | - | 260,142,144 | 27,729,217 | 100,378,377 | 176,831,105 | 52,567,735 | 4,007,118 | 61,525,319 | 8,645,175 | 38,965,681 | 730,791,871 | 739,409,983 | |
| | | | Acquisition date balance of MIFCO | - | 260,348,544 | - | 248,605,853 | 322,498,679 | 28,672,159 | - | 31,002,408 | - | - | 891,127,643 | - | |
| | | | Charge for the year | - | 19,582,465 | 3,353,201 | 13,383,230 | 16,093,063 | 16,108,299 | 1,983,243 | 14,066,768 | 1,821,504 | 8,121,422 | 94,513,195 | 67,779,919 | |
| | | | Disposals during the year | - | - | - | (2,195,980) | - | - | (404,878) | (778,595) | (80,633) | (10,300,636) | (13,760,722) | (76,398,031) | |
| | | | Closing balance | - | 540,073,153 | 31,082,418 | 360,171,480 | 515,422,847 | 97,348,193 | 5,585,483 | 105,815,900 | 10,386,046 | 36,786,467 | 1,702,671,987 | 730,791,871 | |
| Net carrying value | | | | | | | | | | | | | | | | |
| | | | As at 31st December 2016 | 767,354,400 | 160,499,265 | 29,023,913 | 150,705,826 | 131,133,454 | 54,909,314 | 4,631,870 | 26,472,306 | 5,967,478 | 44,923,626 | 1,375,621,452 | 1,102,263,186 | |
| | | | As at 31st December 2015 | 767,354,400 | 111,924,080 | 21,756,410 | 39,912,682 | 29,860,293 | 62,549,740 | 4,292,434 | 26,768,734 | 4,907,725 | 32,936,688 | 274,173,856 | 110,830,641 | |
| Capital work in progress (Note 13.1.1) | | | | | | | | | | | | | | | | |
| | | | Total | | | | | | | | | | | 1,649,795,308 | 1,213,093,827 | |
| 13.1.1 Capital work in progress | | | | | | | | | | | | | | | | |
| | | | Opening balance | - | - | - | - | - | - | - | - | - | - | 110,830,641 | 492,465,642 | |
| | | | Acquisition date balance of MIFCO | - | - | - | - | - | - | - | - | - | - | 138,055,745 | - | |
| | | | Additions during the year | - | - | - | - | - | - | - | - | - | - | 154,751,677 | 210,603,354 | |
| | | | Transferred to property, plant and equipment | - | - | - | - | - | - | - | - | - | - | (125,893,880) | (28,260,692) | |
| | | | Write-off during the Year | - | - | - | - | - | - | - | - | - | - | (3,370,327) | - | |
| | | | Transferred to Investment Property (CWIP) | - | - | - | - | - | - | - | - | - | - | (563,977,663) | - | |
| | | | Closing balance | - | - | - | - | - | - | - | - | - | - | 274,173,856 | 110,830,641 | |
| 13.1.2 Borrowings from Nations Trust Bank Plc, Bank of Maldives Plc and Bank of Ceylon are secured on STO Trade Center building, super market warehouse and staple food warehouse of the Company, respectively. | | | | | | | | | | | | | | | | |
| 13.1.3 During the year, the group has capitalised borrowing costs amounting to MVR 15,300,048 (2015: MVR 18,282,179) on qualifying assets. Borrowing costs were capitalised at the rate of 7.5%. | | | | | | | | | | | | | | | | |

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 13.2 Company | Freehold land | | Buildings | | Plant and machinery | | Vessels and fleet | | Motor vehicles | | Air conditioners | | Office equipment | | Furniture and fixtures | | Other assets | | Total | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|---------------------|-----------|-------------------|-----------|----------------|---------------|------------------|-----|------------------|-----|------------------------|-----|--------------|-----|-------|-----|-----|--|
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | |
| Cost | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | 767,354,400 | 368,207,050 | 65,182,023 | 138,728,026 | 99,514,197 | 7,164,343 | 64,831,812 | 4,988,122 | 10,578,134 | 1,526,548,107 | 1,491,512,902 | | | | | | | | | | | |
| Additions during the year | - | 3,364,389 | 2,549,192 | 8,836,397 | - | 1,293,165 | 3,406,606 | 382,696 | 865,059 | 20,697,503 | 63,112,228 | | | | | | | | | | | |
| Disposal during the year | - | - | (2,195,980) | - | - | (498,908) | (468,599) | (58,611) | (139,493) | (3,361,590) | (42,958,601) | | | | | | | | | | | |
| Transferred from capital work in progress | - | 13,177,267 | - | 40,643,301 | - | 897,790 | 3,349,896 | 1,441,141 | 280,624 | 59,790,018 | 14,881,578 | | | | | | | | | | | |
| Closing balance | 767,354,400 | 384,748,706 | 65,535,235 | 188,207,724 | 99,514,197 | 8,856,390 | 71,119,714 | 6,753,347 | 11,584,324 | 1,603,674,038 | 1,526,548,107 | | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | - | 259,008,876 | 57,308,457 | 134,765,778 | 41,748,709 | 3,359,561 | 42,479,006 | 3,802,987 | 10,578,134 | 553,051,508 | 550,539,683 | | | | | | | | | | | |
| Charge for the year | - | 17,874,198 | 3,841,026 | 9,453,371 | 14,344,983 | 1,726,244 | 10,399,456 | 1,051,683 | 1,145,683 | 59,836,644 | 44,004,593 | | | | | | | | | | | |
| Disposals during the year | - | - | (2,195,980) | - | - | (392,923) | (361,592) | (57,603) | (139,493) | (3,147,591) | (41,492,768) | | | | | | | | | | | |
| Closing balance | - | 276,883,074 | 58,953,503 | 144,219,149 | 56,093,692 | 4,692,882 | 52,516,870 | 4,797,067 | 11,584,324 | 609,740,561 | 553,051,508 | | | | | | | | | | | |
| Net carrying value | | | | | | | | | | | | | | | | | | | | | | |
| As at 31st December 2016 | 767,354,400 | 107,865,632 | 6,581,732 | 43,988,575 | 43,420,505 | 4,163,508 | 18,602,844 | 1,956,280 | - | 993,933,477 | - | | | | | | | | | | | |
| As at 31st December 2015 | 767,354,400 | 109,198,174 | 7,873,566 | 3,962,248 | 57,765,488 | 3,804,782 | 22,352,806 | 1,185,135 | - | 101,531,521 | 86,218,579 | | | | | | | | | | | |
| Capital work in progress (Note 13.2.1) | | | | | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | | | | | |
| 13.2.1 Capital work in progress | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | | | | | | | | | | | | | | | | | | | | | | |
| Additions during the year | | | | | | | | | | | | | | | | | | | | | | |
| Transferred to property, plant and equipment | | | | | | | | | | | | | | | | | | | | | | |
| Write-off during the Year | | | | | | | | | | | | | | | | | | | | | | |
| Transferred to Investment Property (CWIP) | | | | | | | | | | | | | | | | | | | | | | |
| Closing balance | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
| 13.2.2 Borrowings from Nations Trust Bank Plc, Bank of Maldives Plc, Habib Bank Limited and Bank of Ceylon are secured on STO Trade Center building, super market warehouse, home improvement land & building and staple food warehouse of the Company, respectively. | | | | | | | | | | | | | | | | | | | | | | |
| 13.2.3 During the year, the company has capitalised borrowing costs amounting to MVR 15,300,048 (2015: MVR 18,282,179) on qualifying assets. Borrowing costs were capitalised at the rate of 7.5%. | | | | | | | | | | | | | | | | | | | | | | |

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| 14 | INVESTMENT PROPERTY | Group | | Company | |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------|----------------------|----------------------|
| | | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| | Cost | | | | |
| | Opening balance | 56,228,691 | 56,165,491 | 56,228,691 | 56,165,491 |
| | Transferred from capital work in progress | - | 63,200 | - | 63,200 |
| | Closing balance | 56,228,691 | 56,228,691 | 56,228,691 | 56,228,691 |
| | Accumulated depreciation | | | | |
| | Opening balance | 53,637,714 | 52,361,185 | 53,637,714 | 52,361,185 |
| | Depreciation for the year | 1,280,742 | 1,276,529 | 1,280,742 | 1,276,529 |
| | Closing balance | 54,918,456 | 53,637,714 | 54,918,456 | 53,637,714 |
| | Net carrying value | 1,310,235 | 2,590,977 | 1,310,235 | 2,590,977 |
| | Capital work in progress (Note 14.1) | 684,877,110 | 578,853,685 | 684,877,110 | 578,853,685 |
| | Total | 686,187,345 | 581,444,662 | 686,187,345 | 581,444,662 |
| 14.1 | Capital work in progress (Note 14.4) | | | | |
| | Opening balance | 578,853,685 | 8,016,381 | 578,853,685 | 8,016,381 |
| | Additions during the year | 107,950,094 | 6,922,841 | 107,950,094 | 6,922,841 |
| | Transferred from property, plant and equipment (CWIP) | - | 563,977,663 | - | 563,977,663 |
| | Write-off / transfers to Investment Property | (1,926,669) | (63,200) | (1,926,669) | (63,200) |
| | Closing balance | 684,877,110 | 578,853,685 | 684,877,110 | 578,853,685 |
| 14.2 | Investment property comprises a number of commercial properties that are leased to third parties and proportion under the construction with the purpose of leasing to third parties. | | | | |
| 14.3 | The fair value of the Investment Properties are derived based on the recent market data available and is estimated at MVR 47,783,520 as at 31st December 2016 (2015: MVR 53,092,800). The fair value of the investment properties which are classified under capital work in progress is a reasonable approximation to their carrying amounts. | | | | |
| 14.4 | Capital work in progress includes the construction of a shopping and office complex in Male' as well as a tourist hotel in Hulhumale Island which is secured for the loan from Thai Exim Bank. | | | | |
| 14.5 | Income earned from Investment Properties | | | | |
| | The rental income from and direct expenses in relation to investment properties are as follows; | | | | |
| | | Group | | Company | |
| | | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| | Rent income | 15,910,036 | 14,282,523 | 21,154,907 | 17,791,837 |
| | Direct expenses | (12,952,928) | (7,057,214) | (12,952,928) | (7,057,214) |
| 15 | INTANGIBLE ASSETS | | | | |
| 15.1 | GROUP | Goodwill Consolidation MVR | Computer software MVR | Total 2016 MVR | Total 2015 MVR |
| | Cost | | | | |
| | Opening balance | 3,155,217 | 78,657,302 | 81,812,519 | 82,655,661 |
| | Acquisition date balance of MIFCO | - | 9,906,360 | 9,906,360 | - |
| | Additions during the year | - | - | - | 866,308 |
| | Transferred from capital work In progress (Note 15.3) | - | 3,227,251 | 3,227,251 | 676,162 |
| | Disposals during the year | - | - | - | (2,385,612) |
| | Closing balance | 3,155,217 | 91,790,913 | 94,946,130 | 81,812,519 |
| | Accumulated amortization | | | | |
| | Opening balance | - | 63,895,060 | 63,895,060 | 51,562,204 |
| | Acquisition date balance of MIFCO | - | 9,832,736 | 9,832,736 | - |
| | Amortization during the year | - | 6,887,913 | 6,887,913 | 14,047,175 |
| | Disposals during the year | - | - | - | (1,714,319) |
| | Closing balance | - | 80,615,709 | 80,615,709 | 63,895,060 |
| | Net carrying value | 3,155,217 | 11,175,204 | 14,330,421 | 17,917,459 |
| | Capital work in progress (Note 15.3) | | | 143,672 | 539,359 |
| | Total | | | 14,474,093 | 18,456,818 |

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15 INTANGIBLE ASSETS (CONTINUED)

| 15.2 Company | Computer software | |
|---------------------------------|-------------------|------------------|
| | 2016 MVR | 2015 MVR |
| Cost | | |
| Opening balance | 63,847,243 | 63,847,243 |
| Closing balance | 63,847,243 | 63,847,243 |
| Accumulated amortization | | |
| Opening balance | 55,259,052 | 43,115,656 |
| Amortization for the year | 4,599,508 | 12,143,396 |
| Closing balance | 59,858,560 | 55,259,052 |
| Net carrying value | 3,988,683 | 8,588,191 |

| 15.3 Capital working progress | Group | | Company | |
|----------------------------------|-------------|-------------|-------------|-------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 539,359 | 489,537 | - | - |
| Additions during the year | 2,831,564 | 725,984 | - | - |
| Transferred to intangible assets | (3,227,251) | (676,162) | - | - |
| Closing balance | 143,672 | 539,359 | - | - |

15.4 Impairment test of goodwill

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

| | 2016 | 2015 |
|-----------------|--------|--------|
| Business growth | 18.95% | 17.80% |
| Inflation | 0.80% | 1.00% |
| Discount rate | 10.00% | 10.00% |
| Margin | 5.78% | 2.87% |

| 16 PREPAID LEASE RENT | Group | | Company | |
|-------------------------------|-------------|-------------|-------------|-------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 38,382,822 | 40,697,364 | 38,382,822 | 40,697,364 |
| Amortization during the year | (2,314,542) | (2,314,542) | (2,314,542) | (2,314,542) |
| Closing balance | 36,068,280 | 38,382,822 | 36,068,280 | 38,382,822 |
| Analysis of lease rent | | | | |
| Current | 2,314,542 | 2,314,542 | 2,314,542 | 2,314,542 |
| Non-current | 33,753,738 | 36,068,280 | 33,753,738 | 36,068,280 |
| | 36,068,280 | 38,382,822 | 36,068,280 | 38,382,822 |

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

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| 17 INVESTMENT IN SUBSIDIARIES | Company | |
|-------------------------------------------------------------------|--------------------|--------------------|
| | 2016 MVR | 2015 MVR |
| Maldive Gas Private Limited | 61,200,000 | 61,200,000 |
| Allied Insurance Company of the Maldives Private Limited | 807,000 | 807,000 |
| STO Maldives (Singapore) Private Limited | 1,459,750 | 1,459,750 |
| Fuel Supplies Maldives Private Limited | 42,783,185 | 42,783,185 |
| Maldives National Oil Company Limited | 10,000,000 | 10,000,000 |
| STO Hotels & Resorts Private Limited | 999,900 | 999,900 |
| Maldives Industrial Fisheries Company Limited (MIFCO) (Note 17.1) | - | - |
| | <u>117,249,835</u> | <u>117,249,835</u> |

- 17.1 During the year, the group has acquired 100% control of MALDIVES INDUSTRIAL FISHERIES COMPANY LIMITED (MIFCO), a Company incorporated in the Republic of Maldives under the Act No.25/82 on 1 November 1993. The main objectives of MIFCO to engage in the business of procurement, treating, freezing, packaging, marketing, selling, and exporting of tuna and other fish products.

Pursuant to the decision made by the cabinet, the Government of Maldives transferred the control of assets and management of MIFCO to STO group on 30th September 2016 at no consideration with a commitment from the Government of Maldives to inject a capital of MVR 333,632,560 in cash to MIFCO.

The following table summarize the book value of assets and liabilities assumed at the date of acquisition, and the consideration receivable from government to STO group due to the acquisition of MIFCO.

| Recognized amount of identifiable assets acquired and liabilities assumed | 30/09/2016 MVR |
|---------------------------------------------------------------------------|----------------------|
| Property, plant and equipment | 325,829,468 |
| Intangible asset | 73,624 |
| Total non-current assets | <u>325,903,092</u> |
| Inventories | 175,676,338 |
| Trade and other receivables | 23,881,634 |
| Amounts due from related parties | 435,198 |
| Cash and cash equivalents | 13,279,223 |
| Total current assets | <u>213,272,393</u> |
| Total assets | <u>539,175,485</u> |
| Borrowings | 100,079,057 |
| Deferred revenue | 3,645,310 |
| Total non-current liabilities | <u>103,724,367</u> |
| Trade and other payables | 266,140,574 |
| Amounts due to related parties | 149,988,133 |
| Borrowings | 371,392,898 |
| Bank overdrafts | 113,600,285 |
| Total current liabilities | <u>901,121,890</u> |
| Total liabilities | <u>1,004,846,257</u> |
| Total net assets | (465,670,772) |
| Capital injection by the Government of Maldives | 333,632,560 |
| Net loss to the group as a result of acquisition | <u>(132,038,212)</u> |

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18 EQUITY - ACCOUNTED INVESTEEES

| | Group | | Company | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Interest in associates (Note 18.1) | 6,517,617 | 6,634,536 | 10,567,267 | 10,567,267 |
| Interest in joint venture (Note 18.3) | 28,201,092 | 30,776,724 | 4,700,000 | 4,700,000 |
| | <u>34,718,709</u> | <u>37,411,260</u> | <u>15,267,267</u> | <u>15,267,267</u> |

18.1 Investment in Associates

| | Group | | Company | |
|----------------------------|------------------|------------------|-------------------|-------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 6,634,536 | 8,409,299 | 10,567,267 | 10,567,267 |
| Share of loss for the year | (116,919) | (1,774,763) | - | - |
| Closing balance | <u>6,517,617</u> | <u>6,634,536</u> | <u>10,567,267</u> | <u>10,567,267</u> |

Lafarge Maldives Cement Private Limited

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

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

| | Lafarge Maldives Cement Private Limited | |
|-------------------------------------------------------------|--------------------------------------------|--------------------|
| | 2016 MVR | 2015 MVR |
| Percentage of ownership | 25% | 25% |
| Non current assets | 23,036,500 | 29,202,135 |
| Current assets | 103,909,530 | 56,091,582 |
| Current liabilities | (100,875,563) | (58,755,574) |
| Net assets (100%) | <u>26,070,467</u> | <u>26,538,143</u> |
| Group's share of net assets | <u>6,517,617</u> | <u>6,634,536</u> |
| Carrying amount of interest in associates | 6,517,617 | 6,634,536 |
| Revenue | 78,461,803 | 105,464,697 |
| (Loss) / Profit and other comprehensive income | (467,676) | (7,099,052) |
| Group's share of loss and other comprehensive income | <u>(116,919)</u> | <u>(1,774,763)</u> |

18.3 Investment in joint venture

| | Group | | Company | |
|-------------------|-------------------|-------------------|------------------|------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 30,776,724 | 32,533,842 | 4,700,000 | 4,700,000 |
| Share of profit | 10,424,368 | 10,242,882 | - | - |
| Dividend received | (13,000,000) | (12,000,000) | - | - |
| Closing balance | <u>28,201,092</u> | <u>30,776,724</u> | <u>4,700,000</u> | <u>4,700,000</u> |

Maldives Structural Products Private Limited

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

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

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18 EQUITY - ACCOUNTED INVESTEEES (CONTINUED)

18.3 INVESTMENT IN JOINT VENTURE

| | 2016 | 2015 |
|--------------------------------------------------------|-------------------|-------------------|
| | MVR | MVR |
| Percentage of ownership | 50% | 50% |
| Non current assets | 12,338,502 | 26,988,687 |
| Current assets | 53,527,843 | 47,910,973 |
| Current liabilities | (9,464,162) | (13,346,212) |
| Net assets (100%) | 56,402,183 | 61,553,448 |
| Group's share of net assets | 28,201,092 | 30,776,724 |
| Carrying amount of interest in joint venture | 28,201,092 | 30,776,724 |
| Revenue | 83,031,630 | 84,273,308 |
| Depreciation and amortization | (231,585) | (216,417) |
| Interest expense | (2,480,176) | (1,499,270) |
| Income tax expense | (3,594,723) | (3,552,234) |
| Profit and other comprehensive income | 20,848,735 | 20,485,764 |
| Group's share of profit and other comprehensive income | 10,424,368 | 10,242,882 |

19 INVESTMENTS AVAILABLE FOR SALE

| | Group | | Company | |
|------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | MVR | MVR | MVR | MVR |
| Opening balance | 22,990,800 | 27,490,800 | 12,740,800 | 12,740,800 |
| Net change in fair value transferred to equity | (125,000) | 1,500,000 | - | - |
| Disposal of investments available-for-sale | - | (6,000,000) | - | - |
| Closing balance | 22,865,800 | 22,990,800 | 12,740,800 | 12,740,800 |

Marketable equity securities are measured at fair value annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock exchange quoted bid prices. Other investments (unlisted securities) are measured at fair value based on the adjusted net assets of the investee company. Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realized within twelve months of the reporting date or unless they are intended to be sold to raise operating capital. During the year 2015, the Group has disposed the investments in Aasandha Private Limited amounting to MVR 6,000,000.

| | Group | | Company | |
|-------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| G.Dh Atoll Rayyithunge Cooperative Society | 4,500,000 | 4,500,000 | 4,500,000 | 4,500,000 |
| Maldives Stock Exchange Company Private Limited | 3,840,800 | 3,840,800 | 3,840,800 | 3,840,800 |
| Madivaru Holdings Private Limited | 709,148 | 709,148 | 709,148 | 709,148 |
| Maldives Security Depository | 500,000 | 500,000 | 500,000 | 500,000 |
| Dhivehi Raajjeyge Gulhun PLC (Dhiraagu) | 10,125,000 | 10,250,000 | - | - |
| Addu International Airport Private Limited | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Less: Provision for impairment | (6,809,148) | (6,809,148) | (6,809,148) | (6,809,148) |
| | 22,865,800 | 22,990,800 | 12,740,800 | 12,740,800 |

20 INVENTORIES

| | Group | | Company | |
|-------------------------------------------------------------------|----------------------|--------------------|--------------------|--------------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Food stock | 79,319,532 | 52,178,896 | 79,319,532 | 52,178,896 |
| Fuel and lubricants | 213,428,458 | 117,743,752 | 153,812,045 | 86,970,213 |
| Home improvement and electronics | 65,295,913 | 58,045,158 | 63,308,044 | 56,701,179 |
| Construction materials | 40,225,790 | 64,056,943 | 40,225,790 | 64,056,943 |
| Pharmaceuticals | 204,782,000 | 282,327,487 | 204,782,000 | 282,327,487 |
| Fish & processed fish products | 171,571,432 | - | - | - |
| Spare parts | 80,461,612 | 26,696,255 | 19,772,380 | 16,701,904 |
| Retail shops | 72,388,528 | 78,264,286 | 69,127,640 | 78,264,286 |
| Others | 21,758,667 | 20,039,775 | 21,534,140 | 19,698,384 |
| Goods in transit | 166,150,377 | 44,550,482 | 163,649,655 | 44,550,482 |
| Less: provision for slow and non moving inventories (Note - 20.1) | (81,394,036) | (37,526,497) | (43,733,785) | (36,881,021) |
| | 1,033,988,273 | 706,376,537 | 771,797,441 | 664,568,753 |

20.1 Provision for slow moving and non moving inventories

| | | | | |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening balance | 37,526,497 | 54,701,595 | 36,881,021 | 47,065,654 |
| Acquisition date balance of MIFCO | 32,567,972 | - | - | - |
| Provision made / (reversal) during the year | 11,299,567 | (17,175,098) | 6,852,764 | (10,184,633) |
| Closing balance | 81,394,036 | 37,526,497 | 43,733,785 | 36,881,021 |

In 2016, inventories of MVR 5,404,665,282 (2015: MVR 5,835,267,544) were recognized as an expense during the period and included in 'cost of sales' of the Company.

In 2016, inventories of MVR 5,421,025,537 (2015: MVR 5,706,214,837) were recognized as an expense during the period and included in 'cost of sales' of the Group.

The Company reversed MVR 10,184,633 of a previous inventory provision in December 2015. The Company has sold all the goods that were considered for the provision to independent retailers in Maldives. The amount reversed has been included in 'other income' in the statement of profit or loss.

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

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21 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--------------------------------------------------|---------------|---------------|--------------|--------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Trade receivables | 662,024,757 | 463,263,081 | 179,346,180 | 167,283,184 |
| Due from policyholders | 71,499,246 | 61,455,783 | - | - |
| Less : provision for impairment loss (Note 21.1) | (284,395,990) | (160,386,728) | (86,751,950) | (96,357,002) |
| | 449,128,013 | 364,332,136 | 92,594,230 | 70,926,182 |
| Advances, prepayments and deposits | 113,355,598 | 119,727,360 | 73,110,786 | 63,844,690 |
| Government employee credit scheme | 55,419,341 | 68,019,443 | 55,419,341 | 68,019,443 |
| Staff advances and other loans | 6,714,298 | 6,172,474 | 6,714,298 | 6,172,474 |
| Advances paid for custom duty | 7,531,534 | 10,676,238 | 7,531,534 | 10,676,238 |
| Miscellaneous receivable | 65,526,765 | 49,890,771 | 33,450,885 | 34,315,921 |
| Less : unmatrued interest | (2,881,449) | (4,049,972) | (2,881,449) | (4,049,972) |
| Less : provision for impairment loss (Note 21.2) | (46,604,046) | (46,221,188) | (42,521,210) | (42,327,038) |
| | 199,062,041 | 204,215,126 | 130,824,185 | 136,651,756 |
| Total trade and other receivable | 648,190,054 | 568,547,262 | 223,418,415 | 207,577,938 |

21.1 Provision for Impairment of trade receivables

| | | | | |
|---------------------------------------------|-------------|-------------|-------------|------------|
| Opening balance | 160,386,728 | 128,491,538 | 96,357,002 | 69,478,783 |
| Acquisition date balance of MIFCO | 114,594,950 | - | - | - |
| Provision made / (reversed) during the year | 9,414,312 | 31,895,190 | (9,605,052) | 26,878,219 |
| Closing balance | 284,395,990 | 160,386,728 | 86,751,950 | 96,357,002 |

21.2 Provision for impairment of other receivables

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Opening balance | 46,221,188 | 36,633,526 | 42,327,038 | 33,413,199 |
| Provision made during the year | 382,858 | 9,587,662 | 194,172 | 8,913,839 |
| Closing balance | 46,604,046 | 46,221,188 | 42,521,210 | 42,327,038 |

22 AMOUNTS DUE FROM RELATED PARTIES

| | Group | | Company | |
|----------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| STO Maldives (Singapore) Private Limited | - | - | 16,828,625 | 15,460,010 |
| Maldivo Gas Private Limited | - | - | 9,000,302 | 194,637 |
| Fuel Supplies Maldives Private Limited | - | - | 678,924,428 | 455,923,416 |
| Allied Insurance Company of the Maldives Private Limited | - | - | 10,668,458 | 413,163 |
| Maldives National Oil Company Limited | - | - | 343,610 | 297,027 |
| Maldives Industrials Fisheries Company Limited | - | 142,191,921 | 64,467,738 | 32,160,374 |
| STO Hotels & Resorts Private Limited | - | - | 201,102,686 | 201,057,736 |
| Lafarge Maldives Cement Private Limited | 32,165 | 9,645 | - | 920 |
| Ministry of Health | 116,377,448 | 140,856,593 | 116,377,448 | 140,856,593 |
| Ministry of Finance and Treasury | 349,651,249 | 71,300,199 | 66,018,689 | 71,300,199 |
| State Electric Company (STELCO) | 95,471,238 | 109,414,682 | 95,085,332 | 109,414,682 |
| Feneka Corporation | 340,278,251 | 345,037,172 | - | 88,369,900 |
| Indira Gahandi Memorial Hospital | 143,110,912 | 113,309,272 | 143,110,912 | 113,309,272 |
| National Social Protection Agency | 926,986 | - | 926,986 | - |
| Addu International Airport Private Limited | 170,369,021 | 158,867,035 | 168,686,021 | 157,184,035 |
| Asandha Private Limited | 96,404,835 | 116,244,056 | 96,404,835 | 116,244,056 |
| Maldives Airport Company Limited | 80,502,616 | 475,403 | 80,502,616 | 475,403 |
| Ministry of Housing and Infrastructure | 74,964,159 | 45,054,896 | 74,964,159 | 45,054,896 |
| Ministry of Tourism | 117,654,599 | 117,654,599 | - | - |
| G.Dh Atoll Rayyithunge Cooperative Society | 831,492 | 831,492 | 831,492 | 831,492 |
| Rainbow Enterprises Private Limited | 692,323 | 530,522 | 692,323 | 530,522 |
| Champa Oil and Gas Company Private Limited | - | 93,638 | - | - |
| Marine Maldives Products Private Limited | 44,034 | - | - | - |
| Ukulas Private Limited | 1,056,179 | - | - | - |
| E-Biz Maldives Private Limited | 4,447 | 4,447 | 4,447 | 4,447 |
| Rasheed Carpentry Private Limited | - | 369,495 | - | 369,495 |
| Other Government entities | 169,174,598 | 121,923,389 | 146,023,610 | 121,923,613 |
| | 1,757,546,552 | 1,484,168,456 | 1,970,964,717 | 1,671,375,888 |
| Less : provision for impairment loss (Note 22.1) | (16,920,508) | (104,291,177) | (98,038,349) | (103,197,957) |
| Less : unmatrued interest | (475,934) | (2,089,702) | (475,934) | (2,089,702) |
| Total amount due from related parties | 1,740,150,110 | 1,377,787,577 | 1,872,450,434 | 1,566,088,229 |
| Non - current | 1,665,151 | 7,727,213 | 1,665,151 | 7,727,213 |
| Current | 1,738,484,959 | 1,370,060,364 | 1,870,785,283 | 1,558,361,016 |
| | 1,740,150,110 | 1,377,787,577 | 1,872,450,434 | 1,566,088,229 |

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| | Group | | Company | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| 22 AMOUNTS DUE FROM RELATED PARTIES (CONTINUED) | MVR | MVR | MVR | MVR |
| 22.1 Provision for impairment of amounts due from related parties | | | | |
| Opening balance | 104,291,177 | 129,754,660 | 103,197,957 | 128,661,440 |
| Acquisition date balance of MIFCO | 1,056,179 | - | - | - |
| Provision (reversed) / made during the year | (88,426,848) | (25,463,483) | (5,159,608) | (25,463,483) |
| Closing balance | 16,920,508 | 104,291,177 | 98,038,349 | 103,197,957 |
| 23 REINSURANCE CONTRACTS | | | | |
| | Group | Group | Company | Company |
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Reinsurers' share of insurance liabilities | 89,003,577 | 101,114,112 | - | - |
| Reinsurance share of paid claim and prepaid reinsurance | 30,678,893 | 92,242,837 | - | - |
| Reinsurance share of incurred but not reported claims | 4,669,173 | 7,601,005 | - | - |
| Unearned premium | 92,285,068 | 83,086,643 | - | - |
| Gross receivables from reinsurance | 216,636,711 | 284,044,597 | - | - |
| Less : Provision for Re-insurance Receivables (Note 23.1) | (6,017,453) | (82,105) | - | - |
| Net receivables from reinsurance | 210,619,258 | 283,962,492 | - | - |
| 23.1 Provision for Re-insurance Receivables | | | | |
| Opening balance | 82,105 | 82,105 | - | - |
| Provision made during the year | 5,935,348 | - | - | - |
| Closing balance | 6,017,453 | 82,105 | - | - |
| 24 INVESTMENTS HELD TO MATURITY | | | | |
| | Group | Group | Company | Company |
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Investment in treasury bills | 124,327,381 | 80,676,852 | - | - |
| Corporate bonds | 30,000,000 | - | - | - |
| Investment in term deposit | 32,258 | 20,420,000 | - | - |
| | 154,359,639 | 101,096,852 | - | - |
| Opening balance | 101,096,852 | 90,684,601 | - | - |
| Purchased during the year | 499,041,823 | 581,207,636 | - | 320,456,280 |
| Matured during the year | (445,779,036) | (570,795,385) | - | (320,456,280) |
| Closing balance | 154,359,639 | 101,096,852 | - | - |
| <p>The Group has invested MVR 124,327,381 (2015: MVR 80,676,852) in treasury bills issued by the Maldives Monetary Authority for a maturity value of MVR 126,340,000 (2015: MVR 85,000,000) at the rate of interest ranging from 3.5% to 4.6% per annum (2015: 3.5% to 9% per annum) with the maturity period of 91 days to 364 days (2015: 91 days to 364 days).</p> <p>During the year, the Group has made an investment of MVR 30,000,000 (2015: Nil) in the corporate bonds issued by Housing development finance corporation PLC at the interest rate of 6.25% per annum. The Group has also made an investment of MVR 32,258 (2015: MVR 20,420,000) in term deposit at a rate of interest ranging from 2.2% to 2.9% (2015: 3% to 5%) with a maturity period of 91 days to one year.</p> | | | | |
| 25 CASH AND CASH EQUIVALENTS | | | | |
| | Group | Group | Company | Company |
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Favorable balances | | | | |
| Cash in hand | 69,918,290 | 40,468,955 | 38,388,672 | 38,858,446 |
| Balances at banks | 695,843,416 | 649,125,221 | 509,114,571 | 433,352,507 |
| Fixed deposits | - | 8,117,664 | - | 7,732,164 |
| | 765,761,706 | 697,711,840 | 547,503,243 | 479,943,117 |
| Unfavorable balances | | | | |
| Bank overdrafts | (204,909,234) | (80,644,536) | (67,144,023) | (59,383,668) |
| Cash and cash equivalents for the purpose of cash flow statement | 560,852,472 | 617,067,304 | 480,359,220 | 420,559,449 |

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26 SHARE CAPITAL AND RESERVES

A. SHARE CAPITAL AND SHARE PREMIUM

26.1 Authorized

The authorized share capital comprises 2,000,000 (2015: 2,000,000) ordinary shares of par value of MVR 50 per share.

Issued and fully paid

The issued and fully paid share capital comprises 1,126,910 (2015: 1,126,910) ordinary shares at a par value of MVR 50 per share. (2015: MVR 50 per share)

The above mentioned 1,126,910 shares include 26,040 shares issued at a premium of MVR 250 per share in year 2001 and 60,870 shares issued at a premium of MVR 350 in year 2003.

26.2 Dividends and voting rights

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

26.3 Dividends per share

At the Annual General Meeting held on 4th June 2016, a dividend in respect of 2015 of MVR 57 per share (2015: declared dividend MVR 76 per share in respect of 2014) amounting to a total of MVR 64,233,870 (2015: declared MVR 85,645,160) 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 2016.

B. RESERVES

26.4 General reserve

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

26.5 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

26.6 Claim equalization reserve

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

26.7 Currency translation reserve

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

27 NON CONTROLLING INTEREST

| | Group | |
|-------------------------------------------|-------------|-------------|
| | 2016 MVR | 2015 MVR |
| Opening balance | 14,374,371 | 10,071,163 |
| Share of profit of subsidiary | 4,396,114 | 4,864,273 |
| Dividend paid to non controlling interest | (3,222,222) | (561,065) |
| Closing balance | 15,548,263 | 14,374,371 |

28 LOANS AND BORROWINGS

| | Group | | Company | |
|-----------------------------------|---------------|-----------------|---------------|-----------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 1,302,209,598 | 1,109,757,579 | 1,262,190,563 | 1,026,938,859 |
| Acquisition date balance of MIFCO | 471,471,955 | - | - | - |
| Loans obtained during the Year | 814,380,563 | 1,255,625,784 | 814,380,562 | 1,245,447,848 |
| Repayments during the year | (905,514,999) | (1,063,173,765) | (863,816,020) | (1,010,196,144) |
| Closing balance | 1,682,547,117 | 1,302,209,598 | 1,212,755,105 | 1,262,190,563 |

28.1 Sources of Finance

| | | | | |
|----------------------------|---------------|---------------|---------------|---------------|
| Secured loans | 856,602,452 | 522,490,563 | 473,055,105 | 522,490,563 |
| Unsecured loans | 286,244,665 | 240,019,035 | 200,000,000 | 200,000,000 |
| Corporate bond (Note 28.8) | 539,700,000 | 539,700,000 | 539,700,000 | 539,700,000 |
| | 1,682,547,117 | 1,302,209,598 | 1,212,755,105 | 1,262,190,563 |

28.2 Non - Current

| | | | | |
|------------------|-------------|-------------|-------------|-------------|
| Bank borrowings | 316,589,488 | 271,780,567 | 257,893,056 | 271,780,567 |
| Other borrowings | 36,532,077 | - | - | - |
| Corporate bond | 520,422,595 | 539,700,000 | 520,422,595 | 539,700,000 |
| | 873,544,160 | 811,480,567 | 778,315,651 | 811,480,567 |

28.3 Current

| | | | | |
|------------------|-------------|-------------|-------------|-------------|
| Bank borrowings | 240,538,642 | 250,709,996 | 215,162,049 | 250,709,996 |
| Other borrowings | 549,186,910 | 240,019,035 | 200,000,000 | 200,000,000 |
| Corporate bond | 19,277,405 | - | 19,277,405 | - |
| | 809,002,957 | 490,729,031 | 434,439,454 | 450,709,996 |

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28 LOANS AND BORROWINGS

28.4 Terms and repayment schedule

| Source of finance | Nominal interest rate | Year of maturity | Security | Group | | Company | |
|------------------------------------------------|-----------------------|------------------|---------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | | | | Carrying value | | Carrying value | |
| | | | | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | | | | MVR | MVR | MVR | MVR |
| Nation Trust Bank PLC | 7.50% | Revolving | Trade center building | 10,714,653 | 19,778,457 | 10,714,653 | 19,778,457 |
| Hongkong & Shanghai Banking Corporation | 9.25% | Revolving | Government guarantee | 92,520,000 | - | 92,520,000 | - |
| Bank of Ceylon | 7.25% | 2016 | land | - | 79,926,104 | - | 79,926,104 |
| Bank of Maldives PLC | 7.50% | 2023 | Backed by STO's assets | 14,598,633 | 14,689,709 | 14,598,633 | 14,689,709 |
| Thai Exim Bank | 7.50% | 2023 | Backed by STO's assets | 131,387,693 | 132,207,379 | 131,387,693 | 132,207,379 |
| | | | Backed by Government guarantee, MVR & | | | | |
| Habib Bank Limited | 8.50% | Revolving | STO's assets | 21,917,317 | 30,839,980 | 21,917,317 | 30,839,980 |
| Habib Bank Limited | 6.00% | 2018 | Backed by MVR | 39,397,514 | - | 39,397,514 | - |
| Ministry of Finance and treasury | Profit Share 70 : 30 | 2017 | Un-secured. | 150,000,000 | 150,000,000 | 150,000,000 | 150,000,000 |
| Ministry of Finance and treasury | Profit Share 30 : 70 | 2017 | Un-secured. | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| Bank of Maldives PLC | 10.00% | 2019 | Backed by STO's assets | 106,381,213 | 135,399,856 | 106,381,213 | 135,399,856 |
| Bank of Maldives PLC | 6.50% | 2017 | Backed by MVR | 21,615,787 | 109,649,078 | 21,615,787 | 109,649,078 |
| Maldives Islamic Bank | 8.5% mark-up on cost | 2019 | Assignment of receivables from a customer | 34,522,296 | - | 34,522,296 | - |
| Maldives Hajj Corporation | Profit Share 60 : 40 | 2016 | Un-secured. | - | 40,019,035 | - | - |
| Listed corporate bond | 5.25% | 2023 | Government guarantee | 539,700,000 | 539,700,000 | 539,700,000 | 539,700,000 |
| Ministry of Finance and treasury (IDB Tsunami) | 8.00% | 2017 | Government guarantee | 60,302,997 | - | - | - |
| Ministry of Finance and treasury | 6.00% | 2017 | Government guarantee | 226,775,616 | - | - | - |
| Ministry of Finance and treasury | Interest free | Revolving | Un-secured. | 55,298,603 | - | - | - |
| Ministry of Fisheries and agriculture | Interest free | Revolving | Un-secured. | 7,035,411 | - | - | - |
| Ministry of Fisheries and agriculture | Interest free | 2017 | Government guarantee | 12,395,709 | - | - | - |
| Bank of Maldives PLC | 8.00% | 2018 | Leasehold rights of commercial plots & MIFCO assets | 2,444,521 | - | - | - |
| Bank of Maldives PLC | 8.50% | 2020 | USD lien, leasehold rights of commercial plots & MIFCO assets | 50,108,732 | - | - | - |
| Bank of Maldives PLC | 8.00% | 2023 | Leasehold rights of commercial plots & MIFCO assets | 14,307,832 | - | - | - |
| Bank of Maldives PLC | 9.75% | 2021 | MIFCO assets | 17,211,940 | - | - | - |
| Green World Private Limited | 5.00% | 2018 | Un-secured. | 23,910,651 | - | - | - |
| | | | | <u>1,682,547,117</u> | <u>1,302,209,598</u> | <u>1,212,755,105</u> | <u>1,499,849,861</u> |

28.5 Bank borrowings of the Group / Company will mature by August 2023 and bear an average interest rate of 6.44% annually (2015: 7.93%)

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

28.7 As at the reporting date the Group / Company has pledged MVR 64,953,052 (2015: MVR 275,888,935) as collateral for the US\$ loans taken from banks.

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

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| 29 TRADE AND OTHER PAYABLES | Group | | Company | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31/12/2016 MVR | 31/12/2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Trade payables | 1,580,668,297 | 1,077,864,129 | 1,429,687,446 | 1,015,379,054 |
| Accrued expenses | 132,055,218 | 63,245,531 | 44,035,632 | 28,063,918 |
| Lease rent accrual | 22,954,900 | 44,355,967 | 22,954,900 | 34,863,126 |
| Dividend payable | 200,306,892 | 267,944,509 | 197,656,892 | 267,944,509 |
| Other payable | 252,475,292 | 131,734,809 | 94,252,885 | 64,640,089 |
| | <u>2,188,460,599</u> | <u>1,585,144,945</u> | <u>1,788,587,755</u> | <u>1,410,890,696</u> |

| 30 DEFERRED INCOME | Group | | Company | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2016 MVR | 31/12/2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Opening balance | 15,503,441 | 12,828,986 | - | - |
| Acquisition date balance of MIFCO | 3,645,310 | - | - | - |
| Received during the year | 7,585,109 | 6,744,821 | - | - |
| Recognized during the year | (5,796,094) | (4,070,366) | - | - |
| | <u>20,937,766</u> | <u>15,503,441</u> | <u>-</u> | <u>-</u> |
| Analysis of deferred income | | | | |
| Realization within one year | 6,427,811 | 4,543,816 | - | - |
| Realization After one year | 14,509,955 | 10,959,625 | - | - |
| | <u>20,937,766</u> | <u>15,503,441</u> | <u>-</u> | <u>-</u> |

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

| 31 DERIVATIVE FINANCIAL INSTRUMENTS | Group | | Company | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2016 MVR | 31/12/2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Opening balance | 2,633,377 | 10,011,577 | 2,633,377 | 10,011,577 |
| Fair value realized during the year | (2,633,377) | (7,378,200) | (2,633,377) | (7,378,200) |
| Closing balance | <u>-</u> | <u>2,633,377</u> | <u>-</u> | <u>2,633,377</u> |

The fair value of the currency SWAP is determined by multiplying the Maldivian Rufiyaa (MVR) exchange rate as at 31 December 2016 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, 12 February 2012 and 22 September 2014.

| 32 INSURANCE CONTRACTS | Group | | Company | |
|-----------------------------------------------|--------------------|--------------------|-------------------|-------------------|
| | 31/12/2016 MVR | 31/12/2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Claims reported and loss adjustment | 145,020,319 | 164,072,402 | - | - |
| Claim incurred but not reported (IBNR) | 5,664,535 | 9,774,298 | - | - |
| Provision for unearned premiums | 173,897,988 | 168,164,887 | - | - |
| Unappropriated policyholders fund | 12,218,766 | 1,408,968 | - | - |
| Provision for unearned reinsurance commission | 27,893,032 | 25,498,911 | - | - |
| Total insurance liabilities, gross | <u>364,694,640</u> | <u>368,919,466</u> | <u>-</u> | <u>-</u> |

| 33 CURRENT TAX LIABILITIES | Group | | Company | |
|--------------------------------------|-------------------|-------------------|------------------|-------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| Opening balance | 47,902,844 | 72,994,284 | 27,850,170 | 60,541,458 |
| Tax provision for the year | 49,043,666 | 90,129,871 | 36,176,454 | 58,117,222 |
| Tax paid during the year | (81,375,191) | (113,950,509) | (56,100,688) | (89,537,708) |
| Adjustment in respect of prior years | 114,420 | (1,270,802) | - | (1,270,802) |
| Closing balance | <u>15,685,739</u> | <u>47,902,844</u> | <u>7,925,936</u> | <u>27,850,170</u> |

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34 AMOUNTS DUE TO RELATED PARTIES

| | Group | | Company | |
|----------------------------------------------------------|--------------------|-------------------|--------------------|--------------------|
| | 31/12/2016 MVR | 31/12/2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| STO Maldives (Singapore) Private Limited | - | - | 4,279,631 | - |
| Maldivian Gas Private Limited | - | - | 13,611,115 | 10,065,902 |
| Fuel Supplies Maldives Private Limited | - | - | 246,998 | 168,200 |
| Allied Insurance Company of the Maldives Private Limited | - | - | 81,544,124 | 54,597,474 |
| Maldives National Oil Company Limited | - | - | 365,172 | 365,172 |
| Maldives Industrials Fisheries Company Limited | - | 1,621,500 | 5,675,000 | 1,621,500 |
| STO Hotels & Resorts Private Limited | - | - | 180,846 | 180,846 |
| Lafarge Maldives Cement Private Limited | 29,432,457 | 16,810,350 | 29,432,457 | 16,810,350 |
| Maldives Structural Product Private Limited | 21,738,231 | 13,670,523 | 21,738,231 | 13,670,523 |
| National Social Protection Agency | - | 8,533,997 | - | - |
| Addu International Airport Private Limited | 290,289 | 49,807 | 290,289 | 49,807 |
| Ministry of Housing and Infrastructure | 302,932 | 299,932 | 302,932 | 299,932 |
| Maldives Pension Administration Office | 25,183,943 | 25,150,198 | 25,183,943 | 25,150,198 |
| Fenaka Corporation Limited | 527,795 | 4,757 | 527,795 | 4,757 |
| Housing Development Corporation Limited | 39,761,519 | 21,257,519 | 39,761,519 | 21,257,519 |
| Rainbow Enterprises Private Limited | 12,868 | 9,270 | 12,868 | 9,270 |
| Champa Oil and Gas Company Private Limited | 958,576 | - | - | - |
| Other Government entities | 10,512,907 | 8,672,487 | 9,561,687 | 8,672,487 |
| | <u>128,721,517</u> | <u>96,080,340</u> | <u>232,714,607</u> | <u>152,923,937</u> |

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

35 CAPITAL MANAGEMENT

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

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

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

| | Group | | Company | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31/12/2016 MVR | 31/12/2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Total liabilities | 4,607,891,515 | 3,501,775,271 | 3,309,127,426 | 2,915,872,411 |
| Less: Cash and cash equivalent | (765,761,706) | (697,711,840) | (547,503,243) | (479,943,117) |
| Net debt | <u>3,842,129,809</u> | <u>2,804,063,431</u> | <u>2,761,624,183</u> | <u>2,435,929,294</u> |
| Total equity | 2,441,619,768 | 2,210,645,209 | 2,120,870,412 | 1,896,859,648 |
| Total capital employed | <u>6,283,749,577</u> | <u>5,014,708,640</u> | <u>4,882,494,595</u> | <u>4,332,788,942</u> |
| Gearing | 61.14% | 55.92% | 56.56% | 56.22% |

The increase in gearing ratio of the Group during the 2016 is primarily due to increase in net debt of the group as a result of the acquisition of the subsidiary, MIFCO, which had liabilities exceeding the assets at the date of acquisition .

36 COMMITMENTS

| | Group | | Company | |
|------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2016 MVR | 2015 MVR | 2016 MVR | 2015 MVR |
| 36.1 Capital commitments | | | | |
| Capital expenditure contracted as of the reporting date but not yet incurred | 344,178,191 | 336,866,868 | 324,606,257 | 336,866,868 |
| Shares subscribed as of the reporting date but not yet paid | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| | <u>354,178,191</u> | <u>346,866,868</u> | <u>334,606,257</u> | <u>346,866,868</u> |

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

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36 COMMITMENTS (CONTINUED)

36.2 Operating Leases

Leases as lessee

The Group / 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 in operating lease commitments.

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 25 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

Future minimum lease payment

| | Group | | Company | |
|----------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Non-cancellable operating lease rentals payable for future years are as follows; | | | | |
| Less than one year | 27,916,191 | 20,192,261 | 24,867,434 | 16,239,757 |
| 1 to 5 years | 108,808,879 | 102,898,221 | 102,821,823 | 102,641,907 |
| More than 5 years | 58,905,072 | 88,560,674 | 57,653,249 | 91,184,630 |
| | <u>195,630,142</u> | <u>211,651,156</u> | <u>185,342,506</u> | <u>210,066,294</u> |

Amount recognized in profit or loss

| | Group | | Company | |
|---------------|-------------------|-------------------|-------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | MVR | MVR | MVR | MVR |
| Lease expense | <u>22,113,719</u> | <u>17,490,596</u> | <u>10,645,997</u> | <u>9,274,873</u> |

Leases as lessor

The Group / Company leases out some properties which have been obtained under operating leases.

Future minimum lease rent receivable

| | Group | | Company | |
|-------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Non-cancellable operating lease rentals receivable for future years are as follows; | | | | |
| Less than one year | 16,387,696 | 12,959,023 | 22,223,458 | 17,954,514 |
| 1 to 5 years | 55,407,507 | 38,877,069 | 66,670,374 | 71,818,057 |
| | <u>71,795,203</u> | <u>51,836,092</u> | <u>88,893,832</u> | <u>89,772,571</u> |

Amount recognized in profit or loss

| | Group | | Company | |
|-------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | MVR | MVR | MVR | MVR |
| Rent income | <u>15,910,036</u> | <u>14,282,523</u> | <u>21,154,907</u> | <u>17,791,837</u> |

37 CONTINGENT LIABILITY

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

| Type of facilities | 2016 | 2015 |
|--------------------|-------------------|-------------------|
| | MVR | MVR |
| - overdraft | <u>3,855,000</u> | <u>3,855,000</u> |
| - letter of credit | <u>15,420,000</u> | <u>15,420,000</u> |
| | <u>19,275,000</u> | <u>19,275,000</u> |

(ii) State Trading Organization PLC has also issued a corporate guarantee to Maldives Hajj Corporation Limited for the facility of MVR 50,000,000 obtained by Fuel Supplies Maldives Private Limited.

(iii) Two customers have filed suit in Civil Court claiming compensation amounting to MVR 1,530,032 which was not accepted by State Trading Organization PLC. This case is in progress. In the event the Court holds in favor of the customers, the Group and the Company will need to recognize a liability in respect of this claim.

(iv) Yacht Tours Maldives Private Limited is claiming an amount of US\$ 22,784,838/59 under the Insurance policy NO.1000/60/602/2010/4693 from the Allied Insurance Company of the Maldives Private Limited. Before addressing the actual claim the Company took a procedural objection, citing the time limitation clause for legal action which provides that a claim to a court of law cannot be submitted if not submitted within 1 year from the incident. The court annulled the case and decided that since the parties had agreed on the time limitation then the court's jurisdiction to decide the case is lost. This point was objected and submitted for appeal by yacht tours, they requested the court to annul the civil court decision and to release a verdict in their favor stating that the court has jurisdiction to decide the case. The high court decided the case in their favor and ordered the civil court to conduct hearings and make a decision on the case. The Company filed for appeal of the High Court decision at the Supreme Court and requested an injunction to halt any proceedings in the civil court until a decision is made at the high court. The Civil court has made a ruling on the case on 23rd January 2017 stating that the case cannot be conducted for the time being, as the Supreme court on 15th January 2017 had instructed to withhold all hearings of the case in the Civil court until further instructions from the Supreme Court.

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

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38 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

A. Accounting Classifications and fair values

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

AS AT 31ST DECEMBER 2016

| Group | Designated at fair value | Held to maturity | Carrying amount | | | Fair value | | | | |
|--------------------------------------------------|-----------------------------|---------------------|-----------------------|--------------------------|--------------------------------|---------------|------------|---------|------------|-----|
| | | | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | |
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| Financial assets measured at fair value | | | | | | | | | | |
| Investments available for sale | - | - | 22,865,800 | - | - | 22,865,800 | 10,125,000 | - | 12,740,800 | - |
| Financial assets not measured at fair value | | | | | | | | | | |
| Investments held to maturity | - | 154,359,639 | - | - | - | 154,359,639 | - | - | - | - |
| Trade and other receivables | - | - | 648,190,054 | - | - | 648,190,054 | - | - | - | - |
| Amounts due from related parties | - | - | 1,740,150,110 | - | - | 1,740,150,110 | - | - | - | - |
| Reinsurance contracts | - | - | 210,619,258 | - | - | 210,619,258 | - | - | - | - |
| Cash and cash equivalents | - | - | 765,761,706 | - | - | 765,761,706 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| Bank overdraft | - | - | - | 3,364,721,128 | - | 3,319,080,767 | - | - | - | - |
| Loans and borrowings | - | - | - | - | 204,909,234 | 204,909,234 | - | - | - | - |
| Amounts due to related Parties | - | - | - | - | 1,682,547,117 | 1,682,547,117 | - | - | - | - |
| Insurance contracts | - | - | - | - | 128,721,517 | 128,721,517 | - | - | - | - |
| Trade and other payables | - | - | - | - | 364,694,640 | 364,694,640 | - | - | - | - |
| | - | - | - | - | 2,188,460,599 | 2,188,460,599 | - | - | - | - |
| | - | - | - | - | 4,569,333,107 | 4,569,333,107 | - | - | - | - |

AS AT 31ST DECEMBER 2015

| Group | Designated at fair value | Held to maturity | Carrying amount | | | Fair value | | | | |
|--------------------------------------------------|-----------------------------|---------------------|-----------------------|--------------------------|--------------------------------|---------------|------------|---------|------------|-----|
| | | | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | |
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| Financial assets measured at fair value | | | | | | | | | | |
| Investments available for sale | - | - | 22,990,800 | - | - | 22,990,800 | 10,250,000 | - | 12,740,800 | - |
| Financial assets not measured at fair value | | | | | | | | | | |
| Investments held to maturity | - | 101,096,852 | - | - | - | 101,096,852 | - | - | - | - |
| Trade and other receivable | - | - | 568,547,262 | - | - | 568,547,262 | - | - | - | - |
| Amounts due from related parties | - | - | 1,377,787,577 | - | - | 1,377,787,577 | - | - | - | - |
| Reinsurance contracts | - | - | 283,962,492 | - | - | 283,962,492 | - | - | - | - |
| Cash and cash equivalents | - | - | 697,711,840 | - | - | 697,711,840 | - | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | | | |
| Derivative financial instruments | 2,633,377 | - | - | 2,928,009,171 | - | 3,029,106,023 | - | - | - | - |
| | 2,633,377 | - | - | - | - | 2,633,377 | - | - | 2,633,377 | - |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| Bank overdraft | - | - | - | - | 80,644,536 | 80,644,536 | - | - | - | - |
| Loans and borrowings | - | - | - | - | 1,302,209,598 | 1,302,209,598 | - | - | - | - |
| Amounts due to related parties | - | - | - | - | 96,080,340 | 96,080,340 | - | - | - | - |
| Insurance contracts | - | - | - | - | 368,919,466 | 368,919,466 | - | - | - | - |
| Trade and other payables | - | - | - | - | 1,585,144,945 | 1,585,144,945 | - | - | - | - |
| | - | - | - | - | 3,432,998,885 | 3,432,998,885 | - | - | - | - |

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

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

A. Accounting Classifications and fair values (continued)

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

AS AT 31ST DECEMBER 2016

| Company | Carrying amount | | | Fair value | | | | |
|---------------------------------------------------------|--------------------------|--------------------|-----------------------|-----------------------------|---------------|---------|---------|------------|
| | Designated at fair value | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| Financial assets measured at fair value | | | | | | | | |
| Investments available for sale | - | 12,740,800 | - | - | 12,740,800 | - | - | 12,740,800 |
| | - | 12,740,800 | - | - | 12,740,800 | - | - | 12,740,800 |
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables | - | - | 223,418,415 | - | 223,418,415 | - | - | - |
| Amounts due from related parties | - | - | 1,872,450,434 | - | 1,872,450,434 | - | - | - |
| Cash and cash equivalents | - | - | 547,503,243 | - | 547,503,243 | - | - | - |
| | - | - | 2,643,372,092 | - | 2,643,372,092 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Bank overdraft | - | - | - | 67,144,023 | 67,144,023 | - | - | - |
| Loans and borrowings | - | - | - | 1,212,755,105 | 1,212,755,105 | - | - | - |
| Amounts due to related parties | - | - | - | 232,714,607 | 232,714,607 | - | - | - |
| Trade and other payables | - | - | - | 1,788,587,755 | 1,788,587,755 | - | - | - |
| | - | - | - | 3,301,201,490 | 3,301,201,490 | - | - | - |

AS AT 31ST DECEMBER 2015

| Company | Carrying amount | | | Fair value | | | | |
|---------------------------------------------------------|--------------------------|--------------------|-----------------------|-----------------------------|---------------|---------|-----------|------------|
| | Designated at fair value | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| Financial assets measured at fair value | | | | | | | | |
| Investments available for sale | - | 12,740,800 | - | - | 12,740,800 | - | - | 12,740,800 |
| | - | 12,740,800 | - | - | 12,740,800 | - | - | 12,740,800 |
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables | - | - | 207,577,938 | - | 207,577,938 | - | - | - |
| Amounts due from related parties | - | - | 1,566,088,229 | - | 1,566,088,229 | - | - | - |
| Cash and cash equivalents | - | - | 479,943,117 | - | 479,943,117 | - | - | - |
| | - | - | 2,253,609,284 | - | 2,253,609,284 | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | |
| Derivative financial instruments | 2,633,377 | - | - | - | 2,633,377 | - | 2,633,377 | - |
| | 2,633,377 | - | - | - | 2,633,377 | - | 2,633,377 | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Bank overdraft | - | - | - | 59,383,668 | 59,383,668 | - | - | - |
| Loans and borrowings | - | - | - | 1,262,190,563 | 1,262,190,563 | - | - | - |
| Amounts due to related parties | - | - | - | 152,923,937 | 152,923,937 | - | - | - |
| Trade and other payables | - | - | - | 1,410,890,696 | 1,410,890,696 | - | - | - |
| | - | - | - | 2,885,388,864 | 2,885,388,864 | - | - | - |

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

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

b. Measurement of fair value

i. Valuation techniques and significant unobservable input

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

Financial Instruments measured at fair value

| Type | Valuation Techniques | Significant unobservable input | Inter relationship between significant unobservable |
|----------------------------|---------------------------|--------------------------------|-----------------------------------------------------|
| Unquoted equity securities | Adjusted net asset method | Investees financial data | N/A |
| Forward exchange contracts | Market approach | Present value of expected | N/A |

C. Financial Risk Management

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk management framework

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

(iii) Credit Risk

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

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

| | Group | | Company | |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Carrying amount | | Carrying amount | |
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| | MVR | MVR | MVR | MVR |
| Trade and other receivables | 648,190,054 | 568,547,262 | 223,418,415 | 207,577,938 |
| Amounts due from related party | 1,740,150,110 | 1,377,787,577 | 1,872,450,434 | 1,566,088,229 |
| Held to maturity investment | 154,359,639 | 101,096,852 | - | - |
| Balances with banks and short term deposits | 695,843,416 | 657,242,885 | 509,114,571 | 441,084,671 |
| | <u>3,238,543,219</u> | <u>2,704,674,576</u> | <u>2,604,983,420</u> | <u>2,214,750,838</u> |

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

(iii) Credit risk (Continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's / Company's standard payment and delivery terms and conditions are offered. The Group / Company establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The provision for impairment represents the specific loss component that relates to individually significant exposures.

| Impairment losses | 31/12/2016 | | 31/12/2015 | |
|------------------------------------------------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | Gross MVR | Impairment MVR | Gross MVR | Impairment MVR |
| Group | | | | |
| The aging of trade, other receivables and related party receivables at the reporting date was: | | | | |
| Not Past Due | 776,349,885 | 161,422 | 840,169,597 | 46,534 |
| Past Due 31-90 days | 229,380,305 | 731,647 | 208,467,415 | 629,008 |
| Past Due 91-180 days | 444,810,268 | 2,569,820 | 115,534,374 | 1,444,366 |
| Past Due 181-365 days | 430,329,536 | 6,524,102 | 33,326,240 | 4,438,539 |
| Past Due more than 365 days | 858,748,097 | 337,933,553 | 1,065,875,980 | 304,340,646 |
| | <u>2,739,618,091</u> | <u>347,920,544</u> | <u>2,263,373,606</u> | <u>310,899,093</u> |

| Impairment losses | 31/12/2016 | | 31/12/2015 | |
|------------------------------------------------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | Gross MVR | Impairment MVR | Gross MVR | Impairment MVR |
| Company | | | | |
| The aging of trade, other receivables and related party receivables at the reporting date was: | | | | |
| Not Past Due | 933,605,009 | 161,422 | 887,067,046 | 46,534 |
| Past Due 31-90 days | 383,787,951 | 731,647 | 66,753,720 | 629,008 |
| Past Due 91-180 days | 60,648,750 | 455,540 | 14,430,317 | 948,497 |
| Past Due 181-365 days | 162,405,483 | 3,926,915 | 181,440,994 | 2,370,350 |
| Past Due more than 365 days | 786,090,548 | 222,035,985 | 871,995,761 | 237,887,608 |
| | <u>2,326,537,741</u> | <u>227,311,509</u> | <u>2,021,687,838</u> | <u>241,881,997</u> |

Provision for impairment in respect of trade, other receivables and related party receivables is given in Note 21 and 22 to the consolidated / separate financial statements.

The Group / the Company believes that the unimpaired amounts that are outstanding are still collectible, based on historic payment behavior. Based on historic default rates, the group believes that, apart from the above, no provision for impairment is necessary.

Held to maturity investment

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

Guarantees

The Group / the Company policy is to provide financial guarantees only to subsidiaries, joint venture and associates. As at 31 December 2016, the Company has issued corporate guarantees to Bank of Maldives PLC for the facilities obtained by Maldives Structural Products Private Limited. The details of corporate guarantees are disclosed in note 37.

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

(iv) Liquidity risk

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

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

| 31st December 2016 | Carrying amount MVR | 0-12 months MVR | 1-2 years MVR | 2-5 years MVR | More than 5 years MVR |
|------------------------------------------------|----------------------|----------------------|--------------------|--------------------|-----------------------|
| Group | | | | | |
| Financial liabilities (Non- derivative) | | | | | |
| Trade and other payables | 2,188,460,599 | 2,188,460,599 | - | - | - |
| Loans and borrowings | 1,682,547,117 | 809,002,957 | 202,412,030 | 421,604,254 | 249,527,876 |
| Amounts due to related parties | 128,721,517 | 128,721,517 | - | - | - |
| Insurance contracts | 364,694,640 | 364,694,640 | - | - | - |
| Bank overdrafts | 204,909,234 | 204,909,234 | - | - | - |
| Total | 4,569,333,107 | 3,695,788,947 | 202,412,030 | 421,604,254 | 249,527,876 |

| 31st December 2015 | Carrying amount MVR | 0-12 months MVR | 1-2 years MVR | 2-5 years MVR | More than 5 years MVR |
|------------------------------------------------|----------------------|----------------------|-------------------|--------------------|-----------------------|
| Group | | | | | |
| Financial liabilities (Non- derivative) | | | | | |
| Trade and other payables | 1,585,144,945 | 1,585,144,945 | - | - | - |
| Loans and borrowings | 1,302,209,598 | 490,729,031 | 80,619,066 | 462,484,685 | 268,376,816 |
| Amounts due to related parties | 96,080,340 | 96,080,340 | - | - | - |
| Insurance contracts | 368,919,466 | 368,919,466 | - | - | - |
| Bank overdrafts | 80,644,536 | 80,644,536 | - | - | - |
| | 3,432,998,885 | 2,621,518,318 | 80,619,066 | 462,484,685 | 268,376,816 |
| Financial liabilities (Derivative) | | | | | |
| Forward exchange contract | 2,633,377 | 2,633,377 | - | - | - |
| Total | 3,435,632,262 | 2,624,151,695 | 80,619,066 | 462,484,685 | 268,376,816 |

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

| 31st December 2016 | Carrying amount MVR | 0-12 months MVR | 1-2 years MVR | 2-5 years MVR | More than 5 years MVR |
|------------------------------------------------|----------------------|----------------------|--------------------|--------------------|-----------------------|
| Company | | | | | |
| Financial liabilities (Non- derivative) | | | | | |
| Trade and other payables | 1,788,587,755 | 1,788,587,755 | - | - | - |
| Loans and borrowings | 1,212,755,105 | 434,439,454 | 160,705,638 | 374,505,773 | 243,104,240 |
| Amounts due to related parties | 232,714,607 | 232,714,607 | - | - | - |
| Bank overdrafts | 67,144,023 | 67,144,023 | - | - | - |
| Total | 3,301,201,490 | 2,522,885,839 | 160,705,638 | 374,505,773 | 243,104,240 |

| 31st December 2015 | Carrying amount MVR | 0-12 months MVR | 1-2 years MVR | 2-5 years MVR | More than 5 years MVR |
|------------------------------------------------|----------------------|----------------------|-------------------|--------------------|-----------------------|
| Company | | | | | |
| Financial liabilities (Non- Derivative) | | | | | |
| Trade and other payables | 1,410,890,696 | 1,410,890,696 | - | - | - |
| Loans and borrowings | 1,262,190,563 | 450,709,996 | 80,619,066 | 462,484,685 | 268,376,816 |
| Amounts due to related parties | 152,923,937 | 152,923,937 | - | - | - |
| Bank overdrafts | 59,383,668 | 59,383,668 | - | - | - |
| | 2,885,388,864 | 2,073,908,297 | 80,619,066 | 462,484,685 | 268,376,816 |
| Financial liabilities (Derivative) | | | | | |
| Forward exchange contract | 2,633,377 | 2,633,377 | - | - | - |
| Total | 2,888,022,241 | 2,076,541,674 | 80,619,066 | 462,484,685 | 268,376,816 |

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

(v) Market risk

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

(a) Interest rate risk

Profile

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

| | Group | | Company | |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Carrying amount | | Carrying amount | |
| | 2016 | 2015 | 2016 | 2015 |
| | MVR | MVR | MVR | MVR |
| Variable rate instruments | | | | |
| Financial liabilities | (537,905,256) | (489,410,000) | (537,905,256) | (449,390,965) |
| Fixed rate instruments | | | | |
| Financial assets | 206,897,531 | 172,798,487 | 52,537,892 | 71,701,635 |
| Financial liabilities | (2,197,434,488) | (1,584,899,948) | (1,712,726,698) | (1,611,758,790) |
| | <u>(1,990,536,957)</u> | <u>(1,361,732,359)</u> | <u>(1,660,188,806)</u> | <u>(1,530,119,337)</u> |

Cash flow sensitivity analysis for variable - rate instruments

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

| GROUP | Profit or loss | | Equity net of tax | |
|----------------------------|----------------|-----------|-------------------|-----------|
| | 100 bp | 100 bp | 100 bp | 100 bp |
| | increase | decrease | increase | decrease |
| 31 st December 2016 | | | | |
| Variable rate instruments | (5,379,053) | 5,379,053 | (4,572,195) | 4,572,195 |
| 31 st December 2015 | | | | |
| Variable rate instruments | (8,394,188) | 8,394,188 | (7,135,060) | 7,135,060 |
| COMPANY | | | | |
| | 100 bp | 100 bp | 100 bp | 100 bp |
| | increase | decrease | increase | decrease |
| 31 st December 2016 | | | | |
| Variable rate instruments | (5,379,053) | 5,379,053 | (4,572,195) | 4,572,195 |
| 31 st December 2015 | | | | |
| Variable rate instruments | (7,389,270) | 7,389,270 | (6,280,880) | 6,280,880 |

(b) Currency Risk

Exposure to currency risk

Group

The Group's exposure to foreign currency risk was as follows based on notional amounts:

| | 31/12/2016 | | |
|--------------------------------------------------------------|----------------------|------------------|------------------|
| | US\$ | Euro | SGD |
| Cash and cash equivalents | 22,775,205 | 3,980 | 22,290 |
| Trade, amount due from related parties and other receivables | 24,193,520 | - | - |
| Reinsurance contracts | 14,049,073 | - | - |
| Trade, amount due to related parties and other payables | (105,655,269) | (175,009) | (773,871) |
| Loans and borrowings | (68,239,442) | - | - |
| Bank overdrafts | (8,411,517) | - | - |
| Net currency exposure | <u>(121,288,430)</u> | <u>(171,029)</u> | <u>(751,581)</u> |

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

(v) Market risk (Continued)

Exposure to currency risk (Continued)

| Group | 31/12/2015 | | |
|---------------------------------------------------------------------------------------|---------------------|-----------------|------------------|
| | US\$ | Euro | SGD |
| The Group's exposure to foreign currency risk was as follows based on notional amount | | | |
| Cash and cash equivalents | 15,602,814 | 9,444 | - |
| Trade, amount due from related parties and other receivables | 17,831,390 | - | 2,000 |
| Reinsurance contracts | 18,420,532 | - | - |
| Trade, amount due to related parties and other payables | (61,935,050) | (33,123) | (887,260) |
| Loans and borrowings | (60,310,194) | - | - |
| Derivative financial instruments | (170,777) | - | - |
| Bank overdrafts | (4,997,192) | - | - |
| Net currency exposure | <u>(75,558,478)</u> | <u>(23,679)</u> | <u>(885,260)</u> |

Company

| | 31/12/2016 | | |
|-------------------------------------------------------------------------------------------|----------------------|---------------|------------------|
| | US\$ | Euro | SGD |
| The Company's exposure to foreign currency risk was as follows based on notional amounts: | | | |
| Cash and cash equivalents | 17,869,175 | 3,980 | - |
| Trade, amount due from related parties and other receivables | 19,047,437 | 182,431 | - |
| Trade, amount due to related parties and other payables | (98,656,327) | (175,009) | (763,532) |
| Loans and borrowings | (63,439,222) | - | - |
| Derivative financial instruments | - | - | - |
| Bank overdrafts | (4,354,346) | - | - |
| Net currency exposure | <u>(129,533,284)</u> | <u>11,402</u> | <u>(763,532)</u> |

Company

| | 31/12/2015 | | |
|-------------------------------------------------------------------------------------------|----------------------|----------------|------------------|
| | US\$ | Euro | SGD |
| The Company's exposure to foreign currency risk was as follows based on notional amounts: | | | |
| Cash and cash equivalents | 13,388,311 | 3,727 | - |
| Trade, amount due from related parties and other receivables | 11,382,389 | 218,299 | 2,000 |
| Trade, amount due to related parties and other payables | (61,929,034) | (33,123) | (887,260) |
| Loans and borrowings | (60,310,194) | - | - |
| Derivative financial instruments | (170,777) | - | - |
| Bank overdrafts | (3,851,081) | - | - |
| Net currency exposure | <u>(101,490,386)</u> | <u>188,903</u> | <u>(885,260)</u> |

| The following significant exchange rate were applied during the year: | Average Rate | | Reporting date spot rate | |
|-----------------------------------------------------------------------|--------------|-------|--------------------------|------------|
| | 2016 | 2015 | 31/12/2016 | 31/12/2015 |
| 1 US\$: MVR | 15.42 | 15.42 | 15.42 | 15.42 |
| 1 Euro : MVR | 16.49 | 16.84 | 16.14 | 16.84 |
| 1 SGD : MVR | 10.77 | 10.89 | 10.64 | 10.89 |

Sensitivity analysis

A reasonably possible strengthening (weakening) of the USD, EURO, SGD against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

| GROUP | Profit or Loss | |
|----------------------------|----------------------|--------------------|
| | Strengthening | Weakening |
| 31 st December 2016 | | |
| USD 5% movement | (93,513,379) | 93,513,379 |
| EURO 5% movement | (137,990) | 137,990 |
| SGD 5% movement | (399,937) | 399,937 |
| | <u>(94,051,307)</u> | <u>94,051,307</u> |
| 31 st December 2015 | | |
| USD 5% movement | (58,255,586) | 58,255,586 |
| EURO 5% movement | (19,933) | 19,933 |
| SGD 5% movement | (482,078) | 482,078 |
| | <u>(58,757,598)</u> | <u>58,757,598</u> |
| COMPANY | | |
| 31 st December 2016 | | |
| USD 5% movement | (99,870,162) | 99,870,162 |
| EURO 5% movement | 9,199 | (9,199) |
| SGD 5% movement | (406,297) | 406,297 |
| | <u>(100,267,259)</u> | <u>100,267,259</u> |

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

(v) Market risk (Continued)

Sensitivity analysis (Continued) - COMPANY

31 st December 2015

| | Profit or Loss | |
|------------------|---------------------|-------------------|
| | Strengthening | Weakening |
| USD 5% movement | (78,249,087) | 78,249,087 |
| EURO 5% movement | 159,019 | (159,019) |
| SGD 5% movement | (482,078) | 482,078 |
| | <u>(78,572,147)</u> | <u>78,572,147</u> |

39 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company has proposed a final dividend of MVR 51 per share (total: MVR 57,472,410) which is to be approved at the meeting of the shareholders.

Except for the above no circumstances have arisen since the reporting date which require adjustments to or disclosure in the consolidated / separate financial statements.

40 DIRECTOR'S RESPONSIBILITY

The Board of Directors of the Group / the Company is responsible for the preparation and presentation of these consolidated and separate financial statements.

41 INVESTMENT IN SUBSIDIARIES

The Company is the parent company for the following subsidiary companies

| | Country of incorporation | No of shares | | Shareholding | |
|-------------------------------------------------------------------|--------------------------|--------------|---------|--------------|---------|
| | | 2016 | 2015 | 2016 | 2015 |
| Maldivian Gas Private Limited (Note 41.1) | Republic of Maldives | 61,200 | 61,200 | 90.00% | 90.00% |
| Allied Insurance Company of the Maldives Private Limited (41.2) | Republic of Maldives | 299,998 | 299,998 | 99.99% | 99.99% |
| STC Maldives (Singapore) Private Limited (Note 41.3) | Singapore | 200,000 | 200,000 | 100.00% | 100.00% |
| Fuel Supplies Maldives Private Limited (Note 41.4) | Republic of Maldives | 15,299 | 15,299 | 99.99% | 99.99% |
| Maldives National Oil Company Limited (Note 41.5) | Republic of Maldives | 99,999 | 99,999 | 99.99% | 99.99% |
| STC Hotels & Resorts Private Limited (Note 41.6) | Republic of Maldives | 9,999 | 9,999 | 99.99% | 99.99% |
| Maldives Industrial Fisheries Company Limited (MIFCO) (Note 41.7) | Republic of Maldives | 1,439,725 | - | 99.99% | 99.99% |

41.1 Maldivian Gas Private Limited

The main business activity of the company is distributing Liquid Petroleum Gas (LPG), Medical and Industrial oxygen production.

41.2 Allied Insurance Company of the Maldives Private Limited

The company's main business activity is providing the general & Life insurance service.

41.3 STC Maldives (Singapore) Private Limited

The main business activity of the company is trading Oil & Gas.

41.4 Fuel Supplies Maldives Private Limited

The main business activity of the company is distributing Oil products which are imported by STO.

41.5 Maldives National Oil Company Limited

The main business activity of the company is developing of Oil and Gas exploration processes and trading Oil related products.

41.6 STC Hotels & Resorts Private Limited

The company was engaged in the operation of an airport.

41.7 Maldives Industrial Fisheries Company Limited (MIFCO)

The principal activities are export of frozen fish, Canned tuna, Katsubishi, fish meal, retail sales in the local market by the name Fasmeru products.

42 COMPARATIVE FIGURES

Comparative figures of the consolidated / the separate financial statements have been reclassified wherever appropriate to confirm with current year's presentation.

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43 RELATED PARTY TRANSACTIONS

43.1 GROUP

| Name of the related party | Relationship | Nature of the transaction | Amount | | Balance outstanding due from / (to) | |
|-----------------------------------------------|-----------------------------------|------------------------------------------|---------------|-----------------|-------------------------------------|-------------------|
| | | | 2016 MVR | 2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Maldives Structural Product Private Limited | Joint venture | Sale of goods | - | 34,355 | (21,738,231) | (13,670,523) |
| | | Purchase of goods | (56,146,418) | (55,597,360) | | |
| | | Dividend received | 13,000,000 | 12,000,000 | | |
| | | Payment received | (13,021,587) | (12,072,244) | | |
| | | Payment made | 48,100,297 | 48,809,097 | | |
| Lafarge Maldives Cement Private Limited | Associate | Purchase of goods | (69,696,166) | (72,044,613) | (29,400,292) | (16,800,705) |
| | | Payment made | 57,073,139 | 67,733,512 | | |
| | | Sales of goods | 23,440 | 3,434 | | |
| | | Payment received | (212,626) | (190,664) | | |
| | | Rent received | 212,626 | 187,080 | | |
| Maldives Industrial Fisheries Company Limited | Affiliate company | Sale of goods | - | 127,337,257 | - | 142,191,921 |
| | | Interest | - | 21,976 | | |
| | | Purchase of goods | - | (13,690,892) | | |
| | | Payment made | - | 111,661,835 | | |
| | | Payment received | - | (79,588,070) | | |
| | | Purchase of foreign currency | - | (97,762,800) | | |
| Ministry of Finance and Treasury | Majority shareholder | Food subsidy income | 291,908,809 | 312,392,782 | 349,651,249 | 71,300,199 |
| | | Sale of goods | 76,903 | 649,801 | | |
| | | Compensation given for MIFCO acquisition | 333,632,560 | - | | |
| | | Payment received | (347,267,222) | (309,637,917) | | |
| Ministry of Health | Affiliate company | Sale of goods | 169,152,943 | 256,434,843 | 116,377,448 | 140,856,593 |
| | | Payment received | (193,632,088) | (154,053,876) | | |
| | | Services obtained | - | (100,000) | | |
| | | Payment made | - | 100,000 | | |
| State Electric Company (STELCO) | Affiliate company | Service obtained | (21,275,407) | (12,049,577) | 95,471,238 | 109,414,682 |
| | | Payment made | 22,407,396 | 13,194,572 | | |
| | | Payment received | (925,099,473) | (1,171,569,431) | | |
| | | Sale of goods and services | 906,169,040 | 1,158,623,075 | | |
| | | Sale of foreign currency | 3,855,000 | - | | |
| Indira Gandhi Memorial Hospital | Affiliate company | Sale of goods | 354,415,130 | 255,666,887 | 143,110,912 | 113,309,272 |
| | | Payment received | (324,566,702) | (367,222,572) | | |
| | | Service obtained (utility bills) | (342,752) | (360,573) | | |
| | | Payment Made | 295,964 | 340,206 | | |
| Rainbow Enterprises Private Limited | Affiliate company | Purchase of goods | (513,924) | (487,092) | 679,455 | 521,252 |
| | | Sale of goods | 3,021,646 | 2,159,143 | | |
| | | Payment made | 395,205 | 483,907 | | |
| | | Interest | - | 879 | | |
| | | Payment received | (2,744,724) | (1,629,501) | | |
| Rashood Carpentry Private Limited | Common directorship of a director | Sale of goods | - | 1,529,153 | - | 369,495 |
| | | Purchase of goods | - | (17,808) | | |
| | | Service obtained | - | - | | |
| | | Rent paid | - | (64,000) | | |
| | | Interest | - | 203 | | |
| | | Payment made | - | 739,432 | | |
| | | Payment received | (369,495) | (1,287,943) | | |
| Ministry of Housing and Infrastructure | Affiliate company | Sale of goods | 54,044,868 | 48,208,028 | 74,661,227 | 44,754,964 |
| | | Service obtained | (90,820) | (444,056) | | |
| | | Payment made | 87,820 | 170,000 | | |
| | | Payment received | (24,135,605) | (31,170,431) | | |
| Fenaka Corporation Limited | Affiliate company | Sale of goods | 262,010,396 | 305,015,782 | 339,750,456 | 345,032,415 |
| | | Sale of foreign currency | 1,542,000 | - | | |
| | | Service obtained | (8,204,144) | (5,689,057) | | |
| | | Payment made | 7,681,106 | 5,894,249 | | |
| | | Payment received | (268,311,317) | (504,445,527) | | |
| Addu International Airport Private Limited | Affiliate company | Sale of goods | 9,770,003 | 35,055,839 | 170,369,021 | 158,867,035 |
| | | Transferred from Gan Airport | 2,990,140 | - | | |
| | | Payment received | (1,258,157) | (1,482,357) | | |
| Aasandha Private Limited | Affiliate company | Sale of goods | 219,767,128 | 174,706,326 | 96,404,835 | 116,244,056 |
| | | Services provided | 101,927 | 8,250,000 | | |
| | | Payment received | (239,708,276) | (146,450,000) | | |

43.1.1 Transactions with Key Management Personnel

The Board of Directors and Managing Director of the Group are the members of the key management personnel. Key management personnel compensation comprised the following.

| | 2016 MVR | 2015 MVR |
|------------------------------|-------------|-------------|
| Short term employee benefits | 7,636,425 | 7,394,029 |

43.1.2 Collectively, but not individually, significant transactions.

The Government of Maldives is the major shareholder of the parent Company. The Group has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Group has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

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43 RELATED PARTY TRANSACTIONS (CONTINUED)

43.3 COMPANY

| Name of the related party | Relationship | Nature of the transaction | Amount | | Balance outstanding due from / (to) | |
|----------------------------------------------------------|----------------------|------------------------------|-----------------|-----------------|-------------------------------------|-------------------|
| | | | 2016 MVR | 2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Allied Insurance Company of the Maldives Private Limited | Subsidiary | Sale of goods | 206,236 | 2,869,858 | (70,875,666) | (54,184,311) |
| | | Service obtained | (27,195,271) | (23,233,232) | | |
| | | Advance received | (28,180,209) | - | | |
| | | Interest paid | (1,323,293) | (1,323,292) | | |
| | | Payment made | 26,904,510 | 19,543,669 | | |
| | | Claims received | 210,889 | 1,174,830 | | |
| | | Payment received | (18,909,478) | (40,994,767) | | |
| | | Rent received | 1,895,459 | 1,067,066 | | |
| | | Dividend received | 29,699,802 | 36,899,754 | | |
| Maldive National Oil Company Limited | Subsidiary | Expense Reimbursement | 46,583 | 55,767 | (21,562) | (68,145) |
| | | Payment made | - | 283,658 | | |
| | | Service obtained | - | (141,829) | | |
| Maldive Gas Private Limited | Subsidiary | Sale of goods | 1,258,029 | 468,846 | (4,610,813) | (9,871,265) |
| | | Purchase of goods | (27,088,758) | (16,604,694) | | |
| | | Dividend received | 20,000,000 | 5,049,589 | | |
| | | Rent received | 1,324,317 | 1,023,913 | | |
| | | Payment made | 19,267,175 | 8,848,121 | | |
| | | Payment received | (9,500,311) | (6,368,783) | | |
| | | | | | | |
| Fuel Supplies Maldives Private Limited | Subsidiary | Sale of fuel | 1,891,010,109 | 2,195,614,782 | 678,677,430 | 455,755,216 |
| | | Purchases of fuel | (275,651,853) | (241,830,097) | | |
| | | Payment made | 291,482,218 | 343,852,289 | | |
| | | Dividend received | 21,237,299 | - | | |
| | | Rent received | 2,321,691 | 1,669,235 | | |
| | | Rebate paid on fuel sales | (6,401,685) | (91,611,843) | | |
| | | Payment received | (1,691,646,885) | (2,348,048,276) | | |
| | | Transportation charges paid | (9,428,680) | (8,532,036) | | |
| STO Maldives (Singapore) Private Limited | Subsidiary | Purchases of fuel | (38,525,051) | (103,369,625) | 12,548,994 | 15,460,010 |
| | | Purchases of goods | (3,571,025) | (5,620,635) | | |
| | | Service obtained | (5,440,248) | (844,415) | | |
| | | Payment made | 46,464,310 | 107,691,910 | | |
| | | Payments received | (1,839,002) | - | | |
| Maldives Structural Product Private Limited | Joint venture | Sale of goods | - | 34,355 | (21,738,231) | (13,670,523) |
| | | Purchase of goods | (56,146,418) | (55,597,360) | | |
| | | Dividend received | 13,000,000 | 12,000,000 | | |
| | | Payment received | (13,021,587) | (12,033,419) | | |
| | | Payment made | 48,100,297 | 48,809,097 | | |
| Lafarge Maldives Cement Private Limited | Associate | Purchase of goods | (69,696,166) | (72,044,613) | (29,432,457) | (16,809,430) |
| | | Payment made | 57,073,139 | 67,733,287 | | |
| | | Sales of goods | - | 3,434 | | |
| | | Payment received | (212,626) | (190,664) | | |
| | | Rent received | 212,626 | 187,080 | | |
| Maldives Industrial Fisheries Company Limited | Affiliate company | Sale of goods | 732,055 | 1,258,042 | 64,467,738 | 32,160,374 |
| | | Interest received | - | 21,976 | | |
| | | Purchase of goods | (14,367,500) | (13,690,892) | | |
| | | Payment made | 180,954,629 | 111,661,835 | | |
| | | Payment received | (472,320) | (1,257,134) | | |
| | | Purchase of foreign currency | (134,539,500) | (97,762,800) | | |
| Ministry of Finance and Treasury | Majority Shareholder | Food subsidy income | 291,908,809 | 312,392,782 | 66,018,689 | 71,300,199 |
| | | Sale of goods | 76,903 | 649,801 | | |
| | | Payment received | (297,267,222) | (309,637,917) | | |
| Ministry of Health | Affiliate company | Sale of goods | 169,152,943 | 256,434,843 | 116,377,448 | 140,856,593 |
| | | Payment received | (193,632,088) | (154,053,876) | | |
| | | Services obtained | - | (100,000) | | |
| | | Payment made | - | 100,000 | | |
| State Electric Company (STELCO) | Affiliate company | Service obtained | (14,911,102) | (12,049,577) | 95,085,332 | 109,414,682 |
| | | Payment made | 15,680,235 | 13,194,572 | | |
| | | Payment received | (913,628,394) | (1,171,569,431) | | |
| | | Sale of fuels | 898,529,911 | 1,158,623,075 | | |

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43 RELATED PARTY TRANSACTIONS (CONTINUED)

43.3 COMPANY (CONTINUED)

| Name of the related party | Relationship | Nature of the transaction | Amount | | Balance outstanding due from / (to) | |
|--------------------------------------------|-----------------------------------|----------------------------------|---------------|---------------|-------------------------------------|-------------------|
| | | | 2016 MVR | 2015 MVR | 31/12/2016 MVR | 31/12/2015 MVR |
| Indira Gandhi Memorial Hospital | Affiliate company | Sale of goods | 354,415,130 | 255,666,887 | 143,110,912 | 113,309,272 |
| | | Payment received | (324,566,702) | (367,222,572) | | |
| | | Service obtained (utility bills) | (342,752) | (360,573) | | |
| | | Payment made | 295,964 | 340,206 | | |
| Rainbow Enterprises Private Limited | Affiliate company | Purchase of goods | (513,924) | (487,092) | 679,455 | 521,252 |
| | | Sale of goods | 3,021,646 | 2,159,143 | | |
| | | Payment made | 395,205 | 483,907 | | |
| | | Interest | - | 879 | | |
| | | Payment received | (2,744,724) | (1,629,501) | | |
| Flashad Carpentry Private Limited | Common directorship of a director | Sale of goods | - | 1,529,153 | - | 369,495 |
| | | Purchase of goods | - | (17,808) | | |
| | | Service obtained | - | - | | |
| | | Rent paid | - | (64,000) | | |
| | | Interest | - | 203 | | |
| | | Payment made | - | 739,432 | | |
| | | Payment received | (369,495) | (1,287,943) | | |
| Fenak Corporation Limited | Affiliate company | Sale of foreign currency | 1,542,000 | - | (527,795) | 88,365,143 |
| | | Service obtained | (8,204,144) | (5,689,057) | | |
| | | Payment made | 7,681,106 | 5,894,249 | | |
| | | Payment received | (89,911,900) | - | | |
| Addu International Airport Private Limited | Affiliate company | Sale of goods | 9,481,945 | 35,055,839 | 168,686,021 | 157,184,035 |
| | | Transferred from Gan Airport | 2,990,140 | - | | |
| | | Payment received | (970,099) | (1,482,357) | | |
| Ministry of Housing and Infrastructure | Affiliate company | Sale of goods | 54,044,868 | 48,208,028 | 74,661,227 | 44,754,964 |
| | | Service obtained | (90,820) | (469,932) | | |
| | | Payment made | 87,820 | 170,000 | | |
| | | Payment received | (24,135,605) | (31,170,431) | | |
| Aasantha Private Limited | Affiliate company | Sale of goods | 219,767,128 | 193,913,254 | 96,404,835 | 116,244,056 |
| | | Payment received | (239,606,349) | (138,200,000) | | |

43.2.1 Transactions with key management personnel

The Board of Directors and Managing Director of the Company are the members of the key management personnel. Key management personnel compensation comprised the following.

| | 2016 MVR | 2015 MVR |
|------------------------------|-------------|-------------|
| Short term employee benefits | 2,996,583 | 3,330,254 |

43.2.2 Collectively, but not individually, significant transactions.

The Government of Maldives is the major shareholder of the parent company. The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

State Trading Organization Plc.

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