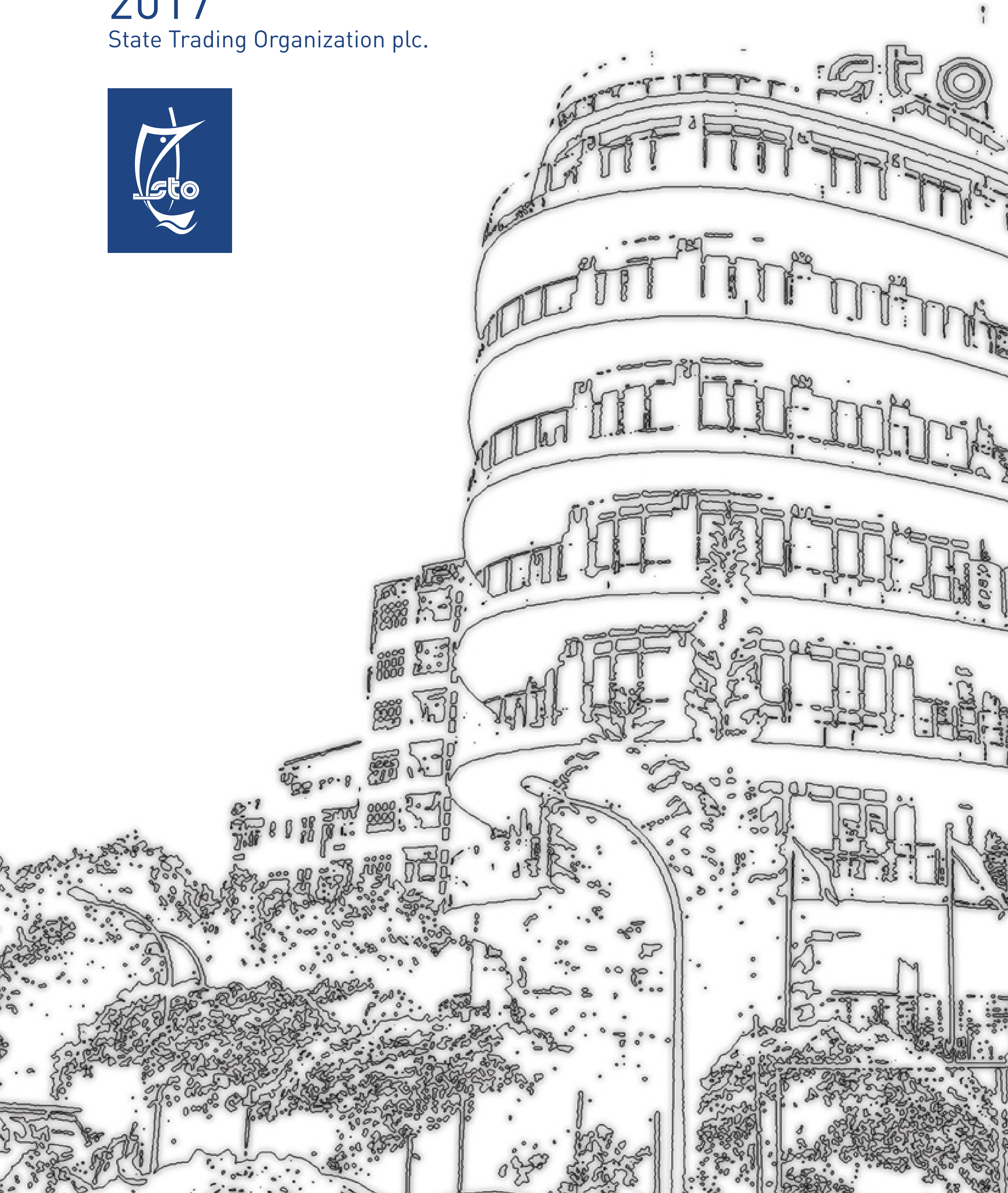
#EmmengeSTO
Annual Report 2017
State Trading Organization plc.



بسم الله الرحمن الرحيم

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 2017. 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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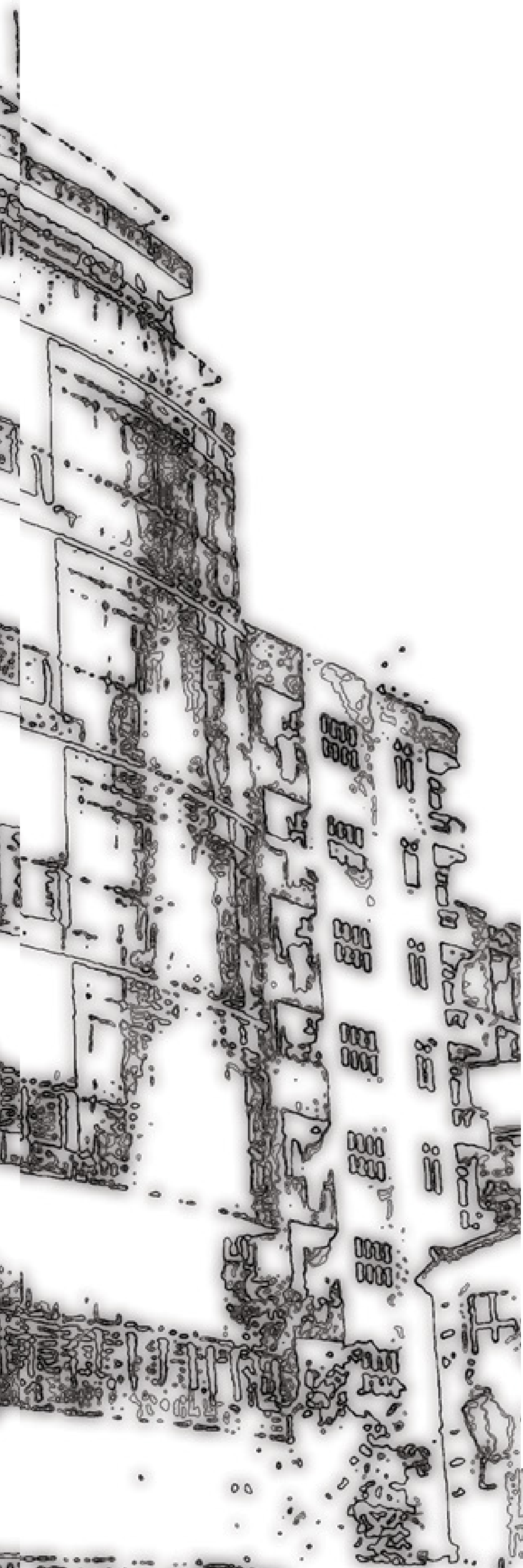
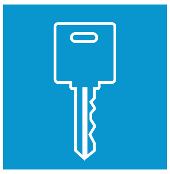


VISION

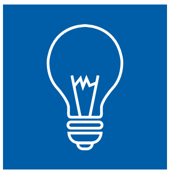
Enriching lives through expansion and accessibility.

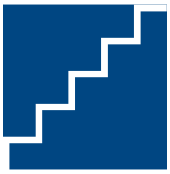
VALUES

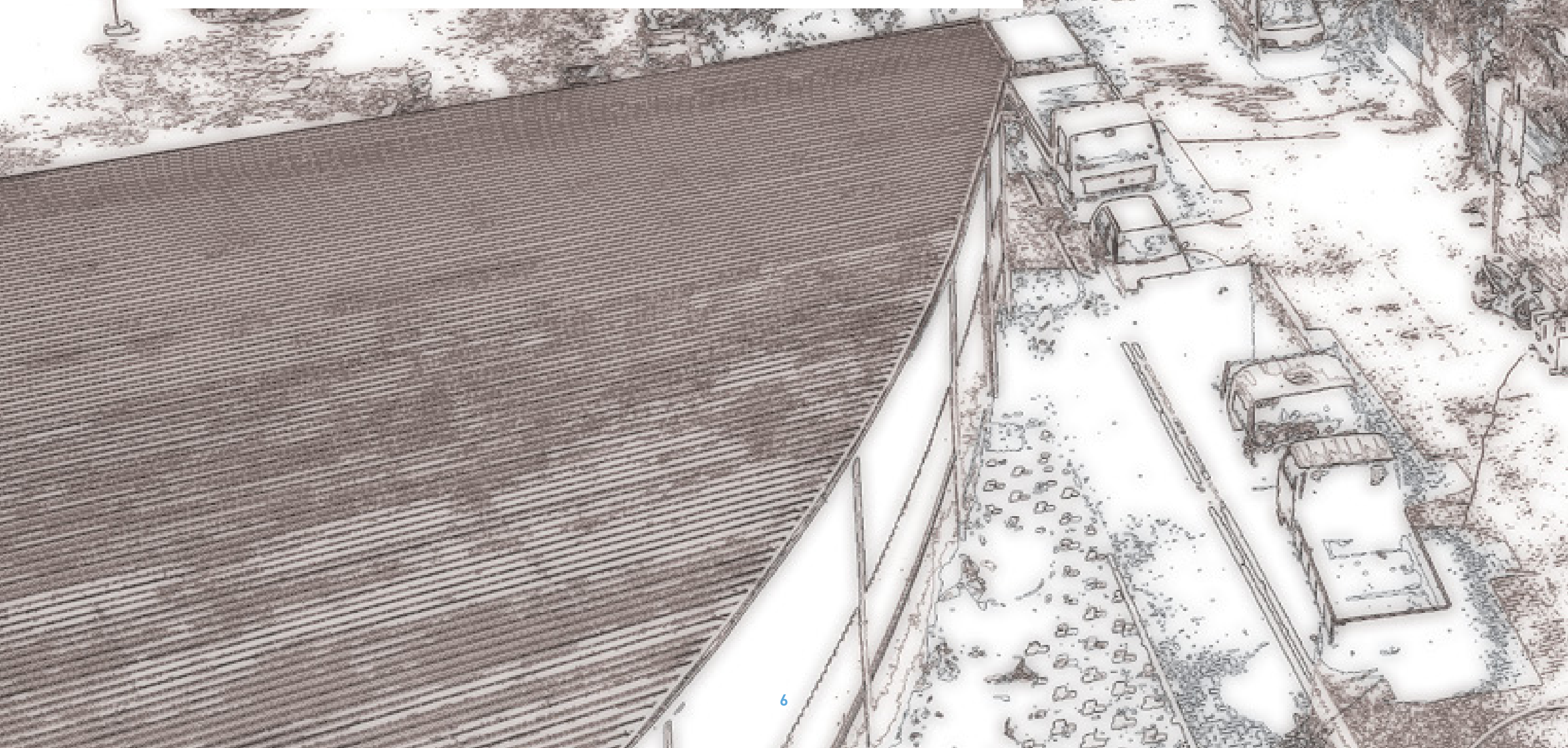

CARING


ACCESSIBLE


RESPECTFUL


INNOVATIVE


PROGRESSIVE



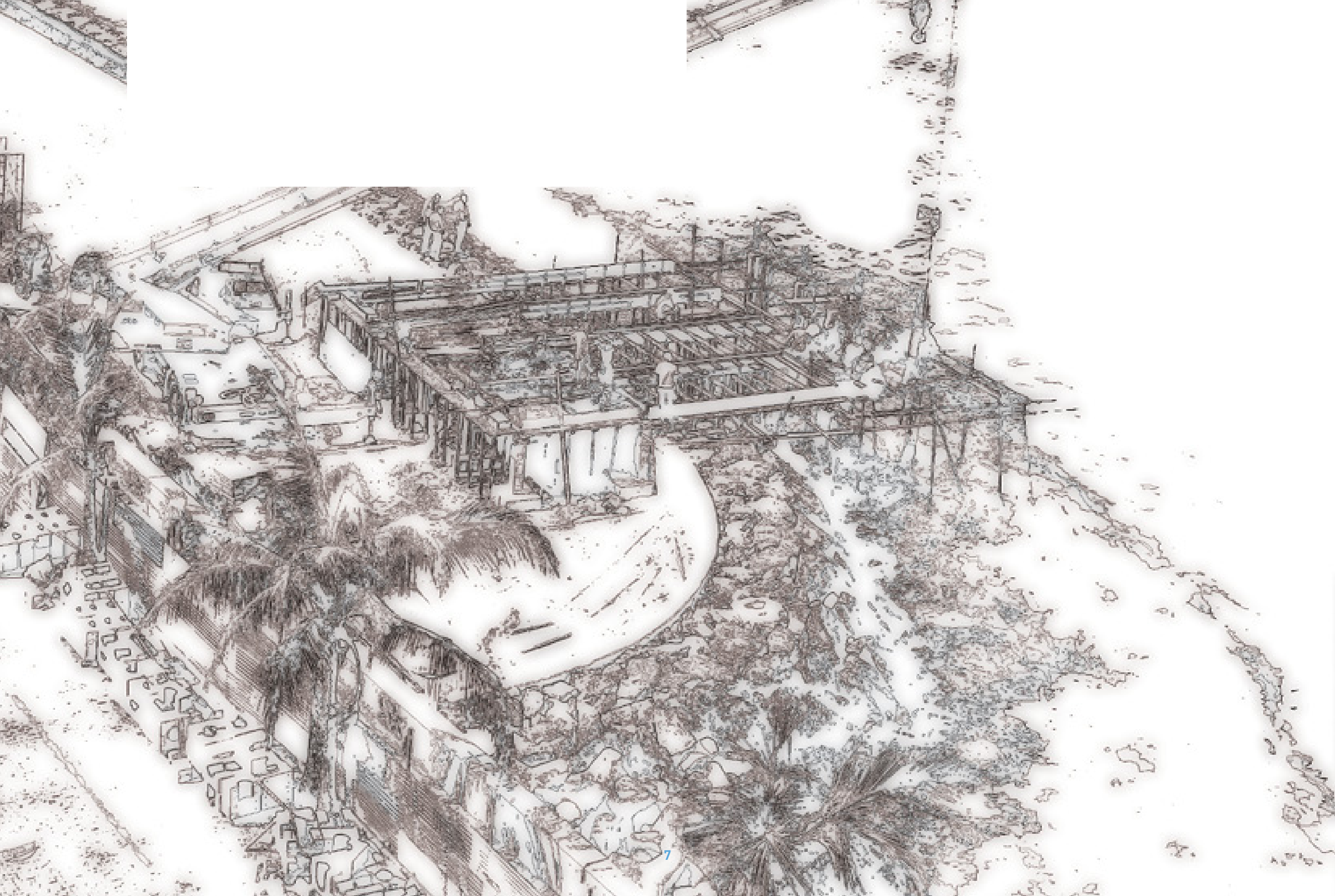
MISSION

Lead through expansion of existing businesses, diversification, exploring new possibilities and entering into new venture.

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.



STO GROUP

IN 2017

REVENUE
9,100
(in millions) MVR

EARNINGS PER SHARE
138
MVR

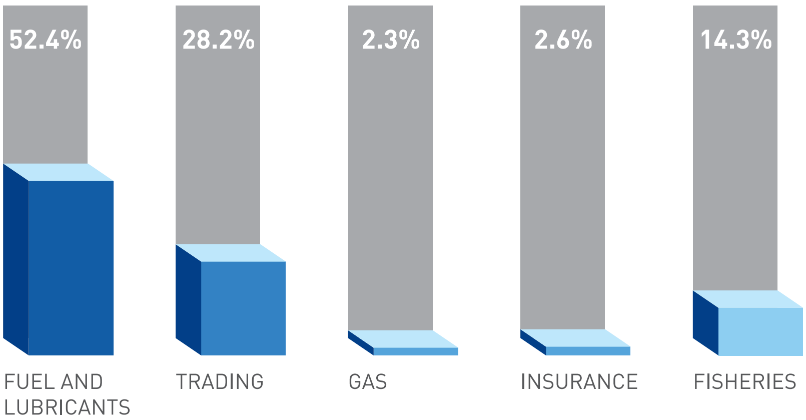
OPERATING PROFIT
316
(in millions) MVR

OPERATING CASH FLOW
295
(in millions) MVR

PROFIT FOR THE YEAR
160
(in millions) MVR

DIVIDEND PROPOSED
55
(per share) MVR

SHARE OF REVENUE BY SEGMENTS



Other services 0.2%

CHAIRMAN'S MESSAGE

In 2017, we continued to implement our strategy, despite the decline in profits, focusing on the increase in market share on fuel as a key business segment. In combination with improved market share, healthy margin and consolidation of new investments, these efforts enabled growth in Group revenue for the year. A strong balance sheet and competitiveness, coupled with a long-term approach produce the economic sustainability that allows us to take responsibility for our stakeholders and society at large.

STRENGTHENING THE KEY COMPETENCIES

The previous year could be highlighted as a year of great investments to secure and strengthen the major business areas of the Company. Fuel and lubricants being a key area which accounts to a considerable proportion of the Company's turnover, the Group further strengthened its foothold in the market with investments to further expand the operations of fuel and lubricants. As such, investments were initiated to expand the oil storage facilities of the Company along with the purchase of an oil tanker to further expand the Company's operations in fuel. With our focus on sustainable long-term development, I believe that these investments would help the Company attain new heights in the market in the years to come.

Our strategic plan is to not depend solely on one aspect of business. We aim to diversify our operations across the country and deliver our products and services through an operationally effective system. From areas such as construction to home improvement, the introduction of new products and penetration into new segments assured the Company of the achievement of the set goals and further strengthening of its market position.

Taking into account the challenges and the fluctuations in the market, the Company managed to uphold performance, aligned, with the resilient strategies of the Company.

OUR CONTRIBUTION TO DRIVE NATIONAL ECONOMIC DEVELOPMENT

The Group has always had its focus on enriching the lives of the common citizen and contributing to the economy. As such, the strategic actions of STO are formulated to cater to the market needs of a wide range of segments in order to fulfill the various needs of the public. With this business approach, the Group successfully attends to varied areas, including home improvement, construction, fast moving consumer goods, staple foods, and insurance.

In addition to the contribution to the economy through our trade, it is my view that the Company has its responsibilities to the society, as well. With that in mind, STO has made remarkable contributions to the community in the year 2017 for several causes that would definitely stimulate economic growth and contribute to the improvement in the living standards of the people.

GOVERNANCE

Corporate governance has always been of utmost importance to the management of the Group, and the Group has been highlighted as an exemplary company in complying with the laws, regulations, and best practices in governing the organizations; new board policies were established to further strengthen the governance.
Just as the previous years, initiations were taken to stimulate and instill the best practices throughout the operations of our subsidiary companies as well. Likewise, an award was presented to the Company that excelled

in their efforts to adhere to the CG guidelines. As such, the 2017 "Excelllence in Governance" Award was given to Allied Insurance Company of the Maldives Pvt. Ltd.

I believe the focus of the Company to incorporate best practices would further strengthen our operations and contribute to the key competencies. I also assure that STO would continue to be a prominent company in adhering to Corporate Governance laws and regulations.

SCOPE FOR THE FUTURE

Considering the humble beginnings of the Company, it was the long-term development plans and strategies that propelled the Company to the position we are at today. On behalf of the Board of Directors, I assure that our long-term development plans will bear fruit contributing to the profitability of the Company in the future.

As such, it is our focus to standardize all our systems and products in accordance to the ISO standards to increase the efficiency. This will enable us to extend our reach beyond the borders of the Maldivian market and enter international territories. Penetrating international markets has always been one of STO's objectives, and I am happy to say that we are one step closer to achieving this goal.

I assure our shareholders of profitable returns, with the affirmation that the Group's project initiatives and investments will be capitalized to generate a healthy profit.

ACKNOWLEDGMENTS

The success of 2017 could not have been achieved if it hadn't been for the commitment from my team. It is their hard work and alignment that drives the Company to deliver on promises to our customers. I also extend my sincere gratitude to all the staff of the Company who work tirelessly for the betterment of the Company.

On behalf of the Board, I would like to express our sincere gratitude for the support and guidance provided by the government of the Maldives as per the economic development vision of HEP Yameen Abdul Qayyoom.

I also appreciate the continued support from our customers, suppliers, and partners who contribute to the smooth operational flow of STO.

Lastly, I would like to extend hearty thanks to our valued shareholders for their trust in the board, and I would like to assure you that your faith in STO's strategic direction and decisions will be rewarded generously.

Hussain Salim Mohamed
Chairman

MANAGING DIRECTOR'S MESSAGE

WE WISH TO BUILD A RESILIENT BUSINESS WHICH CAN GENERATE SUSTAINABLE PROFITS AND PROTECT SHAREHOLDER VALUE CONSTANTLY.

As Managing Director of STO, my first priority was to strengthen our core business to achieve sustainable growth in profit and shareholder value. To this effect, I oversaw development of a new medium-term management plan, which aims to identify and address the key challenges faced by STO.

Since 2011, the fuel segment – our key business was experiencing a weak market position. The constant increase in margins to cover for the ever-growing foreign exchange cost and subsequent rationing of fuel import took its toll on STOs market share. A number of private sector operators have consolidated their position in the market both in distribution and import of fuel to the Maldives. STO was faced with the challenge of winning back the market share which it lost to more flexible private sector competitors.

From the very beginning, we expected that it would be a long hard road to recovery. The first step was to remove the expensive exchange loss and improve the sourcing efficiency of Fuel.

To reduce or eliminate the exchange loss, STO with the help of government, entered into an understanding with Maldives Monitory Authority to facilitate part of USD exchange required for the import of fuel. In addition to this STO also obtained a number of USD conversion facilities from the Banks at a cheaper cost.

Sourcing efficiency was the next area of possible cost reduction and route to competitiveness. Therefore, under the new management plan STO issued Corporate Bond worth USD35 million, the proceed were invested to increase the existing storage capacity at Funadhoo, and purchase of 25000 MT Oil tanker. The increased storage and newly acquired tanker allowed STO to a significant reduction in freight and overall cost of purchasing fuel. Simultaneously a new project was launched to restructure Fuel Supplies Maldives Pvt. Ltd. and invest in its capacity to deliver fuel across the Maldives. This was executed through investment in its fleet and restructuring of its management personnel.

Bold as it may be, we aim to achieve significant growth in market share of Fuel import and distribution in the Maldives before the end of the Financial year 2019. To this effect, we have already increased our sales volume by approximately 17 million liters between 2016 and 2017. This is a much better result than we have hoped for.

With our strategy in fuel segment well in place and bearing the fruit, our attention now turns to other trading segments.

IT IS TIME FOR EXECUTION OF THE SECOND MEDIUM-TERM MANAGEMENT PLAN

With our key business in fast recovery, our second medium-term management plan aims to address the assessment of our key trading segments and to develop the required infrastructure of those segments.

STO has started to work on developing a ready-mix concrete plant in Hulhumalé which is expected to be completed during the early part of the Financial year 2018. To gain further competitiveness in import and distribution of the Construction Material in the Maldives, STO has signed an agreement with Greater Malé Industrial Development Corporation. The agreement relates to acquiring land for the development of a private port facility at Gulhifalhu. The design work of which is now complete and the construction of which is expected to start during the Financial year 2018. The facility will be available for use during the first quarter of 2019.

Another key area which the medium term strategy aims to address is logistics and warehousing costs associated with the business segments.

Improving margins through logistical cost saving in mind, STO has exchanged one of its own land in Malé to an equivalent area in the Industrial Village. Where STO aims to build a multi-purpose warehousing complex along with office space.

Part of the logistics plan includes investing in a fleet of seagoing vessels which covers the vessels for importing construction material along with investment in a fleet of smaller vessels for inter-atoll transportation. These investments will deliver a significant reduction in transportation cost of trading operations and increase the margins of trading segments. The first two vessels of the new fleet are already completed and ready to be commissioned during the year 2018.

Other key areas of the management plan address, the divestment of unrelated business and utilizing of the funds raised from the divestment of these assets to areas of strategic importance.

WITH NEW CLEAR MANAGEMENT PLAN IN PLACE, IT IS TIME TO PROMOTE INTERNAL ACCOUNTABILITY AND IMPROVE THE EFFICIENCY OF OUR OPERATION.

I believe in people and I believe they work best when they were empowered with authority which is matched with accountability and results.

It has always been my belief that STO works best when its trading segments and subsidiaries were left as autonomous units responsible for their own performance. However, to facilitate this autonomous operation, both financial and non-financial targets have to be set, the achievement of such targets must be rewarded.

Along with the new management plan, a new set of KPI's has been developed and the result of which is closely monitored. The traditional salary structure has been revamped to incorporate performance-based incentives for the achievement of budget and the KPI's. This has improved performance of the trading segments and has clearly empowered the person responsible for managing the various trading segments.

A new central credit management system has been implemented by maintaining the autonomy of the business segments. The segments were allocated with a credit exposure limit, leaving it up for the individual business segments to allocate the credit limit for the customer.

A new three year cost reduction plan is expected to be implemented during the financial year 2018. Which is expected to reduce the operational cost by about 4% adjusted for inflation by the end of the Financial Year 2021.

IT IS TIME WE COME FROM SHACKLES OF THE PAST AND START ANEW

STO has survived and prospered and continue to do so, due to the brave decision that was taken in the past. It is time we take another couple or more.

Net profit for the Group in 2017 amounted to MVR160 million as against MVR429 million in the previous year. Profits were adversely impacted by lower fuel prices we maintained, despite the increase in the international market, coupled with the strict adoption of accounting policies.

In 2017, Group implemented a new provisioning model for the entire Group, which resulted in additional group-wide bad debt provision of about MVR50 million. The major part of which arising from Fuel Supplies Maldives and MIFCO. The assets of our newest member of the Group were tested for impairment and assets worth MVR49 million were impaired. Combination of this along with a reduction in STO fuel margins contributed to significant reduction in overall Group profit.

We believe that the provisions made for the bad debts under the new model will be more than sufficient to cover the risk of existing receivable balances going bad.

THE DAWN IS JUST ABOUT THERE, I BELIEVE IN DILIGENT PLANNING AND METICULOUS IMPLEMENTATION OF THE PLAN AGREED

I began by describing the medium term strategic move that we have implemented. We can be proud of our accomplishments in terms of investments. We have complied with strategy and captured the market shares in key businesses, we have strengthened our financial position, and we have taken a big step forward towards achieving financial goals.

The dawn is near and we are fully geared to reap the reward of the hard strategy that we followed in the past. I expect our profits, the Group and company to be much higher than the financial year 2017.

The success of our medium-term strategy is also confirmed by the first quarter result of MVR47 million in net profit. Our new investments will continue to produce results in line with our strategy and we will continue developing it to bring efficiency and innovation in our business.

Ahmed Shaheer
Managing Director

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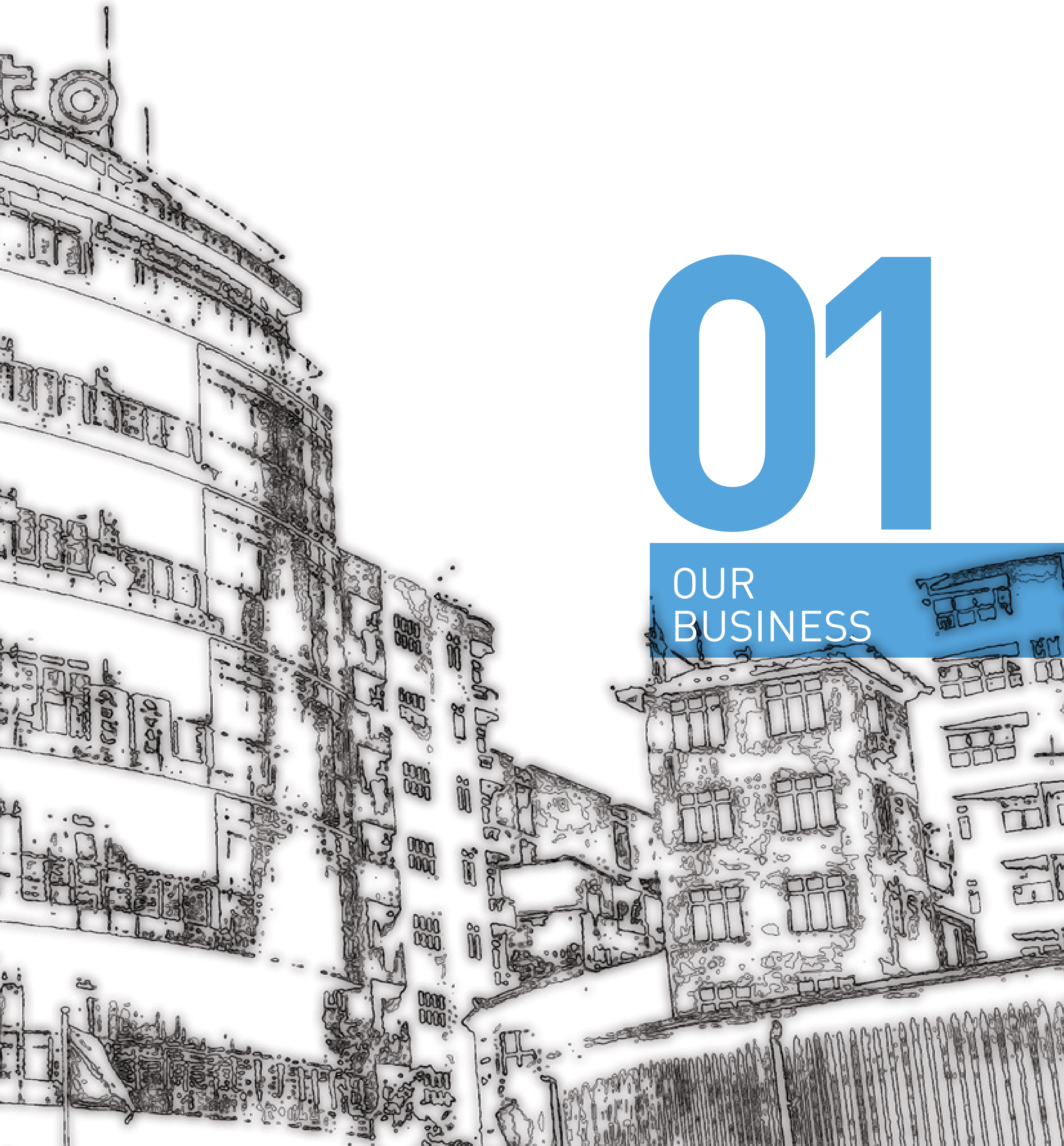
OUR BUSINESS



OUR BUSINESS

BUSINESS ENVIRONMENT

THE ECONOMY

According to the International Monetary Fund (IMF), the global GDP growth momentum that was seen in mid-2016 continued through 2017and is expected to achieve a GDP growth of 3.7% in 2017. The drive in GDP growth was contributed by the increased manufacturing output from Asia and the increased investments from advanced economies.

In line with the global economy, the Maldivian economy also expanded, achieving a higher GDP growth. As the global economy improved, the number of tourists from Europe, Asia, and other Pacific countries increased, enabling the Maldivian tourism sector to contribute to the GDP growth. The expansion of the international and regional airports, the construction of the bridge between Malé and Hulhumalé and investment in ports are anticipated to enhance the tourism sector and complementary services. Further, the infrastructural surge caused by the increase in construction imports, housing, and large infrastructure projects initiated by the government was a major driver of GDP growth, which is expected to transform the economy of Maldives.

In 2017, the average annual inflation rate increased by 2.82%. The increase in inflation was mainly attributed to the revision of import duty on cigarettes, which led to a significant increase in prices. Additionally, the increase in food prices, rent, and education contributed to the higher inflation rate.

FOCUS ON CORE BUSINESS

The Group monitors the opportunities and challenges faced in the business environment and strategizes with precision and responds decisively to ensure long-term success. The core business of the Group is fuel and lubricants, which contributed 52% of revenue. The increase in global fuel prices had a positive impact on fuel revenue, and the significant increase in fisheries revenue by MVR1 billion reaped an increase in the Group's revenue. Despite the flourishing revenues, the increase in operating expenses as a result of increase in provisions led to lower operating margins. With the challenges in the market and changes in economic conditions, we focus on mitigating our costs and exploiting the opportunities with efficient and maximum utilization of our resources and strengthening our operational and infrastructural capabilities to achieve long-term success.

SEGMENT PERFORMANCE

In 2017, most of the segments under the umbrella of STO Group continued to expand and experienced substantial increase in revenue.

TRADING

The Trading segment is the largest business segment in the STO Group in terms of the wide product ranges offered, including Construction Materials, Home Improvement, Medical Services, Food and Beverages, and the Regional Service Outlets.

NET REVENUE
MVR 2,567 MILLION
28.2%

GAS

The Maldive Gas Pvt Ltd is the leading supplier of gas and the sole distributor of medical oxygen essential for the healthcare industry. The company provides its customers with LPG for households and has its distribution networks across multiple sectors, including resorts and restaurants.

NET REVENUE
MVR 210 MILLION
2.3%

FUEL AND LUBRICANTS

This segment comprises selling, distribution, and marketing of petroleum products. The aim is to provide clean and reliable petroleum products to its customers in domestic and international markets.

NET REVENUE
MVR 4,769 MILLION
52.4%

INSURANCE

The Allied Insurance Company of Maldives product portfolio ranges from general insurance, motor, life and Islamic insurance products and more, specially designed to meet the challenges faced in each specific market.

NET REVENUE
MVR 237 MILLION
2.6%

FISHERIES

Maldives Industrial Fisheries Company (MIFCO) is engaged in the processing and exportation of tuna, tuna products, reef fish, and other fishery products.

NET REVENUE
MVR 1.3 BILLION
14.3%


sto
PHARMACY

SEGMENTAL STRATEGIES AND PERFORMANCE

TRADING

"Focused on creating long term value for our customers since 1960's"

The Group has evolved significantly over the years by focusing on creating long term value for customers and by embedding a culture which is aimed at continuous improvement and sustainable development. The Group remains committed to providing incessant supply of essential goods and services and contribute to the development of the nation by catering to the demands of the emerging population.

SUSTAINING PERFORMANCE

STO was incorporated with the mission of strengthening national food security and providing essential goods and services. The Group's top priority has been focused on adding value for customers by providing better quality products at reasonable prices and, at the same time, maximizing the value for our shareholders.

In 2017, the trading segment experienced a surge in revenue, as trading revenue increased by 9.5% compared to 2016. The increase in revenue was mainly from the construction materials, as the construction segment is flourishing due to the continuous investments by the government into national social development projects. The construction segment rose by approximately 47%, generating a revenue of MVR446 million. Moreover, the presence of pharmacies in all islands and the increase in sales of medical equipment led to higher revenue.

STRATEGIC FOCUS

During the year, strong emphasis was made on streamlining business process, reducing costs, and improving resource efficiency. To embed a culture of continuous improvement and empower employees to improve sales, sales targets were set and a sales incentive scheme was developed. Further, cost reduction programs were carried out with a strong focus on the reduction of inventory and handling and transfer costs, in order to improve working capital management.

SHARE OF TRADING REVENUE

	2017
REGIONAL SALES	16%
CONSTRUCTION MATERIALS	17%
HOME IMPROVEMENT	11%
FOOD & BEVERAGES	22%
MEDICAL SERVICES	33%

CONSTRUCTION MATERIALS

The construction sector of Maldives is fueled by the infrastructure projects and real estate industry. As a leading supplier of construction materials, the Group has fully exploited the opportunities available and has focused on operational efficiencies to enhance its market position and maintain its reputation of providing excellent services to the customers.

With the extra effort from employees, better strategic planning and support from the management, the segment achieved all its targets and generated a revenue of over MVR446 million. As a result, the department reaped benefits of more labor with increased efficiency and increased productivity because of extra resources in fixed assets, such as vehicles, provided by the Organization.

PRODUCTS AND PROJECT PORTFOLIO

STO Malé Readymix operations have started to expand and have become profitable as the learning curve was completed, providing quality concrete more efficiently and effectively. The increased sales were a result of gaining customer confidence and trust in operation and quality. With the success of the Malé Readymix project, it was decided that this operation would be further diversified into Hulhumalé .

The segment was also engaged in supplying for landmark projects in many resorts. Further, construction materials were provided for various government projects conducted by the Ministry of Housing and Infrastructure, Maldives Transport and Construction Company, and Maldives Road Development Corporation. The Group also signed a mega project with a Chinese Company, "Zhongtian Construction Group Co. Ltd." to supply concrete for the Nasandhura project.

ROOFING MATERIALS

Maldives Structural Products (MSP) has a good reputation for offering high-quality roofing materials and related accessories at affordable prices. The company is constantly working on reducing costs wherever possible, without compromising the quality, so that the best value for money is provided for the consumers. In 2017, MSP commenced providing total roofing solutions for customers by selling roofing accessories such as fascia gutter, apron flashing, flashing, valley gutter, and ridge capping. In order to add value for customers, standard-size accessories, as well as non-standard-size ones, were offered as per customers' requirements.

REVENUE
MVR 446 MILLION
17%

HOME IMPROVEMENT

With the objective of improving the living standards of customers by providing quality and environment-friendly products at affordable prices, STO Home Improvement offers a wide range of products to household, professional, and business users.

As one of the leading suppliers of home improvement and electronic products, Home Improvement has an impressive product portfolio comprising paints, power tools, cooling systems for office and homes, and electronic appliances from well-known brands.

During the year, the Group has supplied and supported several government and corporate projects, including installation of VRV at Indhira Gandhi Memorial Hospital and supplying Tree Top Hospital with TVs.

ADDING VALUE FOR CUSTOMERS

Home Improvement adopts a strategic approach to marketing and constantly seeks to add value for its customers by providing excellent customer services. The service centers located in Malé and Addu City are well equipped with trained and skilled technicians to ensure a superior level of technical support and product servicing.

The Group focuses on adding value for customers through consistent delivery of high-quality products. In 2017, the Group introduced Kone brand elevators to the Maldives and has become the authorized distributor of all Kone brand products in the Maldives. Kone operates in more than 60 countries and is a global leader in elevator and escalator industry. STO Home improvement offers custom designing of elevators, installation, after sales services, as well as a 12-month warranty for the elevators.

As the Electronic showroom in City Square was completed during the last quarter of 2017, new brands were introduced, including Dell, Edifier, Anker, SJcam, etc.

SALES PROMOTION

In order to drive sales, the Group organized and conducted various marketing activities throughout the year. Some of the marketing activities of Home Improvement, such as Kick Off sales and Ramadan Bazaar, are the most awaited promotional events among customers. These successful events enable the Group to provide better quality services, which adds value to customers. In addition, marketing initiatives, such as sales and marketing trips to various islands, participation in guest house conferences, and travel trades, were carried out during the year.

REVENUE
MVR 287 MILLION
11%


Yogurts
PASCUAL
ooredoo
reload
push
25 MVR
767 2728
FREE DELIVERY
open
sto
Mata
BURGU
FUSILLI
ankara
MAKARNASI
HUGGIES
pants
XL 16
Choice

MEDICAL SERVICES

As the national leader in the supply of essential drugs and health care equipment, the Group envisions to help improve people's lives through better health care. The well-established pharmacies in all islands across the country ensure a consistent supply of essential medicines and have become reliable and trusted pharmacists for the customers.

SOLID GROWTH AND IMPROVED PRODUCTS AND SERVICES

During the year 2017, medical segment revenue increased to MVR849 million, compared to MVR793 million in 2016. Sales is mainly driven by the geographical presence in all islands and the significant equipment sales to the health sector. Medical services supplied world-recognized medical equipment to the Ministry of Health, Indira Gandhi Memorial Hospital (IGMH) and Hulhumalé Hospital, including GE MRI, CT Scan, and Nihon Kohden patient monitoring systems. Further, the Group extended its product portfolio by offering new and innovative products from leading suppliers in the health care industry. This includes examination gloves from Sempermed and the introduction of Kotra Pharma pharmaceuticals.

CONTRIBUTION TO THE NATIONAL HEALTH SECTOR

The Group is committed to improve the health and well-being of the country's population and has always taken the initiative in being one of the first to respond to nationwide pandemics, providing assistance when it is most required. As the Group believes investing in knowledge is vital to improve the health of people, the Group focuses on providing training for health care professionals and initiates awareness programs for the citizens of Maldives.

In 2017, STO partnered with the Maldives Medical Association and Rusan Pharma India in organizing a special symposium on drug addiction. In collaboration with Fresenius Kabi, training sessions were held on the installation of the ALYX machine in the Maldives Blood Services, and training on the use of IV Paracetamol for healthcare professionals was conducted. In addition, the third Advanced Wound Care workshop was conducted in Addu City, in association with the Maldives Association of Surgeons and the Malaysian Wound Care Association.

Since heart diseases are one of the leading causes of death in Maldives, to spread awareness of heart diseases, a campaign was started on World Heart Day. Further, to encourage the hard work and emphasize the role of pharmacists in improving the healthcare system, Pharmacists' Day was celebrated.

REVENUE
MVR 849 MILLION
33%

FOOD AND BEVERAGES

Established with the intention of providing an inexpensive mode of shopping, STO Supermart is recognized as one of the largest and most convenient supermarkets in the country. STO Supermart offers a variety of high-quality merchandise including toiletries, stationery, canned foods, frozen food, and household items.

STO Supermart maximizes sales by retaining customers and offering a wide variety of products and services in a convenient shopping environment. In 2017, STO Supermart, including sales of staple foods, generated a revenue of MVR575 million.

STRATEGIC DEVELOPMENTS

During 2017, Supermart was involved in some major projects to better enhance our service to the customers. For the first time, installation of 3 fully equipped cold storage units was completed that enabled to increase the cold storage capacity by more than 100%. In addition to the new cold storage, a completely new and hygienically maintained unit was developed as a packing area to pack fruits, vegetables, and chicken and meats which were sold in our Supermarket. Sales of these products showed a significant increase with the improved facilities.

With the introduction of Huggies STO Supermart reduced the selling prices of baby diapers in Maldives by 40%. It gave assurance to the public that basic necessities will be sold at affordable prices through STO outlets and other

retail partners. Further additions to the portfolio includes Superchef brand of affordable quality food items ad Kitco range of chips and snacks.

In 2017, STO Supermart initiated the works to become the first Supermarket in the Maldives to have the ISO and HACCP certification. The 2 batches of inspection as well as the necessary trainings were given to relevant staff by quarter 3 of 2017.

PROMOTIONAL AND MARKETING ACTIVITIES

2017 was a year in which STO Supermart was immensely active on the marketing and promotion of its brands and services. The year started with a whole new promotional concept in collaboration with local distributors to activate the retail store and retail sales. Promotions carried out during the year included the common Ramadan Baazar, Robert Ramadan promo, as well as the first ever Supermart wholesale promotion, which were all rewarded with exciting prizes including foreign trips, monthly vouchers, and a one-year free shopping voucher from Supermart.

As a part of the Group's commitment to support local businesses, STO Supermart opened a special local produce corner where locally produced goods from all across Maldives were promoted and sold. The local corner was specifically designed with the Dhivehi tradition in mind and was a major success amongst the thousands of tourists who visit the supermarket on a regular basis.

REVENUE
MVR 575 MILLION
22%

REGIONAL SALES

The regional sales business unit has established 13 different outlets in major areas of the country, with the key objective of ensuring better quality products at affordable prices for people living across the country. Supermart, construction, home improvement products and staple foods are provided at all locations, and utmost importance is given to staple foods and Supermart items to ensure uninterrupted provision and affordability of essential goods and services.

PERFORMANCE AND DEVELOPMENTS

With the challenge of offering high quality goods at affordable prices to geographically scattered small islands, the regional sales business unit gained a revenue of MVR410 million in 2017. Despite the challenges in the market and increased competition, the segment is determined to serve regional market needs by focusing on mitigating costs and the efficient utilization of available resources.

To maximize sales and maintain customer relationships, sales trips were conducted to nearby islands, including B.Thulhaadhoo and Gdh.Faresmaathoda. Additionally, to increase brand awareness, Devondale Milk promotion and Kick off promotion was conducted. In collaboration with Malé outlets, Ramazaan Bazaar, Makita Heyya Promotion, Hitachi AC Promotion, and Year End Sales promotion were carried out. These promotional initiatives were a huge success and enabled regional outlets to increase their sales.

As the Group is focused on adding value and increasing efficiency in the provision of goods and services, the construction of the Makunudhoo distribution center was commenced in 2017. As Makunudhoo is geographically dispersed from other islands, the establishment of the warehouse will enable uninterrupted supply of essential goods and services for the islanders.

REVENUE
MVR 410 MILLION
16%

FUEL AND LUBRICANTS

As the market leader in selling, distribution, and marketing of petroleum products, the segment aims to provide clean

and reliable petroleum products to its customers in domestic and international markets. STO holds a strong reputation in the domestic market through consistent supply to government entities, including Maldives Airports Company Limited, State Electric Company Private Limited and other numerous private organizations. With the ongoing expansion and infrastructure development projects, the company envisions to expand and make its footprint in the international market.

PERFORMANCE

Fuel and Lubricants reported a revenue of MVR4.8 billion in 2017 compared to MVR3.9 billion in 2016. The increase in revenue is driven by global fuel prices. The upward trend in crude oil prices is reflected by Organization for Petroleum Exporting Countries (OPEC) and non OPEC countries' decision to curb the oil production and increased demand from advanced economies.

DISTRIBUTION NETWORK

Fuel Supplies Maldives (FSM), the Group's distributor of petroleum products, ensures easy and convenient access to fuel throughout the country. To ensure a sustainable fuel solution to customers at reasonable prices, FSM established distribution channels in Hulhumalé and Fuvahmulah in 2017. Further, FSM began to deliver FENAKA power houses' fuel requirements located in different islands. The efficient supply of petroleum products enabled the company to achieve the 'Logistic Company of the Year, 2017' by Corporate Maldives.

INFRASTRUCTURE DEVELOPMENTS

The Group engages in investments in infrastructure to achieve a better market position and for continuous improvement in customer service. The oil terminal expansion project works were continued in 2017 and is expected to be concluded in 2018. This will facilitate in maintaining sufficient inventory levels of petroleum products, ensuring fuel security to the country. Furthermore, new tanks are equipped to industry standards for better safety. 90% of the terminal quay wall upgrading project was completed in 2017 and is expected to be finalized in January 2018, which will result in an increase of berthing capacity of 10,000 to 30,000 MT.

The Malé Industrial Village Fuel Shed agreement was signed with Maldives Transport and Construction Company. The station is designed to cater to both vehicles and vessels. This will effectively eliminate the need for FSM bowser operations. The fuel station is designed with over 20 pumps inland alone, which will reduce the queues and enhance customer experience of EasyFill.

REVENUE

MVR 4,769 MILLION

52.4%

GAS

Maldive Gas Pvt Ltd is the leading supplier of gas and the sole distributor of medical oxygen essential to the healthcare industry. With more than 300 agents located strategically across the nation, Maldive Gas ensures all inhabited islands and resort customers are constantly supplied with an adequate supply of LPG. Maldive Gas has immense business capabilities and excels in the marketing of its products, meeting the needs of its diverse consumers.

PERFORMANCE

2017 has been a productive year for Maldive Gas in terms of revenue, as they increased their sales by 23% compared to 2016. This was facilitated by significant sales of their premium range of cylinders under the brand "Lui Fulhi." The company successfully launched gas appliances and accessories promotions and introduced the "Sanford," "Flamingo," and "Phillips" brand kitchenware and electric appliances. Despite the increase in revenue, the increase in sales and distribution expenses dimmed their operating profits.


STO-MALDIVES
ALIMAS

STRATEGIC GROWTH AND DEVELOPMENT

Maldive Gas has recently taken up mega projects, such as bridge construction and the Chang-Hua Maamingili project, from which the company attains a huge demand for industrial gases. Further, the long intended project of filling hall automation was completed and brought into operation in late 2017.

To develop an effective risk management plan, Maldive Gas has commenced building storage expansions in Southern Atolls. The establishment of strategic production centers nationwide is a part of the strategic business plan to ensure and expand overall storage capacity and continuous supply of LPG across the nation.

REVENUE
MVR 210 MILLION
2.3%

INSURANCE

With the vision of "becoming the most preferred market responsive insurer providing diversified services in the Maldives and beyond," Allied Insurance Company has bagged various insurance solutions under its umbrella over the years. While the product portfolio ranges from general, life, and Islamic insurance products, the company was able to reach a customer range well spread across the country, from fishermen owning fishing boats to corporate resort operators and companies.

Allied has now become a household name in the country and is among the largest financial institutions and the best insurance brand in the nation, capturing maximum market share.

With the experience acquired over the years, along with developing professionalism and expertise in the field, the company is poised to play a responsible role in the development of the insurance industry in the Maldives.

PERFORMANCE AND STRATEGIC DEVELOPMENTS

With the increased competition, market and environmental factors that affected the business, the year, 2017, proved to be very challenging for Allied Insurance Company. There were several initiatives taken to create various business opportunities, which enabled the company to increase their sales. Some of the initiatives adopted by the company include:

- A Focus on increasing sales by carrying out a door-to-door sales campaign throughout the year
- Initiatives to maximize sales of its Takaful Window, Ayady Takaful, such as introducing Ayady Online – an online portal for Motor and Travel Takaful
- Inclusion of Hajj and Umrah products in the online portal
- A Takaful Awareness Workshop was conducted in collaboration with Islamic University of Maldives to increase market awareness on Islamic Insurance

MILESTONES

2017 proved to be a remarkable year for Allied Insurance Company. The focus on continuous improvement, substantial innovations, and initiatives to modernize technology empowered them to achieve the Islamic Finance Forum of South Asia (IFFSA) award for most innovative product for Ayady Hajj and Umrah products, and also, IFFSA awards for Takaful Window of the year, in 2017. In addition, the company was also recognized among the first 100 companies at the Gold 100 Awards.

REVENUE
MVR 237 MILLION
2.6%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FISHERIES

The Maldives Industrial Fisheries Company (MIFCO), which came under the umbrella of the STO Group in 2016, conducts the largest fish processing operation in the Maldives. MIFCO is engaged in the processing and exportation of tuna, tuna products, reef fish, and other fishery products, and the products are well known, especially in Europe, due to their high quality.

2017 was a remarkable year for MIFCO in terms of the revenue generated as MIFCO reported a revenue of MVR1.3 billion.

STRATEGIC FOCUS

MIFCO focuses on market-oriented product development activities to continue to provide products at reasonable prices in order to stand out from the competition and meet consumer preferences. Moreover, the management has worked in collaboration with the board to improve the financial stability of the company, and monitoring company costs and maintaining professional and efficient relationships with stakeholders were given high priority.

The Group gives precedence to providing sustainable products and services that promote prosperity to customers and the environment. In 2017, MIFCO signed a memorandum of understanding agreement with the Ministry of Environment and Energy to provide assistance to switch over from HCFC-based refrigeration and air-conditioning technologies to zero Ozone Depletion Potential (ODP).

SALES AND MARKETING

In 2017, growth was manifested through value addition, continuous product development, as well as expanded and enhanced product offerings to expand the market share. MIFCO achieved the highest volume of goods exported from the Maldives in 2017. A higher volume of exports was generated from chilled tuna, frozen tuna, canned tuna, and fish meal. These products have been mainly promoted at international tradeshows, including the Boston Seafood show, Brussels Seafood expo, Anguga fair, and Hong Kong Seafood show. Further, MIFCO entered into the Malaysian market and participated in Seafex Dubai to promote new products for which the visitors' feedback had been remarkable.

To drive sales and gain more exposure, MIFCO has gained an online presence by listing in Alibaba. For additional exposure in international markets, MIFCO has started subscribing to leading industry publications, namely, Atuna and Seafood Source.

MIFCO also leads the local market in supplying the widest range of value added fish products under the Fasmeeru Brand. In 2017, MIFCO promoted Fasmeeru brand in various social activities organized by public sponsorship and charity events. The launch of "Fasmeeru Obinoavey," for Ramadan to promote canned tuna, was the main highlight of local marketing contributing to the largest sales records.

REVENUE

MVR 1.3 BILLION

14.3%


WELCOME
PUSH

FINANCIAL REVIEW

REVENUE

STO Group posted a strong topline growth in major business segments during the financial year 2017. Group revenue increased to MVR9,100 million in 2017, improved by 31% compared to previous year. A double digit growth in the topline is an evidence for the growing nature of the Group beyond its boundaries.

Continuing its growth momentum, our key operation - Fuel business contributed for a notable growth in revenue steered by volume growth and increase in average selling price as a result of the increase in international oil prices. MIFCO was another notable contributor for group revenue adding a revenue of over MVR1.3 billion to topline. MIFCO results were consolidated for the whole year in 2017 compared to the three months' results included in 2016 group performance. The higher market prices in early 2017 and the increase in export quantity of fish products resulted in an upsurge in revenue. Similarly, a remarkable revenue growth was seen in Maldive Gas resulting an year-on-year (YoY) growth of 23% compared to 2016. The introduction of new products and enhanced marketing coupled with improved operational efficiency increased Trading and Insurance revenue by 10% and 2%, respectively.

GROSS PROFIT AND OPERATING PROFIT

Despite a substantial growth that was seen in Group revenue, the gross profit increased by 4% due to lower margin from key operation – fuel business. The Group has downsized its margin in fuel business in order to pass the benefits to end customers and add more volume to product portfolio in order to increase the market share in oil industry.

The Group wanted to improve the quality of assets reported on the balance sheet and thus proactively adopted new provisioning model in order to comply with IAS 39 and to be prepared for the new financial reporting standards. Adoption of new provisioning model resulted in a substantial increase in the provision for assets reflecting an increase in expenses of the Group. The additional provision created in 2017 compared to a provision reversal in 2016, which arose as a result of recovery of debt from a major customer, resulted in a substantial rise in expenses in 2017 compared to 2016.

Corresponding to lower gross profit margins and high costs lead by increase in provision, the operating profit of the Group reduced to MVR316 million in 2017.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The Group delivered a profit after tax of MVR160 million in 2017 (2016: MVR429 million) resulting an earnings per share of MVR138 (2016: MVR377).

NET FINANCE COST

The acquisition of MIFCO in 2016 reduced the burden of dollar purchase requirements which dimmed the foreign exchange loss of the Group in 2017. However, the total finance cost was increased to MVR138 million, up by 11% as a result of consolidating MIFCO results for the full year.

TAXES

Total Income Tax expense for the year 2017 amounted to MVR52 million (2016: MVR61 million), corresponding to an effective tax rate of 25% (2016: 12%). Increase in the provision for assets resulted in a lower accounting profit at the Group level whereas the taxable profit was influenced only by the change in actual operating expenditures, resulting in a higher effective tax rate at the Group level. As per the statutory laws and regulations, the Group paid Goods and Service Tax (GST), Withholding Tax, lease rent, and other taxes and levies required by the law.

CASH FLOW

Net cash generated from operating activities in 2017 declined by MVR322 million to MVR295 million (2016: MVR616 million) due to the credit growth in terms of delay in payment from major customers. Nevertheless, major improvements were made in inventory management of the business by improving operational efficiencies and setting KPIs for business segments.

During the year the Group completed one of its strategic auspicious investment of purchasing an oil tanker and major part of oil storage expansion. The Group also completed and launched a shopping and office complex building, an iconic brand of STO at the central part of Malé . The increase in investments in property, plant and equipment, and investment properties resulted in a net cash outflow of MVR681 million (2016: MVR446 million) from investing activities. Net cash outflow from financing activities reduced to MVR15 million (2016: MVR226 million), as the dividend paid and net repayment of borrowings reduced in 2017.

FINANCIAL POSITION

The financial year 2017 marked a huge transformation and growth in the balance sheet of the Group led by auspicious investments in strategic assets of the Group's core business. Group non-current assets were grown by MVR615 million to a total of MVR3,115 million, up by 25% YoY. In 2017, the Group's equity increased to MVR2,523 million compared to MVR2,422 million in 2016, which corresponds to net asset value Per Share of MVR2,239 (2016: MVR2,149). Return on Equity decreased to 6.5% (2016: 18.6%) as a result of fall in net profit led by increased provisions, while net debt increased to MVR4,788 million (2016: MVR3,866), representing a gearing ratio of 65%. During the year, loans and borrowings amounting to MVR755 million were repaid, and new loans and borrowings worth of MVR751 million were raised.

2018 OUTLOOK

The Group continues to capitalize on its expertise areas led by sound strategies applicable for the operating environment. With a clear focus on core areas, the sales growth momentum in all segments of the Group is expected to continue throughout 2018. The Group is consciously adopting a strategy to improve its dominance position in oil industry by acquiring more volume. With the increase in volume coupled with anticipated raise in global oil prices will lead the Group to have a growth in fuel sales. Further, revenues from all other segments under the umbrella of STO Group is expected to experience a reasonable growth throughout 2018.

The Group has also identified the component of value driving business activities and have made significant investments during the year 2017. The investments have already started to yield returns which will enable the Group to maximize the returns for shareholders. The Major investments including the expansion of oil storage and investment in oil tanker are expected to commence operations in early 2018. These investments will bring operational efficiencies, reduce freight costs and increase storage capacity to meet growing demand. Hence, enabling the Group to cater to a wider market at lower operating costs.

The Group has taken several measures to improve operational efficiencies and maintain sales growth momentum. Budgeting process has been strengthened and cost minimizing options have been deployed to bring down overall operational cost. To enhance sales growth, sales incentive scheme was developed, key performance indicators have been identified and set to evaluate performances.

In addition, cost reduction programs have been implemented with a focus on minimizing handling and warehousing costs related to inventory in order to reduce operating expenditure and improve working capital management.

Despite the environmental challenges, the future seems to be very promising for the Group. The investment projects and newly developed strategies will lead the Group to reach new heights and maximize shareholder value in the medium run.

GROUP KEY FIGURES

MVR IN MILLION	2017	2016
REVENUE	9,100	6,939
GROSS PROFIT	1,435	1,375
OPERATING PROFIT	316	578
PROFIT BEFORE TAX	212	490
PROFIT FOR THE YEAR	160	429
EARNINGS PER SHARE, MVR	138	377
NET ASSET PER SHARE, MVR	2,239	2,149
NET CASH FLOW FROM OPERATING ACTIVITIES	295	616
RETURN ON EQUITY, %	6.5	18.6
NET DEBT/EQUITY RATIO	1.9	1.6
DIVIDEND PER SHARE, MVR	55	51
INTEREST COVER RATIO	2.3	5.1


PHILIPS

SHARE

PERFORMANCE

OWNERSHIP STRUCTURE

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

DIVIDEND

During the year, the Board has declared and paid dividends for 2016 of MVR51.00 per share, MVR57.5 million (2015:57.00 per share, MVR64.2 million), and the same was approved by the shareholders in the Annual General Meeting held on 30th May 2017.

The Board of Directors proposes a divident of MVR55.00 per share equivalent to a total divident payment of MVR62 million.

TRADING VOLUME

The STO share is listed on the Maldives Stock Exchange (MSE). During 2017, a total of 6,505 shares were traded, compared to 479 during 2016. The highest price quoted was MVR700, the lowest was MVR 350, and the weighted average was MVR418. The market capitalization at the year-end for 2017 was MVR394 million.

SHARE TRADE DATA:

MVR	2017	2016	2015	2014	2013
HIGHEST	700	500	980	550	510
LOWEST	350	400	400	400	360
WEIGHTED AVERAGE	418	500	472	451	411
NO. OF TRADES	63	24	61	9	41
NO. OF SHARES TRADED	6,505	479	550	292	520
LAST TRADING PRICE	350	500	500	400	380
NO OF SHARES ISSUED	1126910	1126910	1126910	1126910	1126910
MARKET CAPITALIZATION (MILLION)	394.2	563.5	563.5	450.8	428.2


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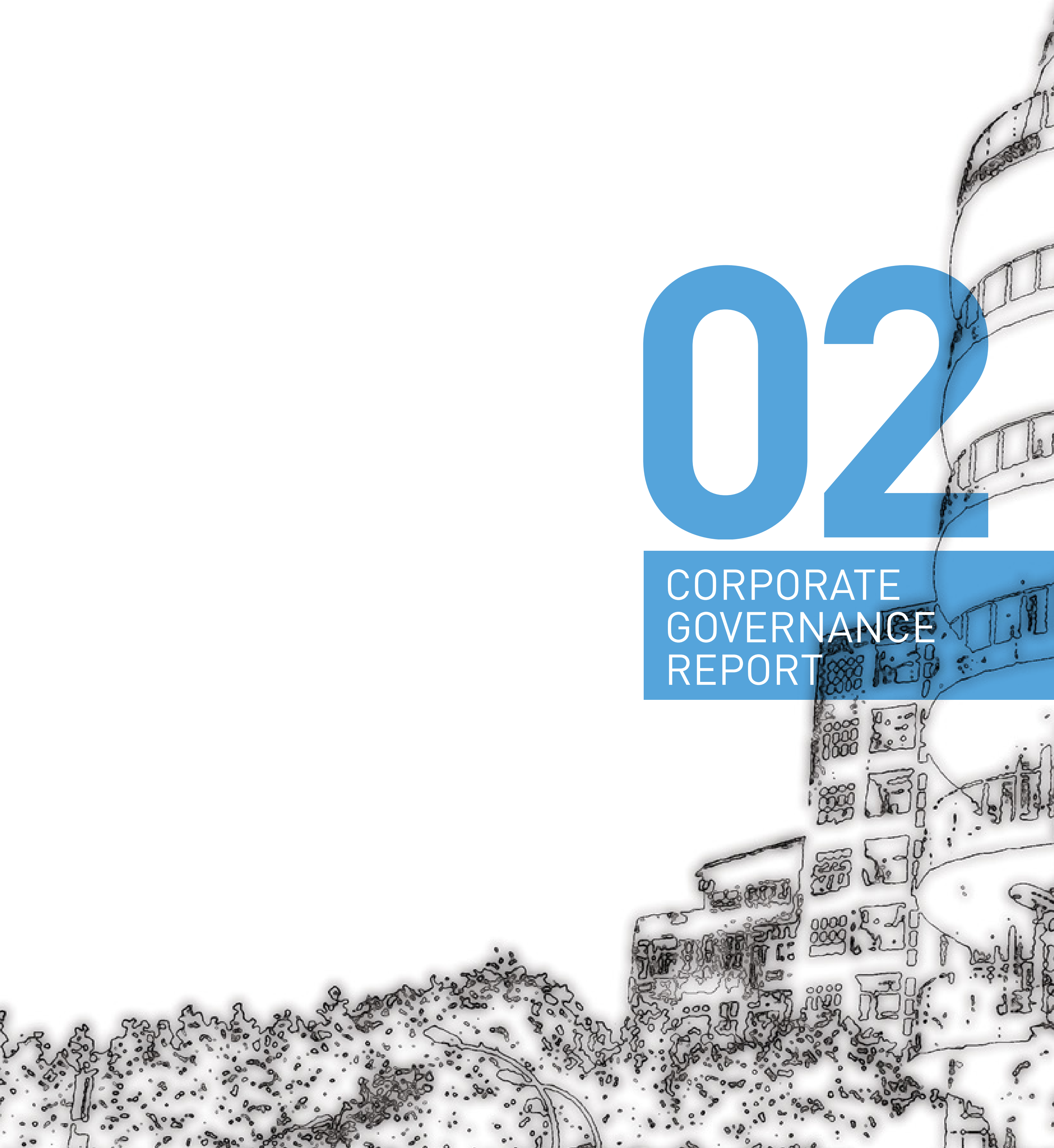
02

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE

The State Trading Organization plc. (STO) aspires to the highest standards of governance and seeks to enhance and improve our governance performance, emphasizing transparency, while embedding a sustainable culture of long-term value creation.

STO is a limited liability company and complies to the Companies Act of the Republic of the Maldives 10/96, the Corporate Governance Principles of the Company and the Corporate Governance Code (Code) of the Capital Market Development Authority (CMDA). Compliance to the rules and recommendations of the Securities Act 02/2006, the Listing Rules of the Maldives Stock Exchange Pvt. Ltd. (MSE) and Securities (Continuing Obligation of Issuers) Regulation 2010 are also followed, where applicable.

During the year, STO was committed to maintaining high standards in compliance with all the above-mentioned legislation. Any deviations are explained through the "comply" or "explain" principle, in this report.

Moreover, the Company paid immense attention to promote good governance principles across STO and its Group of Companies (Group) throughout the year.

CORPORATE GOVERNANCE GUIDELINES

Over the years, the 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 the Board to make decisions that are independent of the Management.

STO first established its governance guideline in 2006. Therein, 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.

Furthermore, in 2017, STO developed a policy and procedure on subsidiary companies and major commercial activities, a manual for board directors, a code of ethics for directors and renewed the board charter and corporate governance guidelines. STO also enforced a guideline on holding annual general meetings and preparation of annual reports for the Company and its Group Companies. These policies, procedures, and guidelines are believed to provide the Group with guidance and emphasize the importance of proper governance within the companies.

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, the Board oversaw the business affairs and the economic, social, and environmental sustainability of the Group.

FOLLOWING TABLE INDICATES THE MEMBERS OF THE BOARD AND ITS COMMITTEES DURING 2017, INCLUDING THE CHAIRPERSON.

	BOARD	AUDIT COMMITTEE	NOMINATION & REMUNERATION COMMITTEE	CORPORATE GOVERNANCE & COMPLIANCE COMMITTEE	RISK COMMITTEE
HUSSAIN SALIM MOHAMED	Chairperson				
AHMED SHAHEER	Member				
MOHAMED MIHAD	Member				
AMIR MANSOOR	Member	Chairperson	Member		Member
AISHATH RAFIYYA	Member		Chairperson	Member	Member
AISHATH RAYAHEEN SHAREEF	Member	Member	Member	Chairperson	
MOHAMED FARSHATH	Member	Member		Member	Chairperson

CHAIRPERSON MEMBER

Board Director, Ms. Aishath Rayaheen Shareef, was replaced with Ms. Mariyam Zaahiya, in January, 2018.

Below includes 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; furthermore, 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 the 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 effe ctively.
- Ensuring the Company understands, owns, and works toward a 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 in regard to the Company's business; in particular, with respect to 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 the internal audit reports.
- Implementing the policies, processes, guidelines, and codes of conducts approved by the Board.
- Overseeing recruitment and development of staff and their performance.
- Appointing, removing, determining, and providing wages to employees of the Company on a structure approved by the Board.

PROFILE

The Directors' academic and professional qualifications are presented on pages 70 to 73 of this report.

BOARD COMPOSITION

In accordance with the Company's Articles of Association (AOA), the Board comprises seven ordinary members appointed by the shareholders at the Annual General Meeting (AGM) for a term of one year. Of these seven members, five were non-executive members and two were executive officers of the Company, which included the Managing Director.

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

DIVERSITY

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

STO Board comprises a mix of all such merits, in terms of age, gender, experience, and knowledge. The Board has six male directors and two female directors, as required by the Code of the CMDA.

INDEPENDENCE

The AOA further indicates that the majority of the Board shall be independent of the Company. The independence of these members is determined by the criteria described in the Code of the CMDA, where neither a Director nor his/her immediate family members have held a key position in the Company during the past year, and where none of their immediate

family members have had any substantial financial dealings with the Company. After considering these factors, all the 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 are members of the Boards of Group companies, private companies, and non-profit organizations. Despite this, all Directors devoted sufficient time and efforts to their duties as Board members of the Company. Details on other directorships held by the directors are provided in their profiles.

TENURE

No Director other than Amir Mansoor is currently fulfilling a sixth year on the Board. Furthermore, the Board acknowledges that at least one-third of the Board had retired or was changed every 2 years during the course of the past 5 years.

COMMITTEES

The Board's work is supported by 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 gathered for the purpose of expediency since the majority of the same Directors are entrusted with the functions of both committees.

The committee chairperson and the Company Secretary determine the frequency and duration of the committee meetings. Normally, all committees are required to meet four times a year. The recommendations of the committees are then submitted to the entire Board for approval before 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 they and their immediate family members hold a significant interest. 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 42 of audited financials.

CHAIRMAN AND MANAGING DIRECTOR

The Chairman and Managing Director's functions in the Company are assumed by different individuals, and their roles and responsibilities are separated in the Directors Charter.

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:

•1Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee, and individual directors.
•1Takes 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 the management.
•1Approves the agenda for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
•1Promotes an open environment for debates and ensures that Non-Executive Directors are able to speak freely and contribute effectively.
•1Exercises control over the quality, quantity, and timeliness of information flow between the Board and management.
•1Provides close oversight, guidance, advice, and leadership to the Managing Director and management.
•1Plays 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:

•1Running the day-to-day business of the Group, within the authorities delegated to him by the Board.
•1Ensuring implementation policies and strategy across the Group, as set by the Board.
•1Day-to-day management of the executive and senior management team.
•1Leading the development of senior management within the Group, with the aim of assisting the training and development of suitable individuals for future directorship roles.
•1Ensuring that the Chairman is kept informed, in a timely manner, of issues faced by the Group, and of any important events and developments.
•1Leading the development of the Group's future strategy, including the identification and assessment of risks and opportunities for the growth of its business, 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 who challenge management on its assumptions and proposals, is fundamental for good corporate governance.

For this to happen, the Board, and the non-executive directors, in particular, must be kept well-informed of the Group's business and be knowledgeable about the industries within which the Group operates. To ensure that the non-executive directors are provided with timely information, they will have access to the management reports.

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

THE PROCESS OF RE-ELECTION AND APPOINTMENT OF NEW DIRECTORS

The Board, particularly 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 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 they would strengthen the existing Board.
- The Nomination and Remuneration Committee also meets with the shortlisted candidates to assess and to further evaluate the candidates.
- The Nomination and Remuneration Committee recommends candidates who meet the required criteria to Board.
- The Majority shareholder makes appointments to the Board through Privatization and Corporatization Board.

In 2017, three candidates from the public shareholders submitted their names for directorship. All candidates were decided by Nomination and Remuneration Committee to meet the required criteria, and during the AGM, a vote was taken on these candidates to elect the member for the seat of public shareholder in the Board. As such, Mohamed Farshath was re-elected by shareholder vote to represent the minority shareholders of the Company for a 6th term.

BOARD EVALUATION

The Board continuously monitors and reviews the board evaluation framework. The 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 effectives of the Company and the Board while also identifying possible paths for improvement. The questionnaire includes 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 2017 was completed in March 2018 and areas for improvement were identified.

DIRECTOR REMUNERATION

Details on director remuneration is provided in the remuneration report of Nomination and Remuneration Committee. Refer to pages 52 to 56 for this information.

BOARD MEETINGS

The Board of Directors held 21 Board Meetings during the year. In addition to this, the Committees' altogether held 25 meetings. The Company Secretary draft the agenda for each meeting in 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 in the agenda, where necessary.

The table below indicates the attendance of Directors to the Board meetings:

NAME OF DIRECTOR	NO. OF MEETING ATTENDED / NO. OF MEETINGS HELD
HUSSAIN SALIM MOHAMED	19/21
AHMED SHAHEER	20/21
MOHAMED MIHAD	20/21
AMIR MANSOOR	20/21
AISHATH RAFIYYA	20/21
AISHATH RAYAHEEN SHAREEF	21/21
MOHAMED FARSHATH	21/21

The Board is confident that the Directors have 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, when required. 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 is promptly delivered.

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 up to date with Company's performance, management also shares company performance reports with the Board. These reports include budgets, forecasts, quarterly financial reports, and monthly management accounts.

In addition, the head of the internal Audit department also provides the Audit Committee and, when necessary, the Board with audit reports. These reports include annual audit plans, fraud risk assessment, and findings from such audits. Management further provides the Board, quarterly, with the status of the implementation of recommendations given in the audit reports.

Some of the major decisions taken during the year were the following:

- Approved the building of two apartment towers for staff under the "Hiyaa" project.
- Approved, amended, and introduced existing and new policies, procedures, and guidelines. These include but are not limited to;
- Subsidiaries and Major Commercial Activities Policy and Procedure
- Board Profile and Candidacy Guideline
- Document on Roles delegated to the Management

- Guideline on Trading in Company Securities
- Internal and External Audit Policy
- Procurement Policy and Procedure
- Board Directors' Charter
- Board Charter and Corporate Governance Guidelines
- Board Paper Submission and Approval Procedure
- Annual Report and Annual General Meeting Guideline
- Approved going ahead with the fish pouch plant project of MIFCO Ltd.
- Approved developing batching plants at both Malé and Hulhumalé.
- Approved going ahead with the G.Dh.Thinadhoo Gas plant project of Maldive Gas Pvt Ltd.
- Approved enhancing the fleet of STO by the acquisition of two landing craft and vehicles.
- Brought changes to the Board of Directors of Group Companies.
- Approved proposing to distribute a dividend of MVR51.00 per share at the Annual General Meeting.
- Approved bonus for staff.
- Approved further investments in the Funadhoo Fuel Farm Project.
- Formed an ICT steering Committee.
- Brought about changes to the Company structure.
- Discussed the results of the Board evaluation for 2016.
- Decided to make changes to the Articles of Association of the Company.
- Introduced a sales incentive plan.
- Discussed the findings of the NED meeting.
- Approved a budget for 2018.

NON-EXECUTIVE DIRECTORS' MEETING

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

BOARD DEVELOPMENT

The Company has a comprehensive orientation program that is designed for newly-appointed directors, to familiarize them with the business and governance policies. The orientation program is arranged by the Company Secretariat and gives directors an understanding of the Group's business, to enable them to adapt to their new role. The program also allows the new directors to become 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 11 different training programs conducted abroad. These trainings focused on areas, such as corporate risk management, corporate governance, business continuity, strategic planning, leadership, and corporate finance.

MANAGEMENT REVIEW AND RESPONSIBILITY

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

Through 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 are divided into energy, supermart, home improvement items, electronics, staple foods, construction materials, and medicals. These businesses are catered in Malé and in many of the Atolls, while the Company has its presence though it's shops and pharmacies. These six business areas are supported by finance, human resources, administration, business development, PR media, procurement, information communications, and the technology and transport department. Apart from these, STO has an internal audit, risk management, managing director's bureau, company secretariat, and legal department in place.

The Nomination and Remuneration Committee reviews and recommends to Board, the compensation and benefits to all executive board members. The Managing Director reviews, evaluates, and promotes the members of the executive team 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 Managing Directors Bureau, which also includes the public relations unit, 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

STO Group has its businesses established in fields such as insurance, fuel distribution, commodity trade, gas distribution, fish canning, production of fish products, and manufacturing of roofing sheets. These businesses are administered as subsidiary companies governed by STO.
STO has over 4000 staff in its Group, serving the community and the country, every day.

The Board of Directors have entrusted the Managing Director of STO with the function of overseeing its Group of Companies. As such, many measures have been taken to establish good governance practices within the Group.

A Code on Corporate Governance, a Board Manual, and a Code of Ethics was approved by STO Board for its Group of Companies. Currently, there are seven subsidiaries of STO, where STO holds more than 90% of shares. STO also has one Joint Venture Company and holds associate shares in four other companies.

Details of STO shares held in these companies as required by the CDOI Regulations 2010 is provided on page83.

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. The internal audit is 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 Auditors 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 strive to improve the findings pointed out in the auditor's report.

The shareholders re-elected KPMG as the external auditors for 2017. The auditors provided an audit opinion regarding the STO and the consolidated financial statements of the STO Group. The audit was conducted in accordance with the International Standards on Auditing. These standards ensure that the auditors comply with the relevant ethical requirements and that they plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free of material mis-statements.

INTERNAL CONTROLS

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

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

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

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

The limits of authority and responsibility are given in the instructions for the delegation of authority, as well as the manuals, policies, procedures, and codes, including the Code of Conduct, the Employee Handbook and various other guidelines. Together with laws and external regulations, these internal guidelines form the control environment.

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

The monitoring and testing of control activities are performed periodically to ensure the adequacy of these controls and that the risks are properly mitigated.

The effectiveness of control activity level is monitored by the Internal Audit at Group, business area, functional, and process levels and then 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 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 pages 58 to 60.

SHARES AND SHAREHOLDERS

STO's shares are listed at the Maldives Stock Exchange (MSE). At year-end 2017, STO had 4,041 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 of more than 5% within the Company.

VOTING RIGHTS

The share capital of STO includes 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 a show of hands where each 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 in 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 is delivered directly to the Chairman and the Company Secretary. The Chairman then submits 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 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, 2017, have 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 a guideline in place on trading in the 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 or 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.

GENERAL MEETINGS

The decision making rights of shareholders are exercised at the General Meetings. The Annual General Meeting (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 shareholder's 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 2016 AGM was held at Dharubaaruge, on May 30, 2017. 172 shareholders representing a total of 84% of the share capital were represented at the AGM.

Major decisions made at the Annual General Meeting 2016 include:

- A dividend payment of MVR51.00 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 45,580.00

DIVIDEND

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

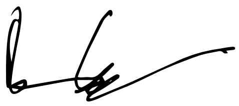
In accordance with the dividend policy of the Company, the Board has declared MVR55.00 per share for the shareholders' approval in the upcoming 2017 Annual General Meeting.

GOING-CONCERN DECLARATION AND FUTURE OUTLOOK

The Board is confident that it has the right mix to provide the necessary support for management to implement the strategic and business objectives of the Company. Hence, the Board is highly optimistic about 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. Therefore, we hereby confirm that the Company and the Group is able to carry on its activities, implement its proposed plans and achieve its forecast results, satisfactorily.

On behalf of the Board of Directors;

Hussain Salim Mohamed
Chairman



Ahmed Shaheer
Managing Director

AUDIT COMMITTEE REPORT

NAME	ATTENDED MEETINGS
AMIR MANSOOR (CHAIRMAN)	10/10
MOHAMED FARSHATH	10/10
AISHATH RAYAHEEN SHAREEF	10/10

The Committee is comprised of three non-executive, independent directors. The Audit Committee held 10 meetings during the year.

The 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 bi-annually. 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

- 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 the Board on the appointment, retention, and removal of the external auditors.
- Ensuring the independence and credentials of independent auditors.
- Reviewing the 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 with statutory requirements and ethical standards.

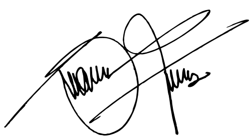
MAJOR ACTIVITIES OF 2017

- Discussed and agreed to deadlines for implementation with management, on the issues identified by the external auditors during interim audit.
- Discussed and agreed on deadline with Group Company management, on issues identified in the management letters of Group Companies.
- Discussed in detail the internal audit reports issued by Chief Internal Auditor.
- Committee members were informed of the implementation status of these reports, quarterly, by management at Board meetings.
- Presented, discussed and, when required, investigated further or took appropriate action on the issues identified from whistleblower messages received.
- Presented and discussed the External Auditors Report presented to Audit Committee.
- Committee discussed and submitted their recommendations on the appointment of external auditors for the year 2018.
- Discussed the Budget for 2018.

CONCLUSION

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

On behalf of the Audit Committee;



Amir Mansoor
Chairman of Committee

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE REPORT

NAME	ATTENDED MEETINGS
AISHATH RAYAHEEN SHAREEF (CHAIRPERSON)	05/05
MOHAMED FARSHATH	05/05
AISHATH RAFIYYA	05/05

The Committee is comprised of 3 non-executive, independent directors. The Corporate Governance and Compliance Committee held five meeting during the year. The Committee Chairperson, Aishath Rayaheen Shareef, was replaced with Mariyam Zaahiya, in February, 2018.

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 Committees' 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 education program for new recruits to the Board.
- Develop a process for assessing the effectiveness of the Company, Board, individual Directors, and its committees, and ensure that the Board conducts these evaluations annually.
- Ensure that the Board and its committees review its Charters annually.
- Develop and ensure implementation of a conflict of interest disclosure policy for the Directors and employees of the Company.
- Ensured that an appropriate business Code of Ethics was established and reviewed by the Company
- Ensured that appropriate methods were being established, for the stakeholders to submit their recommendations and inquiries to the necessary established regulatory bodies in the Company

MAIN ACTIVITIES OF 2017

- Discussed the compliance with the Committee Charter
- Reviewed the compliance of subsidiaries to the Code of Conduct
- Evaluated performance and recommended the bearer of the "Excellence in Governance Award for the Year 2016"
- Reviewed Board-related policies and formed new policies, procedures and guidelines. These included:
- the Subsidiaries and Major Commercial Activities Policy and Procedure
- the Board Profile and Candidacy Guidelines
- the document on the roles that are delegated to Management
- the Guidelines on Trading in Company Securities
- the Internal and External Audit Policy
- the Procurement Policy and Procedures
- the Board of Directors Charter
- the Board Charter and Corporate Governance Guidelines
- the Board Paper Submission and Approval Procedure
- the Annual Report and Annual General Meeting Guideline
- Reviewed and evaluated the subsidiary Boards, their Chairmen, MD's, individual directors, the Company Secretary, Committees and the Company's financial performance. The results were submitted to the Board and discussed further. Recommendations were made to the subsidiaries, who considered the findings and some changes were also brought about by the members of the Board

CONCLUSION

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

On behalf of the Corporate Governance and Compliance Committee;

Mariyam Zaahiya

Chairperson of Committee

NOMINATION AND REMUNERATION COMMITTEE REPORT

NAME	ATTENDED MEETINGS
AISHATH RAFIYYA (CHAIRPERSON)	04/04
AMIR MANSOOR	04/04
AISHATH RAYAHEEN SHAREEF	04/04

The Committee is comprised of 3 non-executive, independent directors. The Nomination and Remuneration Committee held 4 meetings during the year. The Committee Chairperson Aishath Rafiyya was replaced with Mohamed Farshath in February 2018.

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 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 fix 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 his or her own remuneration. In determining such policy, the Committee shall take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the CMDA CG Code, and associated guidelines.

• Review the ongoing appropriateness and relevance of the remuneration policy

• Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes

• Determine the policy for, and scope of, pension arrangements for the Company as required by law.

• Ensure that contractual terms of termination and any payments made are fair to the 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 nomination for the approval of the Board, candidates to fill board vacancies as and when they arise.

• Ensure that all directors disclose any business interests that may result in a conflict of interest with the Company.

• Review the Board performance evaluation process from time to time.

MAJOR ACTIVITIES OF 2017

• Reviewed Committee Charter.

• 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 that Board

• Reviewed and made recommendation on changes to Company structure

GENDER DIVERSITY

Board works towards and believes in the importance of gender diversity in Board and Company. A such, STO Board has two female directors and the majority of administrative and support staff in Company are female.

CONCLUSION

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

On behalf of the Nomination and Remuneration Committee,

Mohamed Farshath

Chairman of the Committee

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 and in the audited financial statements. 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.

The remuneration of the members of the Board consists of the following elements:

- monthly remuneration
- a fee for attendance per meeting
- a chairman's allowance for the Chairman of the Board

The remuneration of the executive directors and other employees consists of the following elements:

- a fixed base salary
- a performance-based incentive per month
- annual bonuses
- other benefits such as pension and retirement benefits

SUMMARY OF THE REMUNERATION POLICY

The remuneration policy contains the following guidelines:

• At least half the Board should be comprised of non-executive directors, with the majority of such directors being independent.

• Non-executive directors shall be remunerated by way of fees paid, including fees paid in recognition of their membership of 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 the attainment of certain financial objectives.

• The Company's remuneration policy is formulated to attract and retain high-caliber executives and to motivate them to develop and implement the Company's business strategy in order to optimize long-term shareholder value creation.

• All employee remuneration comprises two basic principles – fixed and performance-based components.

• The Company has a systematic evaluation methodology to evaluate each employee's performance annually; this assesses the degree to which employees are satisfying the requirement of their role and performance objectives.

SUMMARY OF REMUNERATION PROVIDED FOR EXECUTIVE DIRECTORS IN 2017

Salary – No increase was granted in 2017. The last increment was made in 2013, as previously reported.

Service contract – The Managing Director was appointed for yet another term (one year) on 31st May 2017. 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 with additional benefits such as travel and medical insurance and discount benefits as per the "benefits list" approved by the Board of Directors.

Annual bonus – Employees received their 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 a pension benefit as per the Company policy.

Notice period – No notice periods were given to any Directors in 2017.

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

SUMMARY ON REMUNERATION PROVIDED FOR NON-EXECUTIVE DIRECTORS IN 2017

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 30th May 2017. 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 bonus.

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 – No notice periods were given to any Directors in 2017.

Severance fee – No severance fee was provided to any Non-Executive Director during the year.

DIRECTORS' SHAREHOLDINGS

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

The Director's shareholding, as at 31st December 2017, is as follows:

NAME	DIRECT SHARES	INDIRECT SHARES
HUSSAIN SALIM MOHAMED	0	0
AHMED SHAHEER	50	125
MOHAMED MIHAD	0	0
AMIR MANSOOR	0	0
AISHATH RAFIYYA	0	0
AISHATH RAYAHEEN SHAREEF	60	220
MOHAMED FARSHATH	50	0

PAID REMUNERATION

In 2017, a sum of MVR1,078,500 was paid to the Board of Directors as remuneration in the Board, while MVR1,805,944.80 was paid to Executive Directors as remuneration for their executive position in the Company. A total of MVR7,145,869.53 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 2017.

NAME	POSITION IN BOARD	TOTAL REMUNERATION RECEIVED IN 2017 (MVR)
HUSSAIN SALIM MOHAMED	CHAIRMAN	MVR 261,500
AHMED SHAHEER	MANAGING DIRECTOR	MVR 130,000
MOHAMED MIHAD	DIRECTOR/ CFO	MVR 129,000
AMIR MANSOOR	DIRECTOR	MVR 140,000
AISHATH RAFIYYA	DIRECTOR	MVR 136,500
AISHATH RAYAHEEN SHAREEF	DIRECTOR	MVR 140,500
MOHAMED FARSHATH	DIRECTOR	MVR 141, 000

LETTER OF APPOINTMENT

All Non-Executive Directors were re-elected to the Board at the Annual General Meeting 2016. All members of top management are permanent employees of the Company.

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

BOARD MEMBERS

All Directors were re-elected for another term on 30th May 2017. However, Director Aishath Rayaheen Shareef was replaced by Mariyam Zaahiya in February 2018. Aishath Rayaheen Shareef was appointed as the Board Director of the Maldives Port Authority Ltd.

NAME	DATE OF INITIAL APPOINTMENT TO BOARD
HUSSAIN SALIM MOHAMED	06.12.2016
AHMED SHAHEER	25.12.2013
MOHAMED MIHAD	28.03.2016
AMIR MANSOOR	07.05.2012
AISHATH RAFIYYA	21.08.2014
AISHATH RAYAHEEN SHAREEF	28.03.2016
MOHAMED FARSHATH	14.06.2012

TOP MANAGEMENT

NAME	DESIGNATION	DATE OF EMPLOYMENT	DATE OF APPOINTMENT TO TOP MANAGEMENT
AHMED SHAHEER	MANAGING DIRECTOR	01.01.1994	01.01.1994
MOHAMED MIHAD	CHIEF FINANCIAL OFFICER	31.05.2009	29.01.2014
DR. IBRAHIM MAHFOOZ	CHIEF INTERNAL AUDITOR	01.02.1996	01.07.2004
FATHIMATH ASHAN	SENIOR GENERAL MANAGER	20.12.1994	23.03.2004
AHMED SHIFAN	SENIOR GENERAL MANAGER	31.12.2004	27.05.2007
AISHATH SHAFFANA RASHEED	COMPANY SECRETARY	15.11.2004	12.03.2009
MUSTHAFA AZMY	CHIEF INFORMATION OFFICER	19.07.1994	01.05.2013
MARIYAM NUZLA	GENERAL MANAGER	13.05.1999	03.12.2013
MOHAMED MURAD	GENERAL MANAGER	21.10.1998	03.12.2013
HUSSAIN SOBAH	GENERAL MANAGER	12.10.2003	03.12.2013
RAMZEE ABOOBAKURU	GENERAL MANAGER	11.07.2007	03.12.2013
ABDUL WAHID MOOSA	GENERAL MANAGER	12.03.2009	03.12.2013
MUSLIH MASEEH	GENERAL MANAGER	12.08.2008	22.03.2015
MOHAMED SHUJAU	GENERAL MANAGER	01.12.1998	15.11.2015
MOHAMED NIZAM	CHIEF RISK OFFICER	07.03.2010	01.07.2016
MARIYAM PARUVEEN ABDUL FATHTHAH	EXECUTIVE SECRETARY	23.09.1998	03.12.2013

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 the CMDA, no Director is permitted to sit on the Board of three or more publicly-listed companies.

As such, the below table includes the Board Members who hold directorships in other Companies, as at 31st December 2017, and it further stipulates any additional remuneration that is received from the said Boards.

PAYMENT TO PAST DIRECTORS

No payments were made to the past Directors during 2017.

DECLARATION

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

Mohamed Farshath
Chairman of Nomination and Remuneration Committee

NAME	OTHER DIRECTORSHIPS HELD	REMUNERATION RECEIVED
AHMED SHAHEER	CHAIRMAN OF MALDIVES NATIONAL OIL COMPANY	-
	CHAIRMAN OF STO MALDIVES (SINGAPORE) PTE LTD	MONTHLY MVR2,500.00 AND A SITTING FEE OF MVR300.00 PER MEETING
	CHAIRMAN OF MALDIVES INDUSTRIAL FISHERIES COMPANY LTD	MONTHLY MVR5,000.00 AND A SITTING FEE OF MVR300.00 PER MEETING
	BOARD DIRECTOR OF ADDU INTERNATIONAL AIRPORT PVT. LTD.	-
MOHAMED MIHAD	CHAIRMAN OF FUEL SUPPLIES MALDIVES PVT. LTD.	MONTHLY MVR5,000.00 AND A SITTING FEE OF MVR300.00 PER MEETING
	BOARD DIRECTOR OF MALDIVES INDUSTRIAL FISHERIES COMPANY LTD	MONTHLY MVR5,000.00 AND A SITTING FEE OF MVR300.00 PER MEETING
MOHAMED FARSHATH	BOARD DIRECTOR OF MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	MONTHLY MVR10,000.00 AND A SITTING FEE OF MVR500.00 PER MEETING
	BOARD DIRECTOR OF MALDIVES TOURISM DEVELOPMENT CORPORATION PLC	MONTHLY MVR10,000.00 AND A SITTING FEE OF MVR1,000.00 PER MEETING (HIS TENURE ENDED ON 28TH AUGUST 2017)

RISK COMMITTEE

REPORT

NAME	ATTENDED MEETINGS
MOHAMED FARSHATH (CHAIRMAN)	06/06
AMIR MANSOOR	05/06
AISHATH RAFIYYA	05/06

The Committee is comprised of three non-executive, independent directors. The Risk Committee held six meetings during the year. The Chairman of the Committee was changed from Mohamed Farshath to Dr. Aishath Rafiyya in February 2018.

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 Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

A detailed report on risk management of the Company in 2017 is available on pages 58 to 60.

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 2017

- Reviewed Risk Committee Charter.
- Approved Risk Management Policy.
- Reviewed and discussed the department risk reports.

CONCLUSION

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

On behalf of the Risk Committee;

Aishath Rafiyya
Chairperson of the Committee

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. Risk management is an essential element of our corporate governance and strategy development.

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 means 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 MANAGEMENT POLICY AND FRAMEWORK

The Group continued to review its approach to risk management to ensure that the focus is aligned with the changing needs of the business and that processes and standards follow good international practices. The risk management policy and framework are in line with the ISO 31000:2009 Risk Management – Guideline and provide reasonable assurance that business objectives can be achieved and our obligation to customers, shareholders, employees, and society can be met.

The policy and framework outline the principles, governance, roles and responsibilities, and approach within a coherent framework that addresses and prioritizes risks that are material and relevant to the Group's corporate goals. It also provides clarity on risk appetite, with the boundaries that determine the tolerance level in the key objective areas and type of risk such as strategic, operational and financial and compliance.

The Risk Management Department support our comprehensive Group risk management processes and facilitate risk workshops. The Chief Risk Officer reviews our risk management process and ensures compliance with the relevant standards. Major business risks are identified and assessed, including appropriate controls measures and implementation of mitigating measures through risk registers, which are subsequently monitored and reviewed by the Risk Management Committee and the Board.

RISK MANAGEMENT IN 2017

The Group's Risk Management process underpins the successful execution of its strategy and planning for the future. During 2017, 16 department-level Risk Management workshops were held, including five projects. Around 350 unique risk scenarios were identified, which were prioritized by Risk Champion and Department teams. The outcomes of all the risk analyses are included in risk registers.

Our initial focus is on the major risks that may impact the achievement of our business objectives over the next three to five years, and beyond. Our risks are classified into eight categories that could threaten the business model and include the sustainability, future performance, solvency or liquidity of the Group. These major risks are related to its strategy, its financial, operational, market, and physical security, cyber security, political challenges, as well as compliance and control risks. Many of the described risks could have a positive or negative impact on the Group.

STRATEGIC AND INVESTMENT RISKS

A rapidly-changing external environment demands a greater focus on the strategic and investment risks, in order to enhance the ability to anticipate the risks and to respond to them 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 aware that each business strategy has a unique set of risks that 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, cash handling policy, etc. that has been adopted by the Board of Directors. The Group also has policies and processes in place to manage and monitor its exposure to liquidity risk in both Rufiyaa and foreign currencies and capital management risks. Management of these risks are centralized to the 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 seeks 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, fires, storms, and accidents. It is also at risk of hostile acts, such as terrorism or piracy, which could harm our employees, disrupt our operations, and destroy our assets. Hence, the Company monitors 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 the Regional Sales team of STO provide 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 by 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 Company's reputation and adversely affect operational results and shareholder value. Compliance is assured by the Company's effective legal team.

The Company keeps abreast of new regulations and legislation and plans adequate responses to them. 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 the Fraud Response Policy, Whistleblower Policy, and Group Companies Code of Conduct. Further, employees are provided with a range of compliance training and monitoring programs. STO Group is open to feedback and listens to its employees, contractors, and other stakeholders closely.

On behalf of the Risk Committee;

Aishath Rafiyya
Chairperson of the Committee

03
CREATING VALUE BY EMPOWERING EMPLOYEES

CREATING VALUE

▪ BY EMPOWERING EMPLOYEES ▪

Employees are an integral part of any organization, and the Company is committed to continually building the capability of our employees to deliver performance and growth. This report highlights what has been achieved over the past year and a brief outline of future plans.

HIGHLIGHTS OF 2017

- An initiative taken by the Ministry of Gender and Family to provide equal employment opportunities for people with special needs was adopted and the Company supported this initiative by employing nine persons with special needs in the year, 2017.
- The Company values its staff and strives to provide a safe work environment. The health and safety of every employee are primary considerations in STO's continuous efforts to eliminate or reduce conditions and behaviors that could result in injuries or illness. In this regard, a safety and health conference was organized by STO and MACI. The main objective of this conference was to bring together professionals from different industries in the same forum to discuss the importance of OSHA, the challenges faced in implementing safety procedures in the work environment, what induction/awareness programs should be provided by education bodies, what the risks or hazards were that were being faced, and what actions could be taken to eliminate them.

LEARNING AND INCLUSIVE TALENT DEVELOPMENT

The Company values the continuous development of all staff in support of overall corporate strategy. Staff development is done in two methods: by attending trainings/seminars or conferences away from the workplace, or by taking part in long-term development courses. On-the-job training is done by involving employees to increase their knowledge or skill at the workplace.

STO recognizes the importance of human capital as a critical first step in tapping into unrecognized potential. Executive education is an investment in that capital, a way to unlock that untapped talent. What we get in return is better leaders, more effective managers, better decisions, and a greater return on investment.

REWARD AND MOTIVATION

As a motivational factor, STO introduced a sales and performance management scheme in 2017. Upon achieving the sales targets, all staff members were entitled to this bonus based on the type of job done.

During the year, a total of 35 staff members participated in various short-term overseas training programs in the field of management, international trade law, HR, supply chain and logistics management, fraud and forensic auditing, enterprise risk, Nuve Autoclave systems, Kone brand training, enterprise risk training, etc., while 16 staff members were given an opportunity in Company-sponsored, long-term higher education courses in the field of business and marketing. In-house training programs were also conducted, such as fire awareness training, VRF, IFRS, public speaking and presentation, train the trainer – pharmacovigilance training, Microsoft project software training, and Incoterms 2010.

In 2017, STO gave a broad focus on staff training and development. As such, career and capacity development remain a top priority of the Company HR strategy. HR is working continuously to ensure that staff training needs are met in order to develop capacity and staff ability to make informed decisions and deliver the best service to customers.

STRATEGIC FUTURE PLANS

Staff welfare has been seen as an important factor, and as such, a staff welfare emergency policy is currently being drafted. Staff welfare emergency policy would aim to provide benefits to staff in the event of emergency natural disasters or sudden sickness or death.

In today's competitive world, the importance of having employee counseling in the workplace is an effective way to deal with workload, meet deadlines, establish relations with subordinates or colleagues, lack of time, work-life balance, and higher responsibility. The benefits are numerous, and as such, STO aims to hire a professional counselor so that employees are given a new way to deal with problems that may be directly related to performance.

STO has over 500 employees in islands that are being managed remotely, and hence, face-to-face interactions are nil. Managing employees on a remote basis has its difficulties, and HR aims to implement an SKMS system to manage staff attendance at all regional pharmacies.

With the completion of the All-Pharmacy Project, there are still some key factors that are to be achieved. Although approximately 167 employees have been employed as pharmacists, the aim of having a pharmacist in every regional pharmacy still remains to be achieved. The Dhasvaru Programme was an initiative organized by the Ministry of Education, in collaboration with STO, for the training of pharmacy assistants. The Ministry of Education and STO recognized the need to increase the number of Maldivians in the field of Pharmacy. In line with the Company's vision, all STO pharmacies are to be operated under an STO pharmacist, and by the end of 2019, all regional pharmacies will have an STO pharmacist.

2,032
EMPLOYEES AT THE END OF
THE YEAR 2017

85% MALDIVIAN EMPLOYEES
15% FOREIGN EMPLOYEES

04

RESPONSIBLE SUSTAINABILITY

RESPONSIBLE

▪ SUSTAINABILITY ▪

CORPORATE SUSTAINABILITY

STO has always been a champion of serving the community. National interest and social responsibility are specified among the values of the organization. Throughout its growth and diversification, STO remains committed to achieving success in ways that uphold ethical values, human dignity, and sustainable development.

The CSR efforts of STO are divided into four main categories, namely: society, market, staff, and environment. STO is also a proud member of the United Nations Global Compact. It is a voluntary international initiative in which participating organizations commit to applying and actively promoting sustainable business practices. STO is among its earliest adopters in the Maldives and has officially committed to comply with the 10 principles that are based on human rights, labor standards, environmental protection, and anti-corruption.

STO AND SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations to address the economic, social, and environmental issues around the world. We have adopted the SDGs while we also continue to uphold our commitments under the UN Global Compact.

Achieving the SDGs will require action by the government, NGOs, and the private sector. As a leading public company in the Maldives, we are committed to leading by example in contributing to achieve these goals. We strive to reduce the negative impact of our operations and make a positive contribution to the environment and the communities we engage.

STO Group of Companies performed well in 2017. This performance was made possible in no small part by the sustainable strategies the Group employed. Each of the 17 SDGs has a specific target to be achieved by 2030. This report highlights on eight of these 17 goals and how STO Group contributes to responsible performance.

The goals highlighted here are closely aligned with the topics that are most prominent for STO in our contributions to sustainable development:

GENDER EQUALITY

STO is a proud advocate for gender equality. 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 feMalé directors to represent the Board. At the operational level, feMalé representation is higher (54%) than Malé. STO firmly stands against gender-based discrimination. No gender-based differentiation exists in employee benefits, such as salary, training, work environment, or decision making. STO believes that gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous, and sustainable world. We also continued to assist efforts aimed at empowering women in 2017, including support for NGO's like Hope for Women.

REDUCED INEQUALITIES

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 STO and in its contribution to society. Within the organization, a carefully designed salary structure is in place to reduce the income gap between the top and lower tiers. Furthermore, STO works with Ministry of Gender and Family in employing people with special needs in suitable jobs, and this program was continued in 2017. STO pays attention to the needs of marginalized or disadvantaged populations. Access to services varies greatly among the geographically dispersed inhabited islands of the country. STO's All Island Pharmacy Project (AIPP) aims to improve healthcare access across the nation through pharmacies established in every inhabited island. In 2017, AIPP provided access to medicine for thalassemia patients nationwide and made arrangements for

regional hospitals to obtain available supplies locally from STO pharmacies. STO's sponsor of staff and facilities at Fiyavathi children's orphanage continued in 2017 and helps improve the odds for a better future for these children.

FOOD SECURITY

Ending hunger, achieving food security, improving nutrition, and promoting sustainable agriculture is important for sustainable development. 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 medicine, ensuring the nation's food security is more than just a mission for STO. It is a national obligation. In 2017, STO finalized its plans to build a new central distribution centre in Malé City with vastly improved capacity, conditions, and access, and construction is scheduled to begin in 2018.

HEALTH

This goal of SDG's is based on the premise of healthy lives and promoting well-being for everyone. Health care is one of the biggest areas of contribution to the public by STO. In recent years, STO's medical department has grown rapidly. In addition to supporting health organizations and hospitals, STO is always amongst the first to respond and provide assistance in nationwide pandemics. STO operates a pharmacy on every inhabited island of the country. The services are provided with the primary intention of promoting the health and well-being of citizens while business profit is secondary. STO was on the forefront in combating the flu pandemic in March, 2017, with an emergency medical distribution centre set up in Malé City to ensure quick distribution of essential medicines throughout the nation. In 2017 STO also sponsored several key medical symposiums and worked with Aasandha and the Health Ministry on various projects to advance national healthcare.

CLIMATE ACTION

The SDGs call to take urgent action to combat climate change and its impacts. Climate change is now affecting every country on every continent. STO has always been a strong advocate for environmental issues. In 2017, STO streamlined its arrangement with Waste Management Corporation to integrate the best practices in waste management in all business operations. STO became the first public company in the country to manage recyclable waste and general waste separately according to industry best practices. STO allocated part of its 2017 spending under CSR and sponsors for environmental initiatives. And in 2017 STO committed to supply materials and equipment to Environment Ministry's sewerage projects that cover 10 islands.

LIFE BELOW WATER

For a low-lying island nation with 99% of the surface covered in water, the SDG of conserving and sustaining the oceans, seas, and marine resources is especially relevant. Life below water is a huge part of the country's fauna. Hundreds of coral reefs in the country are delicate ecosystems that are important not only for environmental reasons, but for economic reasons, as well. Fisheries and tourism sectors that form the backbone of the country's economy are heavily dependent on the health of our coral reefs. Hence, sustaining life underwater is of utmost importance to STO, and it is reflected in our business strategies. Our subsidiary, Maldives Industrial Fisheries Company Limited (MIFCO), is a prime example of this business approach. MIFCO is a MSC-certified fisheries company. This means that MIFCO

uses sustainable fishing methods, doing its part to ensure the world's oceans remain teething with life today, tomorrow, and for generations to come.

STO uses biodegradable bags, which is a huge step-up from conventional plastic bags in terms of their impact on the fragile health of our coral reefs. However, we are paying close attention to the recent concerns about micro-plastics and their danger to marine life. STO held a discussion with the Parley Maldives in 2017 on this topic and the possibility for large-scale exportation of plastics for recycling. This is an area we will continue to explore and contribute further in the coming years.

SUSTAINABLE CITIES AND COMMUNITIES

Cities are hubs for ideas, commerce, culture, science, productivity, social development, and much more. At their best, cities have enabled people to advance socially and economically. With the rapid development, the greater Malé area, and even some larger inhabited islands, are witnessing the trend of urbanization. As the cities develop, more and more people are moving into these areas, in order to upgrade their standard of living.

STO is a leader in the construction industry, and it plays an active role in the urbanization of cities. In this economic drive, care must be taken not to neglect the well-being of the communities and the environment. In 2017, STO streamlined its ready-mix concrete service in Malé City, serving multiple sites concurrently. This has vastly reduced the safety and pollution issues associated with the conventional methods of construction that are practiced in the congested city.

Over the years, STO has contributed to the community by developing green public spaces, parks, pharmacies, and playgrounds. In 2017, STO began constructing the South Harbour Food Court in Malé City, which is a new concept in the city. It is expected to transform the previously congested and polluted neighborhood into a healthier and more enjoyable public space. STO continues to provide flexible assistance to the Housing Ministry, and other interested companies, for the improvement of urban planning and management.

QUALITY EDUCATION

Ensuring inclusive and quality education for all, and promoting lifelong learning, is one of the SDGs. Obtaining a quality education is the foundation for improving people's lives and sustainable development. The Maldives has made better progress in this area than other countries in the region, especially in primary education and inclusion.

However, education at other levels and incorporating modern methods and technology are important in today's knowledge economy. A significant portion of our CSR and sponsors are aligned with this goal by helping smaller schools in the atolls with resources and integrating technology. We also believe creating awareness and a generation of more enthusiastic students is key. To this end, we have partnered with the Education Ministry in celebrating the work of the top students at the lower secondary level every year. In 2017, we honoured more than 600 students throughout the nation for their educational achievement. This event has gained much publicity and has played a role in motivating many students from small island schools to compete with those from top schools in the capital.

SUMMARY

With sustainable business practices, STO has, in 2017, gone beyond the eight goals highlighted on this page. Through its CSR and sponsorship programs, STO spent a considerable amount of its annual marketing budget towards developing a sustainable future. This expenditure included contributions to education, community, health, environment, sports, children, women, and people with special needs. Similar efforts are made by all our subsidiaries, making STO Group arguably the nation's top corporate contributor to causes that align with the Sustainable Development Goals.


sto

05

DIRECTORS AND EXECUTIVE TEAM PROFILE

BOARD OF DIRECTORS

HUSSAIN SALIM MOHAMED
CHAIRMAN

AHMED SHAHEER
MANAGING DIRECTOR

MOHAMED MIHAD
EXECUTIVE BOARD DIRECTOR / CHIEF FINANCIAL OFFICER

AMIR MANSOOR
NON-EXECUTIVE, INDEPENDENT DIRECTOR

DR. AISHATH RAFIYYA
NON-EXECUTIVE, INDEPENDENT DIRECTOR

MARIYAM ZAAHIYA
NON-EXECUTIVE, INDEPENDENT DIRECTOR

MOHAMED FARSHATH
NON-EXECUTIVE, INDEPENDENT DIRECTOR

HUSSAIN SALIM MOHAMED
CHAIRMAN

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. During this time, he had also served as a volunteering swimming instructor, assisting to instruct students in Maldivian schools, extending his free service under "Every Child Swims" programme. 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 Managing Director of Sun Constructions and Engineering Pvt Ltd, he is the head of all construction projects and redevelopment projects for 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
MANAGING DIRECTOR

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. (MNOC) 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 MIHAD
EXECUTIVE BOARD DIRECTOR / CHIEF FINANCIAL OFFICER

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
NON-EXECUTIVE, INDEPENDENT DIRECTOR

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 Carpedium Maldives Pvt Ltd, the Managing Director of Lily International Pvt Ltd, 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 has completed all modules of the Qualified Risk Director programme of Institute of Enterprise Risk Practitioners, Malaysia. He has a Master of Business from Tarlac State University, Philippines and holds an Executive Diploma in Directorship from Singapore Management University, Singapore.

DR. AISHATH RAFIYYA NON-EXECUTIVE, INDEPENDENT DIRECTOR

Dr. 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 a Director at the Sun Siyam Group of Companies overseeing Chairman's Office. She is a Deputy Leader and a founding member of the political party Maldives Development Alliance (MDA) and also an elected Member of Women Development Committee (WDC) of Malé City Council.

Rafiyya holds a Doctorate degree in Politics and International Relations, 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. In addition to this, Rafiyya has completed the Director Development program from IOD UK, IOD India, Hawkamah, Institute of Corporate Governance, UAE.

As a National Youth Award winner for 22 years of service in volunteerism, Rafiyya is the Founding President of the Regional Alliance for Fostering Youth (RAFY) – The first international NGO established in the Maldives. She is a personal mentor for Queen's Young Leaders -Leading the Change program of University of Cambridge UK, Mentor of STEM Scholars & 1000 Girls, 1000 Futures program at the New York Academy of Sciences, Honorary President of the Royal Institute of Public Administrators of Royal Institution Singapore, Vice President of International Youth Committee (IYC) and holds professional memberships of Institute of Directors-UK, Institute of Directors-India and Board Director Training Institute of Japan.

In recognition of outstanding social work for empowering youth and women, Rafiyya has received more than 15 accolades both national & international level..

MARIYAM ZAAHIYA NON-EXECUTIVE, INDEPENDENT DIRECTOR

Ms. Mariyam Zaahiya is an Independent, Non-Executive Director of State Trading Organization (STO) and was appointed to the Board in January 2018.

Ms. Zaahiya is a Director of Corporate Development Secretariat at the President's Office. Her main tasks revolve around monetary and fiscal policy, budget control and creating synergies to enhance the economic development of the country as a whole. Although Ms. Zaahiya started her career at the President's Office from the very entry level, and has managed to be part of the executive branch for the most part of her career, she also has proved that she can work at other avenues by heading the Research and Monitoring Department of the Human Rights Commission during the very start of the democratic movement in the country. Prior to being appointed as a Board Member of STO, she also has worked as a Board Member of Maldives Airports Company Ltd.

Ms. Zaahiya holds a Master of Public Policy with a triple major in Transition and Development Studies, International Relations and Political Economy from Korean Development Institution, South Korea and has completed her Bachelors in Business Administration from University of East London, at HELP Institute, Malaysia.

MOHAMED FARSHATH
NON-EXECUTIVE, INDEPENDENT DIRECTOR

Mohamed Farshath, appointed to the Board at the 2012 Annual General Meeting, currently is the only public shareholder representative, Non-Executive Independent Board Director of State Trading Organization (STO) PLC and is also a public shareholder representative Board Director of Maldives Transport and Contacting Company (MTCC) PLC. Farshath also holds the post of Secretary General of Maldives Media Council (MMC) and is also the Managing Director of Galactic (Pvt.) Ltd. and IMTM (Pvt.) Ltd.

Farshath also served at Maldives Tourism Development Corporation (MTDC) PLC as a Non-Executive Independent Board Director from June 2011 to November 2012 and also from November 2015 till August 2017. Farshath worked as a Certificate Panel Member for the former Maldives Qualifications Authority (MQA) as the representative from Civil Service Commission (CSC). As well, Farshath is also a member of Clique College Board.

Over 20 years of experience from the government and private sectors, Farshath worked at different departments of former Ministry of Tourism, Civil Aviation, Arts and Culture. He also served the former Foreign Investment Services Bureau (FISB) of the former Ministry of Trade and Industries. Farshath has also provided his services to the CSC as the Financial Controller, Director, and the acting-in-charge of several Divisions. He also has attained experience from the former Clique Training Center and has actively worked in different areas of the private sector, namely construction and real estate development.

Farshath has an educational background in Tourism, Board Directorship, Business Administration, Management, and Information Technology. He has also attended various training workshops/seminars internationally held in Dubai, Singapore, Thailand, India and Malaysia and participated as the representative of Maldives in various international conferences.

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.

EXECUTIVE TEAM

AHMED SHAHEER
MANAGING DIRECTOR

MOHAMED MIHAD
EXECUTIVE BOARD DIRECTOR / CHIEF FINANCIAL OFFICER

DR. IBRAHIM MAHFOOZ
CHIEF INTERNAL AUDITOR

FATHIMATH ASHAN
SENIOR GENERAL MANAGER

AHMED SHIFAN
SENIOR GENERAL MANAGER

AISHATH SHAFFANA RASHEED
COMPANY SECRETARY

MUSTHAFA AZMY
CHIEF INFORMATION OFFICER

MOHAMED NIZAM
CHIEF RISK OFFICER

MARIYAM PARUVEEN ABDUL FATHTHAH
EXECUTIVE SECRETARY

MARIYAM NUZLA
GENERAL MANAGER

MOHAMED SHUJAU
GENERAL MANAGER

HUSSAIN SOBAH
GENERAL MANAGER

MOHAMED MURAD
GENERAL MANAGER

RAMZEE ABOOBAKURU
GENERAL MANAGER

ABDUL WAHID MOOSA
GENERAL MANAGER

AHMED SHAHEER
MANAGING DIRECTOR

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. (MNOC) 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 MIHAD
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

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.

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

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 Human Resources and Administration. She had previously served in positions of the Company such as the Head of Department for Regional Sales, Food and Beverages 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

Ahmed Shifan joined STO in the year of 2003 and is currently the Head of Regional Sales and Supermart. 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, Information & Communications Technology, and Administration & Human Resource Department.

He was also involved in the key role of the SAP HCM implementation project of the Company, as the Project Manager. He has served as the Chairman of STO Recreation

Club (STORC) from 2014 to 2017.

He currently serves as the Chairman of Maldive Gas Pvt Ltd and Managing Director of STO Hotel & Resorts Pvt Ltd. Apart from this he has served as a member of the Board of Advisors for the SAP Asia Pacific Japan Regional Services Board, Board Director of Fuel Supplies Maldives Pvt Ltd (FSM) and as a Board Director of Maldives Structural Products Pvt Ltd (MSP).

Shifan holds a Master of Business Administration with Honors from Auckland University of Technology (AUT), New Zealand and a Bachelor of Science with Joint Honors (First Class) in Business Information Systems and Business Studies from Middlesex University, UK. He is also a Fellow of the Royal Institution of Gas Engineers (RIGE), Singapore since 2016.

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AISHATH SHAFFANA RASHEED
COMPANY SECRETARY

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

MUSTHAFA AZMY
CHIEF INFORMATION OFFICER

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

MOHAMED NIZAM
CHIEF RISK OFFICER

Mohamed Nizam is the Chief Risk Officer (CRO) of the Company. He joined the company in the year 2010 as Finance Manager and prior to joining Risk Management, he was a Senior Information System Manager of ICT department, responsible for core business software management and enhancement.

He is currently a director of Allied Insurance Company of the Maldives and Maldives Industrial Fisheries Company Limited. Nizam also was a former director of Fuel Supplies Maldives Ltd., Maldives Stock Exchange and Maldives Securities Depository.

Nizam holds a Master's Degree in Business Administration, specialized in financial management from University of Ballarat, Australia and Bachelors of Arts (Honours) degree in Finance and Accounting from University of East London, UK. A professional member of Institute of Enterprise Risk Practitioners (IERP), a certified Enterprise Risk Advisor (ERA). He is also a certified associate consultant in SAP Finance and Controlling.

MARIYAM PARUVEEN ABDUL FATHTHAH
EXECUTIVE SECRETARY

Mariyam Paruveen Abdul Faththah joined STO in the year 1998 after working in the Ministry of Construction and Public Works from 1995 till 1997. During her 20 years of service in STO she has filled positions from Officer in Administration Department, Manager in Corporate and Legal Affairs to the General Manager of STO Supermart. Currently she is the Executive Secretary to the MD and the Head of Managing Directors Bureau. She is also overseeing and handling the public relations and media functions of the Company.

Paruveen holds a BA (Hons) in Business Administration in collaboration with University of Hertfordshire, UK.

MARIYAM NUZLA
GENERAL MANAGER

With experience accumulated from various positions of the company, Mariyam Nuzla has served STO for 19 years. She is currently the Head of Department for Procurement General, having held prior positions as the Head of Department for Corporate and Legal Affairs and as Personal Assistant to the Managing Director.

Nuzla is also a Board Director for Allied Insurance of the Maldives Pvt Ltd. She served as a Board Member at Maldive Gas Pvt. Ltd from 2013 to 2016. Nuzla holds a Master's in Business from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University, Australia.

MOHAMED SHUJAU
GENERAL MANAGER

Mohamed Shujau joined the Company in the year of 1998 and is the current Head of Department for Procurement Essentials. He had previously served in the Information & Communications Technology Department for 18 years. Shujau is currently a Board Director of Maldive 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.

HUSSAIN SOBAH
GENERAL MANAGER

Hussain Sobah 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 Fuel Supplies Maldives Pvt. Ltd. Sobah holds a Bachelor's Degree in Business (Marketing and Management) from the Edith Cowan University, Australia.

MOHAMED MURAD
GENERAL MANAGER

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 Electronics. Murad is currently serving as a Board Director of Maldive Gas Pvt. Ltd. Murad holds a BTEC Higher National Diploma in Spatial Design from the Academy of Design, Northumbria University, UK.

RAMZEE ABOOBAKURU
GENERAL MANAGER

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 an Executive Board Director and Chief Operating Officer of Maldives Industrial Fisheries Company Limited. Ramzee holds a Bachelor of Arts (Hons) in Marketing from the University of Hertfordshire, UK.

ABDUL WAHID MOOSA
GENERAL MANAGER

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 Head of Department for Construction Materials / Transport. He also serves as a Board Director for Fuel Supplies Maldives Pvt. Ltd and Lafarge Maldives Cement 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.

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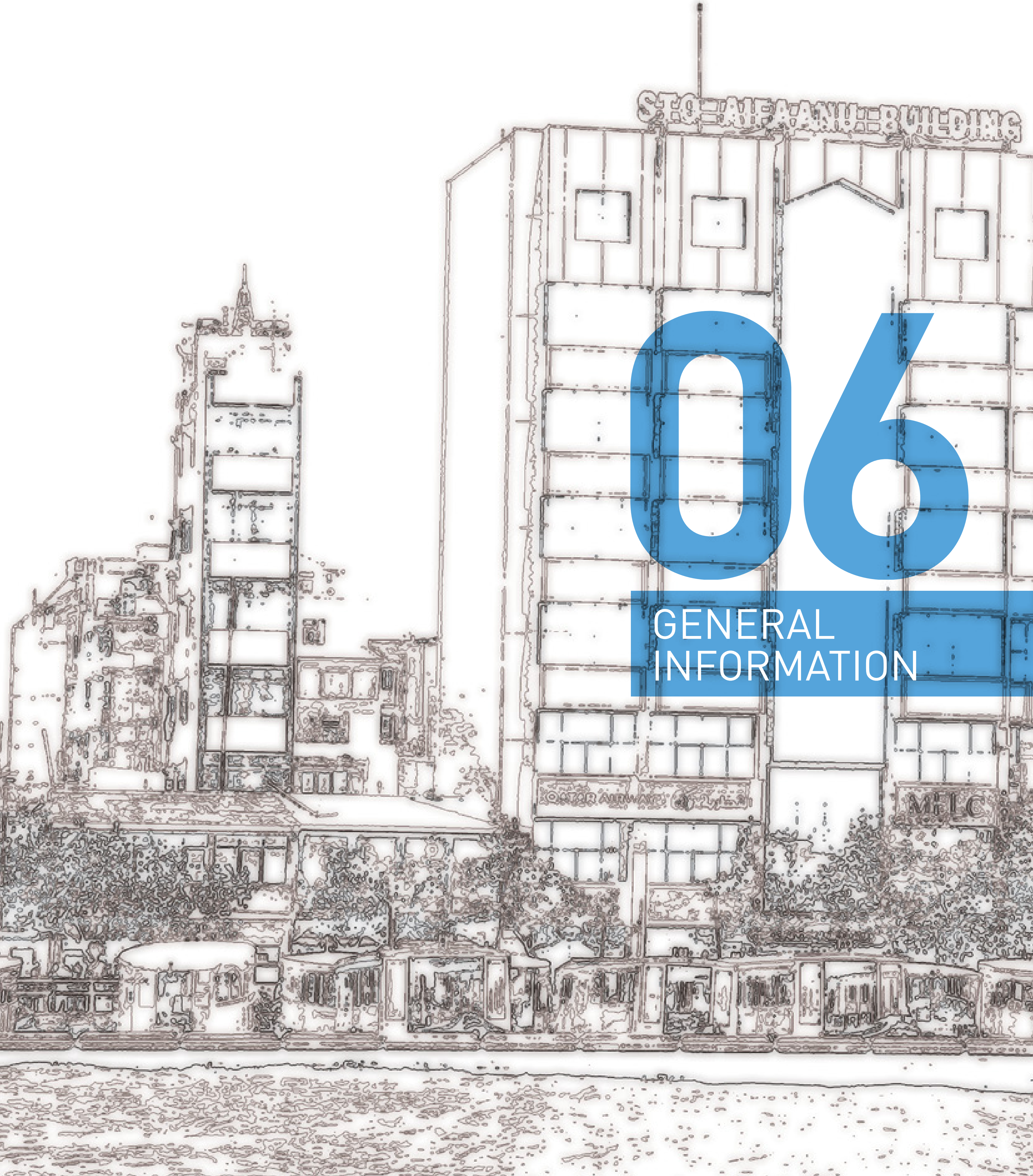
GENERAL INFORMATION



GENERAL INFORMATION

(as at 30th April 2018)

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 Company Pvt. Ltd.

BOARD OF DIRECTORS
Hussain Salim Mohamed (Chairman)
Ahmed Shaheer (Managing Director)
Mohamed Mihad (Exceutive Director / Chief Financial Officer)
Amir Mansoor (Non-Executive, Independent Director)
Dr. Aishath Rafiyya (Non-Executive, Independent Director)
Mariyam Zaahiya (Non-Executive, Independent Director)
Mohamed Farshath (Non-Executive, Independent Director)

AUDIT COMMITTEE
Amir Mansoor (Chairman)
Mohamed Farshath (Member)
Mariyam Zaahiya (Member)

RISK COMMITTEE
Dr. Aishath Rafiyya (Chairperson)
Amir Mansoor (Member)
Mariyam Zaahiya (Member)

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE
Mariyam Zaahiya (Chairperson)
Mohamed Farshath (Member)
Dr. Aishath Rafiyya (Member)

NOMINATION AND REMUNERATION COMMITTEE
Mohamed Farshath (Chairman)
Dr. Aishath Rafiyya (Member)
Amir Mansoor (Member)

AUDITORS
KPMG,
Mialani, 2nd Floor, Henveiru
Sosun Magu
Malé
Republic of Maldives

BANKERS
Bank of Ceylon, Malé
Bank of Maldives plc, Malé
Habib Bank Limited, Malé
HSBC, Hong Kong
Maldives Islamic Bank, Malé
Nations Trust Bank, Colombo
State Bank of India, Malé
Cooperatieve Rabobank U.A, Singapore Branch Commercial Bank of Maldives
The Mauritius Commercial Bank (Maldives) Private Limited
International Islamic Trade Finance Corporation

REGISTERED ADDRESS
State Trading Organization plc.
Kan'baa Aisarani Hingun,
Maafannu,
Malé 20345
Republic of Maldives
Call Centre: +960334333
Fax: +9603344533
Email: info@stomaldives.net
Website: www.sto.mv

SHARE DETAILS

SHARE DETAILS	NO. OF SHARES	@MVR.50/-	%
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	

GROUP OF COMPANIES

Incorporated Date	1984 1st November	1993 1st November	1997 30th November	1999 3rd October	2000 23rd October	2000 18th December	2002 7th January	2003 6th October	2012 7th February
Name of Company	Allied Insurance Company of the Maldives Pvt. Ltd.	Maldives Industrial Fisheries Company Ltd.	STO Maldives (Singapore) Pte. Ltd.	Maldive Gas Pvt. Ltd.	Maldives Structural Products Pvt. Ltd. *	Fuel Supplies Maldives Pvt. Ltd	Lafarge Maldives Cement Pvt. Ltd.**	Maldives National Oil Company Ltd.	STO Hotels & Resorts Pvt.Ltd.
Area of Business	Insurance	Fish canning and its by-product manufacturer	Trading	Gas Distributor	Roofing Material Manufacturer	Fuel Distributor	Cement Distributor	Fuel Trader	Tourism Sector
Incorporated in	Maldives	Maldives	Singapore	Maldives	Maldives	Maldives	Maldives	Maldives	Maldives
Operated in	Maldives	Maldives	Singapore	Maldives	Maldives	Maldives	Maldives	Singapore	Maldives
Shareholding	STO 99.99%	STO 99.99%	STO 100%	STO 90.00%	STO 50.00%	STO 99.99%	STO 25.00%	STO 99.99%	STO 99.99%
	MGPL 0.01%	Allied 0.01%		Champa Oil & Gas 10%	Rainbow Investment 50.00%	MNOC 0.01%	Lafarge (Zurich) 75.00%	Allied 0.01%	FSM 0.01%

Joint Venture * Associate company **

Investments available for sale not included

ALLIED INSURANCE COMPANY OF THE MALDIVES PVT. LTD.

Umar Shopping Arcade Building,
3rd Floor
Chaandhanee Magu, Malé 20156
Maldives
T: +960 334 1001
F: +960 332 5035
E: info@alliedmaldives.net
Website: www.allied.mv

FUEL SUPPLIES MALDIVES PVT. LTD.

STO Aifaanu Building, Block A,
4th Floor,
Boduthakurufaanu Magu, Malé 20026,
Maldives
T: +960 3336655
F: +960 3313881
E: info@fuelmaldives.com
Website: www.fuelmaldives.com

MALDIVE GAS PVT. LTD.

#02-21 STO Trade Centre, 2nd Floor,
Orchid Magu, Malé 20188,
Maldives
T: +960 333 5614
F: +960 3335615
E: info@maldivegas.com
Website: www.maldivegas.com

MALDIVES NATIONAL OIL COMPANY LTD.

STO Head Office Building, 7th Floor
Kan'baa Aisarani Hingun, Malé 20345,
Maldives
T: +960 3344300
F: +960 3344533
E: info@mnoc.com.sg
Website: www.mnoc.com.mv

MALDIVES STRUCTURAL PRODUCTS PVT. LTD.

G. Marline Spike Building, 2/10
Alikilegefaanu Magu, Malé 20117
Maldives
T: +960 3337720
F: +960 3337721
E: msroof@dhivehinet.net.mv

MALDIVES INDUSTRIAL FISHERIES COMPANY LTD.

MIFCO Head Office Building
Hilaalee Magu, Malé 389
Maldives
T: +960 3323932 +960 3323955
E: info@mifco.com.mv
Website: www.mifco.mv

STO HOTELS & RESORTS PVT. LTD.

STO Head Office Building, 6th Floor,
Kan'baa Aisarani Hingun, Malé 20345
Maldives
T: +960 3344388 +960 3344374
F: +960 3344599
E: hotels@stomaldives.net

STO MALDIVES (SINGAPORE) PTE. LTD.

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

5 YEAR GROUP FINANCIAL REVIEW

MVR, MILLION EARNINGS	2017	2016	2015	2014	2013
REVENUE	9,100	6,939	7,313	9,171	11,130
GROSS PROFIT	1,435	1,375	1,505	1,390	1,292
OPERATING PROFIT	316	578	678	761	686
PROFIT BEFORE TAX	212	490	520	573	178
PROFIT FOR THE YEAR	160	429	435	480	165
SHARE DATA					
PRICE PER SHARE, AT YEAR END, MVR	350	500	500	400	380
EARNINGS PER SHARE, MVR	138	377	382	424	144
DIVIDEND PER SHARE, MVR*	55	51	57	76	24
NET ASSETS PER SHARE, MVR	2,239	2,149	1,946	1,651	1,267
NO. OF SHARES	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
KEY RATIOS					
RETURN ON EQUITY, %	6.5	18.6	21.5	29.2	11.9
RETURN ON CAPITAL EMPLOYED (ROCE)	4.3	9.2	13.5	15.9	14.0
EQUITY/ASSET RATIO, %	32.6	34.3	38.4	34.1	26.3
NET DEBT/EQUITY RATIO	1.9	1.6	1.3	1.6	2.4
INTEREST COVERAGE RATIO	2.3	5.1	4.5	4.5	3.2
DIVIDEND YIELD, AT YEAR END, %	15.71	10.20	11.40	19.00	6.32
FINANCIAL POSITION AND CASH FLOW					
TOTAL ASSETS	7,738	7,053	5,715	5,461	5,430
EQUITY	2,523	2,422	2,193	1,860	1,428
NON-CURRENT LIABILITIES	711	989	845	404	224
TRADE AND OTHER RECEIVABLES	739	648	569	589	687
INVENTORIES	983	1,034	706	706	794
TRADE AND OTHER PAYABLES	2,543	2,108	1,585	1,633	2,461
NET OPERATING CASH FLOW	295	616	381	19	(61)

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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 2017

CONTENTS

KPMG
(Chartered Accountants)
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Male',
Republic of Maldives.

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+960 3310 422
+960 3323 393
Fax : +960 3323 175
E-mail : kpmgmv@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 2017 and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated and separate financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 10 to 63.

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 2017 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 2017 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 *Auditors' 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.

Emphasis of Matter – Comparative Information

We draw our attention to Note 43 to the consolidated and separate financial statements, which states that amount reported in the previously issued (31st December 2016) financial statements have been restated and disclosed as comparatives in this consolidated and separate financial statements. Our opinion is not modified in respect of this matter.

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
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 requires our significant attention.	In this area, our audit procedures included, among others; - 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.

- **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
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 and discount rates. 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. Therefore, recognition of insurance claim liabilities and reinsurance claim receivable was considered as a matter that require our significant attention.	In this area, our audit procedures included, among others; - Testing the key controls over claim process and performing substantive analytical procedures 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 is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with IFRSs, 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.

In preparing these consolidated and separate financial statements, the Board is responsible for assessing the Group's and Company'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.

Auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

- 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 and Company'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 auditors' 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 business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

22nd April 2018
Male'

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2017	Note	Group 2017 MVR	Group 2016 MVR (Restated)*	Company 2017 MVR	Company 2016 MVR (Restated)*
Revenue	7	9,099,847,272	6,939,049,552	7,505,223,841	6,384,904,397
Cost of sales		(7,664,902,208)	(5,564,274,710)	(6,569,083,477)	(5,411,762,992)
Gross profit		1,434,945,064	1,374,774,842	936,140,364	973,141,405
Other income	8	77,910,883	76,247,438	54,584,905	39,976,006
Administrative expenses		(585,496,923)	(489,195,575)	(295,411,545)	(310,324,165)
Selling and marketing expenses		(534,507,303)	(355,599,657)	(399,537,154)	(357,205,751)
Other operating expenses		(76,508,983)	(28,206,135)	(8,324,641)	(7,544,337)
Operating profit		316,342,738	578,020,913	287,451,929	338,043,158
Finance income	9	22,254,181	26,193,084	48,037,615	111,997,103
Finance costs	9	(138,045,028)	(124,899,646)	(99,377,543)	(114,468,354)
Net finance costs	9	(115,790,847)	(98,706,562)	(51,339,928)	(2,471,251)
Share of profit of equity accounted investees - net of tax	18	11,555,770	10,307,449	-	-
Profit before tax	10	212,107,661	489,621,800	236,112,001	335,571,907
Income tax expense	11	(52,426,980)	(60,858,285)	(24,830,264)	(49,157,621)
Profit for the year		159,680,681	428,763,515	211,281,737	286,414,286
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	29	(2,989,390)	(1,207,020)	(2,278,521)	(1,207,020)
Deferred tax on other comprehensive income		448,408	181,053	341,778	181,053
		(2,540,982)	(1,025,967)	(1,936,743)	(1,025,967)
Items that are or may be reclassified to profit or loss					
Available-for-sale financial assets - net change in fair value	19	3,875,000	(125,000)	-	-
Deferred tax on other comprehensive income		(600,000)	-	-	-
		3,275,000	(125,000)	-	-
Total other comprehensive income - net of tax		734,018	(1,150,967)	(1,936,743)	(1,025,967)
Total comprehensive income for the year		160,414,699	427,612,548	209,344,994	285,388,319
Profit attributable to:					
Owners of the Company		155,650,173	424,367,401	211,281,737	286,414,286
Non - controlling interest		4,030,508	4,396,114	-	-
		159,680,681	428,763,515	211,281,737	286,414,286
Total comprehensive income attributable to:					
Owners of the Company		156,384,191	423,216,434	209,344,994	285,388,319
Non - controlling interest		4,030,508	4,396,114	-	-
Total comprehensive income for the year		160,414,699	427,612,548	209,344,994	285,388,319
Basic and diluted earnings per share	12	138.12	376.58	187.49	254.16

Figures in brackets indicate deductions.

* Refer Note No.43

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 10 to 63. The Report of the Independent Auditors is given on pages 1 to 4.

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

AS AT 31ST DECEMBER 2017	Note	Group			Company		
		31/12/2017 MVR	31/12/2016 MVR (Restated)*	01/01/2016 MVR (Restated)*	31/12/2017 MVR	31/12/2016 MVR (Restated)*	01/01/2016 MVR (Restated)*
ASSETS							
Non-current assets							
Property, plant and equipment	13	1,979,928,588	1,646,959,479	1,213,093,827	1,422,893,687	1,095,464,998	1,059,715,178
Investment property	14	735,266,951	686,187,345	581,444,662	735,266,951	686,187,345	581,444,662
Intangible assets	15	15,766,336	17,309,922	18,456,818	1,782,804	3,988,683	8,588,191
Prepaid lease rent	16	144,387,611	33,753,738	36,068,280	31,439,196	33,753,738	36,068,280
Investment in subsidiaries	17	-	-	-	117,249,835	117,249,835	117,249,835
Interest in equity accounted investees	18	33,274,479	34,718,709	37,411,260	15,267,267	15,267,267	15,267,267
Investments available for sale	19	56,740,800	22,865,800	22,990,800	12,740,800	12,740,800	12,740,800
Amounts due from related parties	22	93,825,609	1,665,151	7,727,213	93,825,609	1,665,151	7,727,213
Deferred tax assets	11	55,482,766	55,877,222	68,198,189	60,325,618	51,405,611	64,205,725
Total non-current assets		3,114,673,140	2,499,337,366	1,985,391,049	2,490,791,767	2,017,723,428	1,903,007,151
Current assets							
Inventories	20	982,503,384	1,033,988,273	706,376,537	665,129,643	771,797,441	664,568,753
Trade and other receivables	21	739,455,359	648,190,054	568,547,262	286,551,274	223,418,415	207,577,938
Prepaid lease rent	16	4,667,634	2,314,542	2,314,542	2,314,542	2,314,542	2,314,542
Amounts due from related parties	22	2,084,564,715	1,738,484,959	1,370,060,364	2,572,205,851	1,870,785,283	1,558,361,016
Reinsurance contracts	23	233,434,948	210,619,258	283,962,492	-	-	-
Investments held to maturity	24	151,539,822	154,359,639	101,096,852	-	-	-
Cash and cash equivalents	25	426,983,884	765,761,706	697,711,840	188,715,523	547,503,243	479,943,117
Total current assets		4,623,149,746	4,553,718,431	3,730,069,889	3,714,916,833	3,415,818,924	2,912,765,366
Total assets		7,737,822,886	7,053,055,797	5,715,460,938	6,205,708,600	5,433,542,352	4,815,772,517
EQUITY AND LIABILITIES							
Equity							
Share capital	26	56,345,500	56,345,500	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	27,814,500	27,814,500
Claim equalization reserve	26	41,780,914	33,212,779	33,212,779	-	-	-
Currency translation reserve	26	334,411	334,411	334,411	-	-	-
General reserve	26	688,170,584	646,301,585	588,652,658	678,888,774	637,019,775	579,370,848
Fair value reserve	26	3,400,000	125,000	250,000	-	-	-
Retained earnings		1,687,051,798	1,641,852,151	1,472,431,726	1,489,608,643	1,379,605,058	1,216,099,536
Total equity attributable to owners of the parent Company		2,504,897,707	2,405,985,926	2,179,041,574	2,252,657,417	2,100,784,833	1,879,630,384
Non-controlling interest	27	18,578,771	15,548,263	14,374,371	-	-	-
Total equity		2,523,476,478	2,421,534,189	2,193,415,945	2,252,657,417	2,100,784,833	1,879,630,384
LIABILITIES							
Non-current liabilities							
Loans and borrowings	28	638,050,105	946,220,775	811,480,567	490,047,705	778,315,651	811,480,567
Defined Benefit Obligation	29	34,376,042	25,952,717	20,269,722	28,430,575	23,630,093	20,269,722
Deferred income	31	36,650,274	14,509,955	10,959,625	53,599,214	-	-
Deferred tax liabilities	11	1,594,499	1,934,903	2,736,724	-	-	-
Total non-current liabilities		710,670,920	988,618,350	845,446,638	572,077,494	801,945,744	831,750,289
Current liabilities							
Loans and borrowings	28	1,118,325,333	813,982,346	490,729,031	727,959,247	434,439,454	450,709,996
Trade and other payables	30	2,542,627,073	2,108,481,971	1,585,144,945	2,157,115,964	1,788,587,755	1,410,890,696
Deferred income	31	7,831,218	6,427,811	4,543,816	1,930,854	-	-
Insurance contracts	32	426,110,542	364,694,640	368,919,466	-	-	-
Current tax liabilities	33	15,771,010	15,685,739	47,902,844	13,082,671	7,925,936	27,850,170
Amounts due to related parties	34	125,654,193	128,721,517	96,080,340	342,943,083	232,714,607	152,923,937
Bank overdrafts	25	267,356,119	204,909,234	80,644,536	137,941,870	67,144,023	59,383,668
Total current liabilities		4,503,675,488	3,642,903,258	2,676,598,355	3,380,973,689	2,530,811,775	2,104,391,844
Total liabilities		5,214,346,408	4,631,521,608	3,522,044,993	3,953,051,183	3,332,757,519	2,936,142,133
Total equity and liabilities		7,737,822,886	7,053,055,797	5,715,460,938	6,205,708,600	5,433,542,352	4,815,772,517

* Refer Note No.43

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 10 to 63. The Report of the Independent Auditors is given on pages 1 to 4.

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

Name of the Director	Signature
Mohamed Mihad, (Chief Financial Officer)	
Ahmed Shaheer (Managing Director)	
Amir Mansoor (Audit Committee Chairman)	
Hussain Salim Mohamed (Board Chairman)	

22[nd] April 2018

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

FOR THE YEAR ENDED 31ST DECEMBER 2017

GROUP	**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**
As at 1st January 2016, as previously reported	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
Less: Impact Due to Restatement **(Note 43.1)**	-	-	-	-	-	-	(17,229,264)	(17,229,264)	-	(17,229,264)
Restated Balances as at 1st January 2016	56,345,500	27,814,500	33,212,779	334,411	588,652,658	250,000	1,472,431,726	2,179,041,574	14,374,371	2,193,415,945
Restated profit for the year	-	-	-	-	-	-	424,367,401	424,367,401	4,396,114	428,763,515
Loss from acquisition of MIFCO (**Note 17**)	-	-	-	-	-	-	(132,038,212)	(132,038,212)	-	(132,038,212)
Other comprehensive income										
Net change in fair value of available-for-sale financial assets - net of tax	-	-	-	-	-	(125,000)	-	(125,000)	-	(125,000)
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(1,025,967)	(1,025,967)	-	(1,025,967)
Total comprehensive income for the year	-	-	-	-	-	(125,000)	291,303,222	291,178,222	4,396,114	295,574,336
Transfer to / (from) during the year										
- general reserve	-	-	-	-	57,648,927	-	(57,648,927)	-	-	-
- claim equalization reserve	-	-	-	-	-	-	-	-	-	-
Transactions with owners of the Company										
- Dividends (**Note 26.3**)	-	-	-	-	-	-	(64,233,870)	(64,233,870)	(3,222,222)	(67,456,092)
Total transaction with owners of the Company	-	-	-	-	-	-	(64,233,870)	(64,233,870)	(3,222,222)	(67,456,092)
As at 31st December 2016	56,345,500	27,814,500	33,212,779	334,411	646,301,585	125,000	1,641,852,151	2,405,985,926	15,548,263	2,421,534,189
As at 1st January 2017	56,345,500	27,814,500	33,212,779	334,411	646,301,585	125,000	1,641,852,151	2,405,985,926	15,548,263	2,421,534,189
Profit for the year	-	-	-	-	-	-	155,650,173	155,650,173	4,030,508	159,680,681
Other comprehensive income										
Net change in fair value of available-for-sale financial assets - net of tax	-	-	-	-	-	3,275,000	-	3,275,000	-	3,275,000
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(2,540,982)	(2,540,982)	-	(2,540,982)
Total comprehensive income for the year	-	-	-	-	-	3,275,000	153,109,191	156,384,191	4,030,508	160,414,699
Transfer to / (from) during the year										
- general reserve	-	-	-	-	41,868,999	-	(41,868,999)	-	-	-
- claim equalization reserve	-	-	8,568,135	-	-	-	(8,568,135)	-	-	-
Transactions with owners of the Company										
- Dividends (**Note 26.3**)	-	-	-	-	-	-	(57,472,410)	(57,472,410)	(1,000,000)	(58,472,410)
Total transaction with owners of the Company	-	-	-	-	-	-	(57,472,410)	(57,472,410)	(1,000,000)	(58,472,410)
As at 31st December 2017	56,345,500	27,814,500	41,780,914	334,411	688,170,584	3,400,000	1,687,051,798	2,504,897,707	18,578,771	2,523,476,478

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 10 to 63. The Report of the Independent Auditors is given on pages 1 to 4.

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

FOR THE YEAR ENDED 31ST DECEMBER 2017

COMPANY	**Share capital MVR**	**Share premium MVR**	**General reserve MVR**	**Retained earnings MVR**	**Total equity MVR**
As at 1st January 2016, as previously reported	56,345,500	27,814,500	579,370,848	1,233,328,800	1,896,859,648
Less: Impact Due to Restatement **(Note 43.2)**	-	-	-	(17,229,264)	(17,229,264)
Restated Balances as at 1st January 2016	56,345,500	27,814,500	579,370,848	1,216,099,536	1,879,630,384
Restated profit for the year	-	-	-	286,414,286	286,414,286
Other comprehensive income, net of tax	-	-	-	(1,025,967)	(1,025,967)
Total comprehensive income for the year	-	-	-	285,388,319	285,388,319
Transfer to / (from) during the year					
- general reserve	-	-	57,648,927	(57,648,927)	-
Transactions with owners of the Company					
- Dividends (**Note 26.3**)	-	-	-	(64,233,870)	(64,233,870)
Total transaction with owners of the Company	-	-	-	(64,233,870)	(64,233,870)
As at 31st December 2016	56,345,500	27,814,500	637,019,775	1,379,605,058	2,100,784,833
As at 1st January 2017	56,345,500	27,814,500	637,019,775	1,379,605,058	2,100,784,833
Profit for the year	-	-	-	211,281,737	211,281,737
Other comprehensive income, net of tax	-	-	-	(1,936,743)	
Total comprehensive income for the year	-	-	-	209,344,994	209,344,994
Transfer to / (from) during the year					
- general reserve	-	-	41,868,999	(41,868,999)	-
Transactions with owners of the Company					
- Dividends (**Note 26.3**)	-	-	-	(57,472,410)	(57,472,410)
Total transaction with owners of the Company	-	-	-	(57,472,410)	(57,472,410)
As at 31st December 2017	56,345,500	27,814,500	678,888,774	1,489,608,643	2,252,657,417

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 10 to 63. The Report of the Independent Auditors is given on pages 1 to 4.

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

FOR THE YEAR ENDED 31ST DECEMBER 2017		Group		Company	
		2017	2016	2017	2016
	Note	MVR	MVR	MVR	MVR
Cash flows from operating activities					
Profit before tax		212,107,661	489,621,800	236,112,001	335,571,907
Adjustments for:					
Depreciation on property, plant and equipment	13	122,584,771	94,513,195	59,688,083	59,836,644
Depreciation on investment properties	14	1,477,196	1,280,742	1,477,196	1,280,742
Amortization of intangible assets	15	4,880,612	6,887,912	2,205,879	4,599,508
Capital working progress written off	13	7,537,254	3,570,327	2,475,347	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	(1,721,240)	(72,503)	(1,721,240)	(72,503)
Provision for impairment of capital work-in progress	10	48,534,315	-	-	-
Provision for impairment of receivables	10	49,806,888	-	12,841,675	-
inventories	20	2,175,715	11,299,567	(934,369)	6,852,764
Provision for defined benefit obligation	29	5,433,935	4,475,975	2,521,961	2,153,351
Receivable written off	10	5,536,271	1,421,611	2,185,275	1,421,148
Share of profit of equity - accounted investees, net of tax	18	(11,555,770)	(10,307,449)	-	-
Interest expense	9	136,956,140	113,135,102	98,737,502	102,827,737
Interest income	9	(6,251,219)	(9,620,752)	(5,937,749)	(9,010,069)
Dividend income	9	(3,243,004)	(2,018,522)	(42,099,866)	(102,987,034)
Operating profit before working capital changes		574,259,525	678,822,080	367,551,695	407,196,424
Working capital changes					
Change in inventories		49,309,175	(163,234,965)	107,602,168	(114,081,451)
Change in trade and other receivables		(146,608,464)	(57,182,769)	(82,668,200)	(22,421,233)
Change in amount due from related parties		(438,240,214)	(28,294,775)	(789,072,635)	(301,202,597)
Changes in reinsurance contracts		(22,815,690)	73,343,234	-	-
Changes in deferred revenue		23,543,726	1,789,015	55,530,068	-
Change in amount due to related parties		(3,067,324)	(117,346,956)	110,228,476	79,790,670
Change in trade and other payables		386,333,107	427,205,845	320,716,214	447,984,676
Changes in insurance contracts		61,415,902	(4,224,826)	-	-
Cash generated from operating activities		484,129,743	810,875,883	89,887,786	497,266,489
Interest paid		(136,956,140)	(113,135,102)	(98,737,502)	(102,827,737)
Income tax paid	33	(52,439,249)	(81,375,191)	(28,251,758)	(56,100,688)
Net cash generated from operating activities		294,734,354	616,365,590	(37,101,474)	338,338,064
Cash flows from investing activities					
Purchase and construction of property, plant and equipment	13	(511,953,606)	(208,114,151)	(390,868,900)	(96,281,482)
Purchase and construction of investment properties	14	(48,935,094)	(107,950,094)	(48,935,094)	(107,950,094)
Purchase of intangible assets	15	(3,200,177)	(2,831,564)	-	-
Proceeds from sales of property, plant and equipment		4,958,473	1,545,662	3,690,854	286,502
Purchase of held to maturity financial assets	24	(654,911,895)	(499,041,823)	-	-
Proceeds from sale of held to maturity financial assets	24	657,731,712	445,779,036	-	-
Interest received		6,251,219	9,620,752	5,937,749	9,010,069
Lease prepayments	16	(117,654,599)	-	-	-
Cash and cash equivalents of MIFCO at the date of acquisition	17	-	(100,321,062)	-	-
Dividend received		16,243,004	15,018,522	42,099,866	102,987,034
Net cash used in investing activities		(681,470,963)	(446,294,722)	(388,075,525)	(91,947,971)
Cash flows from financing activities					
Loans and borrowings obtained	28	751,438,045	816,956,389	743,243,013	814,380,562
Repayments of borrowings	28	(755,265,728)	(905,515,003)	(737,991,166)	(863,816,020)
Net payment made for currency swap		-	(2,633,377)	-	(2,633,377)
Dividend paid		(10,660,415)	(135,093,709)	(9,660,415)	(134,521,487)
Net cash (Used in) / generated from financing activities		(14,488,098)	(226,285,700)	(4,408,568)	(186,590,322)
Net increase in cash and cash equivalents		(401,224,707)	(56,214,832)	(429,585,567)	59,799,771
Cash and cash equivalents at beginning of the year		560,852,472	617,067,304	480,359,220	420,559,449
Cash and cash equivalents at end of the year	25	159,627,765	560,852,472	50,773,653	480,359,220

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 10 to 63. The Report of the Independent Auditors is given on pages 1 to 4.

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. These consolidated financial statements comprises the Company and its subsidiaries (together referred as the "Group").

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 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.

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.

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 transitionary. 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 losses 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).

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 it's entirely 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 not 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.

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.

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.

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.

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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Insurance contact 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.

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.

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.

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.

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 contact 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company contributes 10% of members' salary into the scheme with an additional, minimum, 4% of salary being contributed by the members.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

(c) Short-term benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if 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.

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 AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new standards and amendments are effective for annual periods beginning after 1st January 2017 and early application is permitted. However, the Company has not early adopted the following new or amended standards in preparing these financial statements.

(a) IFRS 9 - Financial Instruments

IFRS 9 – Financial Instruments sets out requirements for recognition, classification, measurement and impairment of financial assets, recognition, classification and measurement of financial liabilities and hedge accounting. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement.*

(i) Classification – Financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9, contains three principal classification categories for financial assets: measured at amortized costs, Fair Value through Other Comprehensive Income (“FVOCI”) and Fair value through profit or loss (“FVTPL”). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Since the Group do not have any financial assets classified as Fair value through profit or loss, financial assets classified on Available for Sale under IAS 39 and liabilities designated as at Fair Value through Profit or Loss, the Company believes that classification will not have significant impact to the financial statements.

(ii) Impairment – Financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost, FVOCI except for investments in equity instruments, and to contract assets.

The amendment to this impairment model will have an impact on the existing impairment method Under IAS 39. However, the Group have not yet been completed the impact assessment in order to determine quantitative amount.

(b) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted. The Group have not yet completed the impact assessment of IFRS 15.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

(c) IFRS 16 - Leases

IFRS 16 replaces existing leasing guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the substance of Transactions involving the legal form of a Lease”.

The standard is effective for annual periods beginning on or after 1st January 2019. Early adoption is permitted for entities that apply IFRS 15 at of before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard. The Company is in the preliminary stage of assessing the impact on its financial statements from adopting IFRS 16 and plans to adopt the standard as at 1st January 2019

(d) Other standards

The following amended standards are not expected to have a significant impact on the Company’s financial statements.

Title	Description	Effective Date
IFRIC 22	Foreign Currency Transactions and Advance Consideration.	Annual period beginning on or after 1st January 2018.
IFRIC 23	Uncertainty over Income Tax Treatments.	Annual period beginning on or after 1st January 2019.
IFRS 17	Insurance contracts	Annual Period beginning on or after 1st January 2021

6 OPERATING SEGMENTS

FOR THE YEAR ENDED 31 ST DECEMBER 2017

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 2017

	Reportable segments							
	Trading	Gas	Insurance service	Fuel, lubricant & crude Oil	Fishery	Total reportable segments	Other segments	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Gross revenue	2,590,988,057	232,072,191	274,684,391	7,664,255,252	1,333,090,966	12,095,090,857	18,306,014	12,113,396,871
Inter-segment revenue	(24,218,477)	(22,257,827)	(37,252,442)	(2,895,561,912)	(29,690,194)	(3,008,980,852)	(4,568,747)	(3,013,549,599)
Segment revenue	2,566,769,580	209,814,364	237,431,949	4,768,693,340	1,303,400,772	9,086,110,005	13,737,267	9,099,847,272
Segment profit before tax	(25,340,602)	47,640,123	53,657,596	212,902,543	(52,176,027)	236,683,633	(24,575,972)	212,107,661
Interest income	5,937,749	-	6,807,457	-	-	12,745,206	-	12,745,206
Interest expense	(3,348,061)	(2,494,161)	-	(95,389,441)	(37,047,770)	(138,279,433)	-	(138,279,433)
Depreciation & amortization	(56,325,665)	(14,802,638)	(9,695,778)	(21,547,058)	(26,571,440)	(128,942,579)	-	(128,942,579)
Share of loss of associate	1,838,697	-	-	-	-	1,838,697	-	1,838,697
Share of profit of joint venture	9,717,073	-	-	-	-	9,717,073	-	9,717,073
Segment assets	1,129,263,196	234,838,358	685,863,770	4,069,313,077	774,151,475	6,893,429,876	811,118,531	7,704,548,407
Equity accounted investees	33,274,479	-	-	-	-	33,274,479	-	33,274,479
Capital expenditure	97,032,223	37,562,733	21,992,172	346,842,873	48,992,036	552,422,037	16,334,474	568,756,511
Segment liabilities	(906,478,979)	(54,519,766)	(520,644,872)	(2,768,240,498)	(812,684,719)	(5,062,568,834)	(151,777,574)	(5,214,346,408)

6 OPERATING SEGMENTS (CONTINUED)

B. Information about reportable segments (continued)

FOR THE YEAR ENDED 31 ST DECEMBER 2016

	Reportable segments							
	Trading	Gas	Insurance service	Fuel, lubricant & crude Oil	Fishery	Total reportable	Other segments	Total
	MVR	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 / (loss) before ta:	39,722,285	50,819,389	62,234,410	326,356,756	(15,741,988)	463,390,852	26,230,948	489,621,800
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 profit of associate	(116,919)	-	-	-	-	(116,919)	-	(116,919)
Share of profit of joint venture	10,424,368	-	-	-	-	10,424,368	-	10,424,368
Segment assets	886,779,817	220,844,937	592,048,071	3,627,985,389	893,542,119	6,221,200,333	797,136,755	7,018,337,088
Equity accounted investees	34,718,709	-	-	-	-	34,718,709	-	34,718,709
Capital expenditure	127,239,517	55,439,008	14,402,705	41,282,803	3,539,720	241,903,753	79,306,600	321,210,353
Segment liabilities	(674,162,389)	(72,768,203)	(447,723,858)	(2,383,889,083)	(797,841,004)	(4,376,384,537)	(255,137,071)	(4,631,521,608)

C. Reconciliations of information on reportable segment to IFRS measures

	2017	2016
	MVR	MVR
i Revenue		
Total revenue for reportable segments	12,095,090,857	9,250,762,238
Revenue for other segments	18,306,014	20,135,450
Elimination of inter - segment revenue	(3,013,549,599)	(2,331,848,136)
Consolidated revenue	9,099,847,272	6,939,049,552
ii Profit before tax		
Total profit before tax for reportable segments	236,683,633	463,390,852
Profit / (loss) before tax for other segments	(24,575,972)	26,230,948
Elimination of inter-segment profit	1,444,230	2,692,551
Dividend received from joint venture	(13,000,000)	(13,000,000)
Share of profit of equity - accounted investees	11,555,770	10,307,449
Consolidated profit before tax from continuing operations	212,107,661	489,621,800
iii Assets		
Total assets for reportable segment	6,893,429,876	6,221,200,333
Assets for other segments	811,118,531	797,136,755
Equity -accounted investees	33,274,479	34,718,709
Consolidated total assets	7,737,822,886	7,053,055,797
iv Liabilities		
Total liabilities for reportable segment	5,062,568,834	4,376,384,537
Liabilities for other segments	151,777,574	255,137,071
Consolidated total liabilities	5,214,346,408	4,631,521,608

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 2017

	Reportable segment totals MVR	Adjustment MVR	Consolidated totals MVR
Interest income	12,745,206	(1,323,293)	11,421,913
Interest expense	(138,279,433)	1,323,293	(136,956,140)
Capital expenditure	552,422,037	-	552,422,037
Depreciation and amortization	(128,942,579)	-	(128,942,579)
Impairment losses on non - financial assets	(2,175,715)	-	(2,175,715)
	295,769,516	-	295,769,516

FOR THE YEAR ENDED 31 ST DECEMBER 2016

Interest income	16,421,607	(1,323,293)	15,098,314
Interest expense	(114,458,395)	1,323,293	(113,135,102)
Capital expenditure	241,903,753	-	241,903,753
Depreciation and amortization	(102,681,850)	-	(102,681,850)
Impairment losses on non - financial assets	(11,299,567)	-	(11,299,567)
	29,885,548	-	29,885,548

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.

	2017 MVR	2016 MVR
i. Revenue		
Male	8,285,250,187	6,433,992,506
Thilafushi	299,537,035	195,667,150
Hulhumale'	234,499,812	197,504,936
Other Islands	3,087,827,573	2,313,034,687
Singapore	206,282,264	130,698,409
Less : Inter-company transactions	(3,013,549,599)	(2,331,848,136)
	9,099,847,272	6,939,049,552

	2017 MVR	2016 MVR
ii. Non - current assets		
Male	1,711,925,309	1,354,494,347
Thilafushi	134,491,709	110,648,187
Hulhumale'	763,840,188	701,536,952
Other Islands	504,380,489	329,105,363
Singapore	35,445	8,003
	3,114,673,140	2,495,792,852

E. Major customer

Revenue from one customer of the Fuel, lubricant and crude oil segment represented approximately MVR 1,270,088,147 (2016: MVR 993,534,688) of the Group's total revenues.

7 REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Retail and wholesale	2,566,769,580	2,344,401,060	2,516,795,828	2,344,480,675
Insurance	237,431,949	231,695,628	-	-
Gas	209,814,364	171,032,688	-	-
Fuel and lubricants	4,768,693,340	3,920,958,890	4,980,948,600	4,029,105,254
Fishery	1,303,400,772	260,510,506	-	-
Other services	13,737,267	10,450,780	7,479,413	11,318,468
	9,099,847,272	6,939,049,552	7,505,223,841	6,384,904,397

8 OTHER INCOME

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Profit on disposal of property, plant and equipment	1,721,240	72,503	1,721,240	72,503
Profit on disposal of investments	-	-	-	-
Income from vessels and fleets	5,124,959	7,766,859	4,920,651	5,021,074
Fines and claims received	10,778,022	8,652,067	9,236,232	6,996,926
Rent income	18,643,774	15,910,036	23,799,331	21,154,907
Discounts received	3,663,534	568,782	3,663,534	568,782
Reversal of provision for impairment of inventorie	-	-	934,369	-
Reversal of accrued fine on rent	-	17,798,753	-	-
Reversal of accrued lease rent	-	9,492,841	-	-
Agency fee	1,200,794	2,206,293	1,200,794	744,246
Miscellaneous income	36,778,560	13,779,304	9,108,754	5,417,568
	77,910,883	76,247,438	54,584,905	39,976,006

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 ended 31st December 2016, on the basis that this is an adjusting event.

9 NET FINANCE COSTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Finance income				
Interest income on loans granted	313,470	608,755	-	-
Interest income on Government credit scheme	5,937,749	8,981,965	5,937,749	8,981,965
Interest income on fixed deposits	-	30,032	-	28,104
Foreign exchange gain	147,241	698,276	-	-
Dividend income	3,243,004	2,018,522	42,099,866	102,987,034
Discounts on treasury bills	5,170,694	5,477,562	-	-
Other Finance income	7,442,023	8,377,972	-	-
	22,254,181	26,193,084	48,037,615	111,997,103
Finance costs				
Interest on bank borrowings	(46,922,399)	(36,043,200)	(24,295,516)	(31,163,635)
Interest on bank overdrafts	(22,456,663)	(12,425,191)	(5,541,615)	(5,674,098)
Interest on other borrowings	(67,577,078)	(64,666,711)	(68,900,371)	(65,990,004)
Foreign exchange loss	(1,088,888)	(11,764,544)	(640,041)	(11,640,617)
	(138,045,028)	(124,899,646)	(99,377,543)	(114,468,354)
Net finance costs	(115,790,847)	(98,706,562)	(51,339,928)	(2,471,251)

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

FOR THE YEAR ENDED 31ST DECEMBER 2017

10 PROFIT BEFORE TAX

	Group		Company	
	2017	2016	2017	2016
	MVR	MVR	MVR	MVR
Profit before tax is stated after charging all the expenses including the following;				
Depreciation on property, plant and equipment	122,584,771	94,513,195	59,688,083	59,836,644
Depreciation on investment properties	1,477,196	1,280,742	1,477,196	1,280,742
Amortization of intangible assets	4,880,612	6,887,912	2,205,879	4,599,508
Rental expenses	35,702,748	22,113,719	14,560,116	10,645,997
Directors' remuneration	6,309,582	4,807,606	1,161,500	1,191,177
Transportation	45,810,079	17,345,300	30,304,958	23,834,954
Audit fees	1,720,037	1,481,875	693,173	630,678
Receivable write off	5,536,271	1,421,611	2,185,275	1,421,148
Provision for impairment of capital work-in progress	48,534,315	-	-	-
Provision for impairment of trade, other and related party receivable	49,806,888	-	12,841,675	-
Provision for slow and non-moving inventories	2,175,715	11,299,567	-	6,852,764
Provision for defined benefit obligation	5,433,935	4,475,975	2,521,961	2,153,351
Bank charges	9,813,970	8,926,077	7,093,396	7,009,313
Repair and maintenance	86,649,134	67,051,010	32,485,378	37,654,905
Advertisement and sales promotion expenses	61,938,973	50,832,254	36,789,516	35,716,050
Utilities	40,551,589	35,716,660	29,158,623	27,172,411
Personnel costs **(Note 10.2)**	666,721,791	511,681,347	340,800,010	332,828,176

10.2 Personnel costs

Salaries and wages	322,269,718	199,964,253	114,431,037	112,099,802
Staff welfare	53,328,499	29,093,093	18,131,033	15,042,307
Employer's contribution to government pension fund	14,548,520	11,556,183	7,116,455	7,135,730
Bonus, overtime and allowances	249,428,144	242,877,736	184,894,989	181,883,003
Employee retirement benefits	7,892,726	6,628,893	4,980,752	4,306,269
Staff training expenses	10,566,031	12,609,174	4,869,819	5,013,509
Other staff related expenses	8,688,153	8,952,015	6,375,925	7,347,556
	666,721,791	511,681,347	340,800,010	332,828,176

11 INCOME TAX EXPENSE

	Group		Company	
	2017	2016	2017	2016
	MVR	MVR	MVR	MVR
11.1 Current tax expense				
Current tax expense **(Note 11.2)**	52,418,255	49,043,666	33,408,493	36,176,454
Under / (over) provision in respect of prior years	106,265	114,420	-	-
	52,524,520	49,158,086	33,408,493	36,176,454
Deferred tax expense				
Deferred tax asset reversed / (recognized) **(Note 11.3)**	242,864	12,502,020	(8,578,229)	12,981,167
Deferred tax liability reversed **(Note 11.4)**	(340,404)	(801,821)	-	-
Income tax expense	52,426,980	60,858,285	24,830,264	49,157,621

11.2 Reconciliation between accounting profit and taxable income:

	Group		Company	
	2017	2016	2017	2016
	MVR	MVR	MVR	MVR
Profit before tax	212,107,661	489,621,800	236,112,001	335,571,907
Loss of subsidiary which is not subject to tax	76,640,420	21,864,956	-	-
Results of associate reported net of tax	(1,838,697)	116,919	-	-
Results of joint venture reported net of tax	(9,717,073)	(10,424,368)	-	-
Aggregate disallowable items	309,429,015	282,110,684	215,008,564	211,939,049
Aggregate allowable items	(234,478,260)	(455,963,169)	(225,923,532)	(306,205,948)
Loss of subsidiary claimed during the year	(2,411,244)	-	(2,411,244)	(57,219)
Tax free allowance	(276,787)	(369,049)	(62,500)	(71,429)
Total taxable income	349,455,035	326,957,773	222,723,289	241,176,360
Income Tax @ 15%	52,418,255	49,043,666	33,408,493	36,176,454

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		
	31/12/2017	31/12/2016	1/1/2016	31/12/2017	31/12/2016	1/1/2016
	MVR	MVR	MVR	MVR	MVR	MVR
Opening balance	55,877,222	68,198,189	68,198,189	51,405,611	64,205,725	64,205,725
Deferred tax asset recognized / (reversed) during the	(242,864)	(12,502,020)	-	8,578,229	(12,981,167)	-
Deferred tax (reversal)/ charge for the OCI	(151,592)	181,053	-	341,778	181,053	-
Closing balance	55,482,766	55,877,222	68,198,189	60,325,618	51,405,611	64,205,725

11 TAX EXPENSE (CONTINUED)

11.4 Deferred tax liability

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Opening balance	1,934,903	2,736,724	-	-
Deferred tax liability reversed during the year	(340,404)	(801,821)	-	-
Closing balance	1,594,499	1,934,903	-	-

11.5 Deferred tax asset is attributable to the following;

	Group					
	31/12/2017		31/12/2016		1/1/2016	
	Temporary difference	Tax effect	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR	MVR	MVR
Property, plant and equipment	219,864,116	32,979,617	261,335,708	39,200,356	248,266,204	37,239,931
Intangible assets	(4,734,916)	(710,237)	(6,904,798)	(1,035,720)	(5,030,971)	(754,646)
Available for sale Reserve	(4,000,000)	(600,000)	-	-	-	-
Defined benefit obligation	34,376,042	5,156,406	23,630,093	3,544,514	20,269,722	3,040,458
Specific provisions on trade, other and related party receivable	124,379,865	18,656,980	94,453,813	14,168,072	191,149,643	28,672,446
	369,885,107	55,482,766	372,514,816	55,877,222	454,654,598	68,198,189

11.6 Deferred tax asset is attributable to the following;

	Company					
	31/12/2017		31/12/2016		1/1/2016	
	Temporary difference	Tax effect	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR (Restated)	MVR (Restated)	MVR (Restated)	MVR (Restated)
Property, plant and equipment	181,660,427	27,249,064	228,608,849	34,291,327	221,146,833	33,172,025
Intangible assets	(1,782,804)	(267,421)	(3,988,683)	(598,302)	(4,528,025)	(679,204)
Defined Benefit Obligation	28,430,575	4,264,586	23,630,093	3,544,514	20,269,722	3,040,458
Specific provisions on trade, other and related party receivable	193,862,592	29,079,389	94,453,813	14,168,072	191,149,643	28,672,446
	402,170,790	60,325,618	342,704,072	51,405,611	428,038,173	64,205,725

11.7 Deferred tax liability is attributable to the following;

	Group			
	2017		2016	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	10,629,992	1,594,499	12,899,354	1,934,903

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	
	2017	2016 (Restated)	2017	2016 (Restated)
Profit for the year attributable to the ordinary shareholders - MVR	155,650,173	424,367,401	211,281,737	286,414,286
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	138	377	187	254

13 PROPERTY, PLANT AND EQUIPMENT

13.1 Group

	Freehold land MVR	Freehold buildings MVR	Leasehold buildings MVR	Plant and machinery MVR	Vessels and fleet MVR	Motor vehicle MVR	Air conditioners MVR	Office equipment MVR	Furniture and fixtures MVR	Other assets MVR	Total 2017 MVR	Total 2016 MVR
Cost												
Opening balance	767,354,400	695,859,321	60,066,988	520,423,501	642,048,575	152,277,270	10,217,353	134,401,823	16,353,523	80,299,773	3,079,302,527	1,834,064,145
Acquisition date balance of MIFCO	-	-	-	-	-	-	-	-	-	-	-	1,078,901,365
Additions during the year	-	7,763,202	152,189	11,488,153	2,119,784	9,801,555	1,240,383	9,347,079	4,172,259	31,084,574	77,169,178	55,677,018
Disposal during the year	-	(3,590,274)	-	(213,556)	-	(4,626,460)	(245,939)	(908,955)	(408,241)	(1,460,362)	(11,453,787)	(15,233,881)
Transferred from capital work in progress	-	37,835,758	26,959,992	10,528,646	5,066,408	-	112,293	731,366	33,952	13,872	81,282,287	125,893,880
Closing balance	767,354,400	737,868,007	87,179,169	542,226,744	649,234,767	157,452,365	11,324,090	143,571,313	20,151,493	109,937,857	3,226,300,205	3,079,302,527
Accumulated depreciation												
Opening balance	-	533,532,976	31,043,074	372,696,473	510,829,882	97,536,872	5,585,482	105,597,334	10,386,046	36,472,936	1,703,681,075	731,800,959
Acquisition date balance of MIFCO	-	-	-	-	-	-	-	-	-	-	-	891,127,643
Charge for the year	-	26,275,402	4,244,475	21,762,748	23,479,164	16,188,446	2,076,443	14,716,776	2,257,722	11,583,595	122,584,771	94,513,195
Disposals during the year	-	(1,780,410)	-	(98,824)	-	(4,287,391)	(235,995)	(808,476)	(240,734)	(764,724)	(8,216,554)	(13,760,722)
Closing balance	-	558,027,968	35,287,549	394,360,397	534,309,046	109,437,927	7,425,930	119,505,634	12,403,034	47,291,807	1,818,049,292	1,703,681,075
Net carrying value												
As at 31st December 2016	767,354,400	179,840,039	51,891,620	147,866,347	114,925,721	48,014,438	3,898,160	24,065,679	7,748,459	62,646,050	1,408,250,913	
As at 31st December 2015	767,354,400	162,326,345	29,023,914	147,727,028	131,218,693	54,740,398	4,631,871	28,804,489	5,967,477	43,826,837		1,375,621,452
Capital work in progress **(Note 13.1.1)**											571,677,675	271,338,027
Total											1,979,928,588	1,646,959,479

13.1.1 Capital work in progress

Opening balance	271,338,027	110,830,641
Acquisition date balance of MIFCO	-	135,219,918
Additions during the year	439,452,062	154,751,675
Transferred to property, plant and equipment	(81,282,287)	(125,893,880)
Write-off during the Year	(7,537,254)	(3,570,327)
Provision for Impairment	(48,534,315)	-
Transferred to Investment Property (CWIP)	(1,621,708)	-
Transferred to Intangible assets (CWIP)	(136,850)	-
Closing balance	571,677,675	271,338,027

13.1.2 Borrowings from Nations Trust Bank Plc, Bank of Maldives Plc and Habib Bank Limited are secured on STO Trade Center building, super market warehouse and home improvement land & building of the Company, respectively.

13.1.3 Borrowings of MIFCO from Bank of Maldives Plc are secured on leasehold right of land & commercial plot, buildings, plant, machineries and equipments at fisheries complex and vessels of MIFCO.

13.1.4 During the year, the group has capitalised borrowing costs amounting to MVR 29,958,076 (2016: MVR 29,292,033) on qualifying assets. Borrowing costs were capitalised at the rate of 5.25% - 8.5%.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

13.2 Company

	Freehold land MVR	Buildings MVR	Plant and machinery MVR	Vessels and fleet MVR	Motor vehicles MVR	Air conditioners MVR	Office equipment MVR	Furniture and fixtures MVR	Other assets MVR	Total 2017 MVR	Total 2016 MVR
Cost											
Opening 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	1,603,674,037	1,526,548,107
Additions during the year	-	7,763,202	1,333,010	65,999	9,628,535	1,164,608	3,241,344	174,178	270,385	23,641,261	20,697,503
Disposal during the year	-	(2,747,660)	(173,231)	-	(4,336,460)	(126,988)	(668,521)	(18,642)	(261,447)	(8,332,949)	(3,361,590)
Transferred from capital work in progress	-	35,129,350	-	-	-	112,293	60,367	15,000	13,872	35,330,882	59,790,018
Closing balance	767,354,400	424,893,598	66,695,014	188,273,723	104,806,272	10,006,303	73,752,904	6,923,883	11,607,134	1,654,313,231	1,603,674,038
Accumulated depreciation											
Opening 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
Charge for the year	-	20,587,996	3,662,698	9,566,482	13,829,086	1,823,231	8,967,557	966,776	284,257	59,688,083	59,836,644
Disposals during the year	-	(1,274,839)	(84,826)	-	(3,997,393)	(117,048)	(609,591)	(18,191)	(261,447)	(6,363,335)	(3,147,591)
Closing balance	-	296,196,231	62,531,375	153,785,631	65,925,385	6,399,065	60,874,836	5,745,652	11,607,134	663,065,309	609,740,561
Net carrying value											
As at 31st December 2017	767,354,400	128,697,367	4,163,639	34,488,092	38,880,887	3,607,238	12,878,068	1,178,231	-	991,247,922	
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
Capital work in progress **(Note 13.2.1)**										431,645,765	101,531,521
Total										1,422,893,687	1,095,464,998

13.2.1 Capital work in progress

	Total 2017 MVR	Total 2016 MVR
Opening balance	101,531,521	86,218,579
Additions during the year	369,542,181	77,898,521
Transferred to property, plant and equipment	(35,330,882)	(59,790,019)
Write-off during the Year	(2,475,347)	(2,795,560)
Transferred to Investment Property (CWIP)	(1,621,708)	-
Closing balance	431,645,765	101,531,521

13.2.2 Borrowings from Nations Trust Bank Plc, Bank of Maldives Plc and Habib Bank Limited are secured on STO Trade Center building, super market warehouse and home improvement land & building of the Company, respectively.

13.2.3 During the year, the company has capitalised borrowing costs amounting to MVR 28,334,250 (2016: MVR 28,334,250) on qualifying assets. Borrowing costs were capitalised at the rate of 5.25%.

14 INVESTMENT PROPERTY

	Group		Company	
	2017	2016	2017	2016
	MVR	MVR	MVR	MVR
Cost				
Opening balance	56,228,691	56,228,691	56,228,691	56,228,691
Transferred from capital work in progress	47,148,904	-	47,148,904	-
Closing balance	103,377,595	56,228,691	103,377,595	56,228,691
Accumulated depreciation				
Opening balance	54,918,456	53,637,714	54,918,456	53,637,714
Depreciation for the year	1,477,196	1,280,742	1,477,196	1,280,742
Closing balance	56,395,652	54,918,456	56,395,652	54,918,456
Net carrying value	46,981,943	1,310,235	46,981,943	1,310,235
Capital work in progress **(Note 14.1)**	688,285,008	684,877,110	688,285,008	684,877,110
Total	735,266,951	686,187,345	735,266,951	686,187,345

14.1 Capital work in progress (Note 14.4)

Opening balance	684,877,110	578,853,685	684,877,110	578,853,685
Additions during the year	48,935,094	107,950,094	48,935,094	107,950,094
Transferred from property, plant and equipment (CWIP)	1,621,708	-	1,621,708	-
Write-off / transfers to Investment Property	(47,148,904)	(1,926,669)	(47,148,904)	(1,926,669)
Closing balance	688,285,008	684,877,110	688,285,008	684,877,110

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 92,081,331 as at 31st December 2017 (2016: MVR 47,783,520). 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 food courts / shops at west coast in Male' as well as a tourist hotel in Hulhumale Island.

14.5 During the year, the company has capitalised borrowing costs amounting to MVR 7,756,142 (2016: MVR 15,300,048) on qualifying assets. Borrowing costs were capitalised at the rate of 7.5%.

14.6 Income earned from Investment Properties

The rental income from and direct expenses in relation to investment properties are as follows;

	Group		Company	
	2017	2016	2017	2016
	MVR	MVR	MVR	MVR
Rent income	18,643,774	15,910,036	23,799,331	21,154,907
Direct expenses	(6,482,416)	(12,952,928)	(6,482,416)	(12,952,928)

15 INTANGIBLE ASSETS

15.1 GROUP

	Goodwill on Consolidation	Computer software	Total 2017	Total 2016
	MVR	MVR	MVR	MVR
Cost				
Opening balance	3,155,217	91,427,969	94,583,186	81,812,519
Acquisition date balance of MIFCO	-	-	-	9,543,416
Transferred from capital work In progress **(Note 15.3)**	-	2,928,674	2,928,674	3,227,251
Closing balance	3,155,217	94,356,643	97,511,860	94,583,186
Accumulated amortization				
Opening balance	-	80,252,765	80,252,765	63,895,060
Acquisition date balance of MIFCO	-	-	-	9,469,792
Amortization during the year	-	4,880,612	4,880,612	6,887,912
Disposals during the year	-	-	-	-
Closing balance	-	85,133,377	85,133,377	80,252,764
Net carrying value	3,155,217	9,223,266	12,378,483	14,330,422
Capital work in progress **(Note 15.3)**			3,387,853	2,979,500
Total			15,766,336	17,309,922

15 INTANGIBLE ASSETS (CONTINUED)

15.2 Company

	Computer software	
	2017	**2016**
	MVR	**MVR**
Cost		
Opening balance	63,847,243	63,847,243
Closing balance	63,847,243	63,847,243
Accumulated amortization		
Opening balance	59,858,560	55,259,052
Amortization for the year	2,205,879	4,599,508
Closing balance	62,064,439	59,858,560
Net carrying value	1,782,804	3,988,683

15.3 Capital working progress

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Opening balance	2,979,500	539,359	-	-
Acquisition date balance of MIFCO	-	2,835,828	-	-
Additions during the year	3,200,177	2,831,564	-	-
Transferred from property, plant and equipment (CWIF	136,850	-	-	-
Transferred to intangible assets	(2,928,674)	(3,227,251)	-	-
Closing balance	3,387,853	2,979,500	-	-

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.

	2017	**2016**
Business growth	6.88%	18.95%
Inflation	2.30%	0.80%
Discount rate	10.00%	10.00%
Margin	5.17%	5.78%

16 PREPAID LEASE RENT

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Opening balance	36,068,280	38,382,822	36,068,280	38,382,822
Additions during the year	117,654,599	-		
Amortization during the year	(4,667,634)	(2,314,542)	(2,314,542)	(2,314,542)
Closing balance	149,055,245	36,068,280	33,753,738	36,068,280
Analysis of lease rent				
Current	4,667,634	2,314,542	2,314,542	2,314,542
Non-current	144,387,611	33,753,738	31,439,196	33,753,738
	149,055,245	36,068,280	33,753,738	36,068,280

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.

17 INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	MVR	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**)	-	-
	117,249,835	117,249,835

17.1 During the year 2016, 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	322,993,640
Intangible asset	2,909,452
Total non-current assets	325,903,092
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	213,272,393
Total assets	539,175,485
Borrowings	201,429,751
Deferred revenue	3,645,310
Total non-current liabilities	205,075,061
Trade and other payables	191,060,392
Amounts due to related parties	149,988,133
Borrowings	345,122,386
Bank overdrafts	113,600,285
Total current liabilities	799,771,196
Total liabilities	1,004,846,257
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	(132,038,212)

18 EQUITY - ACCOUNTED INVESTEES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Interest in associates **(Note 18.1)**	8,356,314	6,517,617	10,567,267	10,567,267
Interest in joint venture **(Note 18.3)**	24,918,165	28,201,092	4,700,000	4,700,000
	33,274,479	34,718,709	15,267,267	15,267,267

18.1 Investment in Associates

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Opening balance	6,517,617	6,634,536	10,567,267	10,567,267
Share of loss for the year	1,838,697	(116,919)	-	-
Closing balance	8,356,314	6,517,617	10,567,267	10,567,267

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	
	2017	**2016**
	MVR	**MVR**
Percentage of ownership	25%	25%
Non current assets	23,171,577	23,036,500
Current assets	117,454,092	103,909,530
Current liabilities	(107,200,413)	(100,875,563)
Net assets (100%)	33,425,256	26,070,467
Group's share of net assets	8,356,314	6,517,617
Carrying amount of interest in associates	8,356,314	6,517,617
Revenue	106,094,313	78,461,803
Profit / (Loss) and other comprehensive income	7,354,789	(467,676)
Group's share of loss and other comprehensive income	1,838,697	(116,919)

18.3 Investment in joint venture

	Group		Company	
	2017	**2016**	**2017**	**2016**
	MVR	**MVR**	**MVR**	**MVR**
Opening balance	28,201,092	30,776,724	4,700,000	4,700,000
Share of profit	9,717,073	10,424,368	-	-
Dividend received	(13,000,000)	(13,000,000)	-	-
Closing balance	24,918,165	28,201,092	4,700,000	4,700,000

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.

18 EQUITY - ACCOUNTED INVESTEES (CONTINUED)
18.3 INVESTMENT IN JOINT VENTURE

	2017 MVR	2016 MVR
Percentage of ownership	50%	50%
Non current assets	1,179,923	12,338,502
Current assets	62,872,850	53,527,843
Current liabilities	(14,216,445)	(9,464,162)
Net assets (100%)	**49,836,328**	**56,402,183**
Group's share of net assets	24,918,164	28,201,092
Carrying amount of interest in joint venture	**24,918,164**	**28,201,092**
Revenue	83,259,006	83,031,630
Depreciation and amortization	(200,433)	(231,585)
Interest expense	(2,923,779)	(2,480,176)
Income tax expense	(3,366,778)	(3,594,723)
Profit and other comprehensive income	**19,434,145**	**20,848,735**
Group's share of profit and other comprehensive income	**9,717,073**	**10,424,368**

19 INVESTMENTS AVAILABLE FOR SALE

	Group		Company	
	2017 MVR	2016 MVR	2017 MVR	2016 MVR
Opening balance	22,865,800	22,990,800	12,740,800	12,740,800
Investments made during the year	30,000,000	-	-	-
Net change in fair value transferred to equity	3,875,000	(125,000)	-	-
Closing balance	56,740,800	22,865,800	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.

	Group		Company	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 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)	10,000,000	10,125,000	-	-
Ooredoo Maldives PLC	34,000,000	-	-	-
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)
	56,740,800	22,865,800	12,740,800	12,740,800

20 INVENTORIES

	Group		Company	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 MVR
Food stock	78,247,424	79,319,532	78,247,424	79,319,532
Fuel and lubricants	205,985,959	213,428,458	152,312,238	153,812,045
Home improvement and electronics	61,339,467	65,295,913	59,677,314	63,308,044
Construction materials	63,094,027	40,225,790	63,094,027	40,225,790
Pharmaceuticals	219,320,199	204,782,000	219,320,199	204,782,000
Fish & processed fish products	146,818,899	171,571,432	-	-
Spare parts	106,185,972	80,461,612	19,089,839	19,772,380
Retail shops	47,593,354	72,388,528	46,441,718	69,127,640
Others	26,985,906	21,758,667	25,032,352	21,534,140
Goods in transit	110,501,928	166,150,377	44,713,948	163,649,655
Less: provision for slow and non moving inventories **(Note - 20.1)**	(83,569,751)	(81,394,036)	(42,799,416)	(43,733,785)
	982,503,384	1,033,988,273	665,129,643	771,797,441

20.1 Provision for slow moving and non moving inventories

	Group 31/12/2017	Group 31/12/2016	Company 31/12/2017	Company 31/12/2016
Opening balance	81,394,036	37,526,497	43,733,785	36,881,021
Acquisition date balance of MIFCO	-	32,567,972	-	-
Provision made / (reversal) during the year	2,175,715	11,299,567	(934,369)	6,852,764
Closing balance	83,569,751	81,394,036	42,799,416	43,733,785

In 2017, inventories of MVR 6,563,756,392 (2016: MVR 5,401,591,088) were recognized as an expense during the period and included in 'cost of sales' of the Company.

In 2017, inventories of MVR 7,347,644,542 (2016: MVR 5,421,025,537) were recognized as an expense during the period and included in 'cost of sales' of the Group.

The Company reversed MVR 934,369 of a previous inventory provision in December 2016. 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	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	MVR	**MVR**	**MVR**	**MVR**
Trade receivables	730,793,118	662,024,757	213,850,967	179,346,180
Due from policyholders	96,490,764	71,499,246	-	-
Less : provision for impairment loss **(Note 21.1)**	(321,486,380)	(284,395,990)	(90,385,315)	(86,751,950)
	505,797,502	449,128,013	123,465,652	92,594,230
Advances, prepayments and deposits	136,835,081	113,355,598	100,019,804	73,110,786
Government employee credit scheme	55,757,655	55,419,341	55,757,655	55,419,341
Staff advances and other loans	6,934,606	6,714,298	6,913,360	6,714,298
Advances paid for custom duty	8,488,188	7,531,534	8,488,188	7,531,534
Miscellaneous receivable	86,057,121	65,526,765	50,884,470	33,450,885
Less : unmatured interest	(2,739,944)	(2,881,449)	(2,739,944)	(2,881,449)
Less : provision for impairment loss **(Note 21.2)**	(57,674,850)	(46,604,046)	(56,237,911)	(42,521,210)
	233,657,857	199,062,041	163,085,622	130,824,185
Total trade and other receivable	739,455,359	648,190,054	286,551,274	223,418,415

21.1 Provision for Impairment of trade receivables

Opening balance	284,395,990	160,386,728	86,751,950	96,357,002
Acquisition date balance of MIFCO	-	114,594,950	-	-
Written off during the Year	(2,411,029)	-	-	-
Provision made / (reversed) during the year	39,501,419	9,414,312	3,633,365	(9,605,052)
Closing balance	321,486,380	284,395,990	90,385,315	86,751,950

21.2 Provision for impairment of other receivables

Opening balance	46,604,046	46,221,188	42,521,210	42,327,038
Written off during the Year	(3,743,056)	-	-	-
Provision made during the year	14,813,860	382,858	13,716,701	194,172
Closing balance	57,674,850	46,604,046	56,237,911	42,521,210

22 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	MVR	**MVR**	**MVR**	**MVR**
STO Maldives (Singapore) Private Limited	-	-	22,888,721	16,828,625
Maldive Gas Private Limited	-	-	9,172,834	9,000,302
Fuel Supplies Maldives Private Limited	-	-	817,701,084	678,924,428
Allied Insurance Company of the Maldives Private Limited	-	-	17,517,714	10,668,458
Maldives National Oil Company Limited	-	-	345,610	343,610
Maldives Industrials Fisheries Company Limited	-	-	55,965,500	64,467,738
STO Hotels & Resorts Private Limited	-	-	202,654,780	201,102,686
Lafarge Maldives Cement Private Limited	758,035	32,165	754,954	-
Ministry of Health	97,406,963	116,377,448	97,406,963	116,377,448
Ministry of Finance and Treasury	222,428,432	349,651,249	132,884,248	66,018,689
State Electric Company (STELCO)	137,611,973	95,471,238	137,566,183	95,085,332
Feneka Corporation	528,611,638	340,278,251	121,762,710	-
Indira Gahandi Memorial Hospital	180,209,881	143,110,912	180,209,881	143,110,912
Maldives Road Development Corporation	62,410,221	14,910,293	61,788,564	14,910,293
Addu International Airport Private Limited	198,012,292	170,369,021	196,418,321	168,686,021
Aasandha Private Limited	232,611,736	96,404,835	232,611,736	96,404,835
Hulhumale Hospital	27,428,065	26,333,732	27,428,065	26,333,732
Maldives Airport Company Limited	200,741,654	80,502,616	200,741,654	80,502,616
Ministry of Housing and Infrastructure	96,828,714	74,964,159	96,828,714	74,964,159
Ministry of Tourism	-	117,654,599	-	-
G.Dh Atoll Rayyithunge Cooperative Society	831,492	831,492	831,492	831,492
Rainbow Enterprises Private Limited	5,800,267	692,323	5,800,267	692,323
Champa Oil and Gas Company Private Limited	71,852	-	-	-
Marine Maldives Products Private Limited	12,378,778	44,034	-	-
Ukulas Private Limited	1,056,179	1,056,179	-	-
E-Biz Maldives Private Limited	4,447	4,447	4,447	4,447
Other Government entities	185,667,693	128,857,559	140,353,347	105,706,571
	2,190,870,312	1,757,546,552	2,759,637,789	1,970,964,717
Less : provision for impairment loss **(Note 22.1)**	(12,403,617)	(16,920,508)	(93,529,958)	(98,038,349)
Less : unmatured interest	(76,371)	(475,934)	(76,371)	(475,934)
Total amount due from related parties	2,178,390,324	1,740,150,110	2,666,031,460	1,872,450,434
Non - current	93,825,609	1,665,151	93,825,609	1,665,151
Current	2,084,564,715	1,738,484,959	2,572,205,851	1,870,785,283
	2,178,390,324	1,740,150,110	2,666,031,460	1,872,450,434

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	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
22 AMOUNTS DUE FROM RELATED PARTIES (CONTINUEI	MVR	MVR	MVR	MVR
22.1 Provision for impairment of amounts due from related parties				
Opening balance	16,920,508	104,291,177	98,038,349	103,197,957
Acquisition date balance of MIFCO	-	1,056,179	-	-
Written off during the Year	(8,500)	-	-	-
Provision (reversed) / made during the year	(4,508,391)	(88,426,848)	(4,508,391)	(5,159,608)
Closing balance	12,403,617	16,920,508	93,529,958	98,038,349

Receivables from Maldives Industrials Fisheries Company Limited includes loan receivable of MVR 6,987,451 granted at an interest rate of 7.5% per annum.

23 REINSURANCE CONTRACTS

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Reinsurers' share of insurance liabilities	109,545,885	89,003,577	-	-
Reinsurance share of paid claim and prepaid reinsurance	28,583,782	30,678,893	-	-
Reinsurance share of incurred but not reported claims	5,728,610	4,669,173	-	-
Unearned premium	98,558,348	92,285,068	-	-
Gross receivables from reinsurance	242,416,625	216,636,711	-	-
Less : Provision for Re-insurance Receivables (**Note 23.1**)	(8,981,677)	(6,017,453)	-	-
Net receivables from reinsurance	233,434,948	210,619,258	-	-

23.1 Provision for Re-insurance Receivables

Opening balance	6,017,453	82,105	-	-
Provsion made during the year	2,964,224	5,935,348	-	-
Closing balance	8,981,677	6,017,453	-	-

24 INVESTMENTS HELD TO MATURITY

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Investment in treasury bills	100,275,410	124,327,381	-	-
Corporate bonds	50,908,196	30,000,000	-	-
Investment in term deposit	356,216	32,258	-	-
	151,539,822	154,359,639	-	-
Opening balance	154,359,639	101,096,852	-	-
Purchased during the year	654,911,895	499,041,823	-	-
Matured during the year	(657,731,712)	(445,779,036)	-	-
Closing balance	151,539,822	154,359,639	-	-

The Group has invested MVR 100,275,410 (2016: MVR 124,327,381) in treasury bills issued by the Maldives Monetary Authority for a maturity value of MVR 100,840,000 (2016: MVR 126,340,000) at the rate of interest ranging from 3.5% to 4.6% per annum (2016: 3.5% to 4.6% per annum) with the maturity period of 91 days to 364 days (2016: 91 days to 364 days).

During the year, the Group has made an investment of MVR 50,000,000 (2016: MVR 30,000,000) in the short term corporate bonds issued by Housing development finance corporation PLC at the interest rate of 6.5% - 7.5% (2016: 6.25%) per annum. The Group has also made an investment of MVR 322,337 (2016: MVR 32,258) in term deposit at a rate of interest 2.3% (2016: 2.2% to 2.9%) with a maturity period of 91 days to one year.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Favorable balances	MVR	MVR	MVR	MVR
Cash in hand	38,673,204	69,918,290	9,966,224	38,388,672
Balances at banks	388,310,680	695,843,416	178,749,299	509,114,571
	426,983,884	765,761,706	188,715,523	547,503,243
Unfavorable balances				
Bank overdrafts	(267,356,119)	(204,909,234)	(137,941,870)	(67,144,023)
Cash and cash equivalents for the purpose of cash flow statement	159,627,765	560,852,472	50,773,653	480,359,220

26 SHARE CAPITAL AND RESERVES

A. SHARE CAPITAL AND SHARE PREMIUM

26.1 Authorized

The authorized share capital comprises 2,000,000 (2016: 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 (2016: 1,126,910) ordinary shares at a par value of MVR 50 per share (2016: 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 30th May 2017, a dividend in respect of 2016 of MVR 51 per share (2016: declared dividend MVR 57 per share in respect of 2015) amounting to a total of MVR 57,472,410 (2016: declared MVR 64,233,870) 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 2017.

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	
	31/12/2017 MVR	31/12/2016 MVR
Opening balance	15,548,263	14,374,371
Share of profit of subsidiary	4,030,508	4,396,114
Dividend paid to non controlling interest	(1,000,000)	(3,222,222)
Closing balance	18,578,771	15,548,263

28 LOANS AND BORROWINGS

	Group		Company	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 MVR
Opening balance	1,760,203,121	1,302,209,598	1,212,755,105	1,262,190,563
Acquisition date balance of MIFCO	-	546,552,137	-	-
Loans obtained during the Year	751,438,045	816,956,389	743,243,013	814,380,562
Repayments during the year	(755,265,728)	(905,515,003)	(737,991,166)	(863,816,020)
Closing balance	1,756,375,438	1,760,203,121	1,218,006,952	1,212,755,105
28.1 Sources of Finance				
Secured loans	823,847,634	921,862,747	377,584,357	473,055,105
Unsecured loans	412,105,208	298,640,374	320,000,000	200,000,000
Corporate bond **(Note 28.8)**	520,422,595	539,700,000	520,422,595	539,700,000
	1,756,375,437	1,760,203,121	1,218,006,952	1,212,755,105
28.2 Non - Current				
Bank borrowings	93,516,520	316,589,488	49,298,318	257,893,056
Other borrowings	103,784,198	109,208,692	-	-
Corporate bond	440,749,387	520,422,595	440,749,387	520,422,595
	638,050,105	946,220,775	490,047,705	778,315,651
28.3 Current				
Bank borrowings	349,156,732	240,538,642	328,286,040	215,162,049
Other borrowings	689,495,394	554,166,299	320,000,000	200,000,000
Corporate bond	79,673,207	19,277,405	79,673,207	19,277,405
	1,118,325,333	813,982,346	727,959,247	434,439,454

28 LOANS AND BORROWINGS

28.4 Terms and repayment schedule

Source of finance	Nominal interest rate	Year of maturity	Security	Group Carring value 31/12/2017 MVR	Group Carring value 31/12/2016 MVR	Company Carring value 31/12/2017 MVR	Company Carring value 31/12/2016 MVR
Nation Trust Bank PLC	7.50%	Revolving	Trade center building	56,063,793	10,714,653	56,063,793	10,714,653
Hongkong & Shanghai Banking Corporation	9.00%	Revolving	Government guarantee	83,391,360	92,520,000	83,391,360	92,520,000
Bank of Maldives PLC	6.50%	2017	Backed by MVR	-	21,615,786	-	21,615,786
Bank of Maldives PLC	10.00%	2019	Backed by STO's assets	74,311,096	106,381,213	74,311,096	106,381,213
Bank of Maldives PLC	7.50%	2017		-	14,598,633	-	14,598,633
Thai Exim Bank	7.50%	2017	Backed by STO's assets	-	131,387,693	-	131,387,693
Habib Bank Limited	8.50%	Revolving	Backed by Government guarantee, MVR & STO's assets	8,541,755	21,917,317	8,541,755	21,917,317
Habib Bank Limited	6.00%	2018	Backed by MVR	16,884,650	39,397,514	16,884,650	39,397,514
Ministry of Finance and treasury	Profit Share 75 : 25	2018	Un-secured.	150,000,000	150,000,000	150,000,000	150,000,000
Ministry of Finance and treasury	Profit Share 70 : 30	2018	Un-secured.	50,000,000	50,000,000	50,000,000	50,000,000
Ministry of Finance and treasury	Profit Share 60 : 40	2018	Un-secured.	120,000,000	-	120,000,000	-
Ministry of Finance and treasury	7.50%	2023	Un-secured.	6,987,451	-	6,987,451	-
Maldives Islamic Bank	8.5% mark-up on cost	2019	Assignement of receivables from a customer	23,018,633	34,522,296	23,018,633	34,522,296
International Islamic Trade finance corporation	5.5% mark-up on cost	2018	Letter of comfort from Ministry of Finance and treasury	108,385,619	-	108,385,619	-
Listed corporate bond	5.25%	2023	Government guarantee	520,422,595	539,700,000	520,422,595	539,700,000
Ministry of Finance and treasury (IDB Tsunami)	6.00%	2020	Government guarantee	63,239,985	60,302,997	-	-
Ministry of Finance and treasury	6.00%	2023	Government guarantee	91,505,239	86,969,966	-	-
Ministry of Finance and treasury	6.00%	N/A	Government guarantee	226,429,159	217,461,654		
Ministry of Finance and treasury	Interest free	Revolving	Un-secured.	52,155,792	55,298,603	-	-
Ministry of Fisheries and agriculture	Interest free	2028	Un-secured.	7,035,411	7,035,411	-	-
Ministry of Fisheries and agriculture	Interest free	2024	Un-secured.	12,395,709	12,395,709	-	-
Bank of Maldives PLC	8.00%	2018	Leasehold rights of commercial plots & MIFCO assets	1,145,269	2,444,521	-	-
Bank of Maldives PLC	8.00%	2020	USD lien, leasehold rights of commercial plots & MIFCO assets	37,636,794	50,108,732	-	-
Bank of Maldives PLC	8.00%	2023	Leasehold rights of commercial plots & MIFCO assets	12,402,185	14,307,832	-	-
Bank of Maldives PLC	9.75%	2021	MIFCO vessels and government guarantee	13,904,647	17,211,940	-	-
Green World Private Limi	5.00%	2018	Un-secured.	13,432,804	23,910,651	-	-
Loan received from World Wise	Interest free	3 years from shipment BL	Un-secured.	7,085,492	-		
				1,756,375,438	1,760,203,121	1,218,006,952	1,212,755,105

28.5 Bank borrowings of the Group / Company will mature by February 2024 and bear an average interest rate of 6.05% annually (2016: 6.44% annually).

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 18,573,115 (2016: MVR 64,953,052) 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.

29 DEFINED BENEFIT OBLIGATION

	Group			Company		
	31/12/2017 MVR	31/12/2016 MVR (Restatetd)	1/1/2016 MVR (Restatetd)	31/12/2017 MVR	31/12/2016 MVR (Restatetd)	1/1/2016 MVR (Restatetd)
Opening Balance	25,952,717	20,269,722	20,269,722	23,630,093	20,269,722	20,269,722
Current Service Cost	6,632,803	5,541,859	-	3,893,768	3,373,862	-
Interest Cost	1,259,923	1,087,034	-	1,086,984	932,407	-
Deficit for the Year	2,989,390	1,207,020	-	2,278,521	1,207,020	-
	36,834,833	28,105,635	20,269,722	30,889,366	25,783,011	20,269,722
Less: Payments During the Year	(2,458,791)	(2,152,918)	-	(2,458,791)	(2,152,918)	-
Closing Balance	34,376,042	25,952,717	20,269,722	28,430,575	23,630,093	20,269,722

29.1 Following amounts are recognized in profit or loss and Other comprehensive income during the year in respect of retirement benefit obligation

	Group			Company		
	31/12/2017 MVR	31/12/2016 MVR (Restatetd)	1/1/2016 MVR (Restatetd)	31/12/2017 MVR	31/12/2016 MVR (Restatetd)	1/1/2016 MVR (Restatetd)
Amount Recognized in Profit or Loss						
Current Service Cost	6,632,803	5,541,859	-	3,893,768	3,373,862	-
Interest Cost	1,259,923	1,087,034	-	1,086,984	932,407	-
	7,892,726	6,628,893	-	4,980,752	4,306,269	-
Amount Recognized in Other Comprehensive Income						
Deficit for the Year	2,989,390	1,207,020	-	2,278,521	1,207,020	-
	2,989,390	1,207,020	-	2,278,521	1,207,020	-

29.2 The retirement benefit obligation of the Company is estimated based on the calculation performed by the Management. The projected unit credit method is used to determine the present value of the defined benefit obligation. Key assumptions used in the calculation are as follows,

	Group			Company		
	31/12/2017	31/12/2016	1/1/2016	31/12/2017	31/12/2016	1/1/2016
Expected Salary Increment	3% - 3.69%	3% - 3.69%	3% - 3.69%	3.69%	3.69%	3.69%
Discount Rate	4% - 4.6%	4% - 4.6%	4% - 4.6%	4.60%	4.60%	4.60%
Staff Turnover Factor	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

29.3 In addition to the Defined benefit Plan of the Company, the subsidiary, Allied Insurance Maldives Private Limited also has a defined benefit Obligation which is actuarially valued by Mr. G.N. Agarwal, M.A., B.Sc., FIAI, as at 31 December 2017 and the aprropraite adjustements have been adjusted in the financial statements.

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30 TRADE AND OTHER PAYABLES

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Trade payables	1,973,160,896	1,580,668,297	1,776,090,272	1,429,687,446
Accrued expenses	34,108,435	54,399,214	25,601,151	44,035,632
Lease rent accrual	33,072,169	22,954,900	10,867,369	22,954,900
Dividend payable	248,118,887	200,306,892	245,468,887	197,656,892
Other payable	254,166,686	250,152,668	99,088,285	94,252,885
	2,542,627,073	2,108,481,971	2,157,115,964	1,788,587,755

31 DEFERRED INCOME

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Opening balance	20,937,766	15,503,441	-	-
Acquisition date balance of MIFCO	-	3,645,310	-	-
Received during the year	31,444,033	7,585,109	57,677,788	-
Recognized during the year	(7,900,307)	(5,796,094)	(2,147,720)	-
	44,481,492	20,937,766	55,530,068	-
Analysis of deferred income				
Realization within one year	7,831,218	6,427,811	1,930,854	-
Realization After one year	36,650,274	14,509,955	53,599,214	-
	44,481,492	20,937,766	55,530,068	-

31.1 Deferred revenues relate to the rent received in advance from tenants and registration fees received from customers for the initial purchase of gas cylinders. Rent advances are initially recognized in liabilities as deferred income and credited to profit or loss as revenue over the period to which rent advances are related to. 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.

32 INSURANCE CONTRACTS

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Claims reported and loss adjustment	188,733,187	145,020,319	-	-
Claim incurred but not reported (IBNR)	10,073,178	5,664,535	-	-
Provision for unearned premiums	185,317,211	173,897,988	-	-
Unappropriated policyholders fund	13,724,133	12,218,766	-	-
Provision for unearned reinsurance commission	28,262,833	27,893,032	-	-
Total insurance liabilities, gross	426,110,542	364,694,640	-	-

33 CURRENT TAX LIABILITIES

	Group		Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	MVR	MVR	MVR	MVR
Opening balance	15,685,739	47,902,844	7,925,936	27,850,170
Tax provision for the year	52,418,255	49,043,666	33,408,493	36,176,454
Tax paid during the year	(52,439,249)	(81,375,191)	(28,251,758)	(56,100,688)
Adjustment in respect of prior years	106,265	114,420	-	-
Closing balance	15,771,010	15,685,739	13,082,671	7,925,936

34 AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 MVR
STO Maldives (Singapore) Private Limited	-	-	102,130,493	4,279,631
Maldive Gas Private Limited	-	-	10,743,595	13,611,115
Fuel Supplies Maldives Private Limited	-	-	228,132	246,998
Allied Insurance Company of the Maldives Private Limited	-	-	63,291,321	81,544,124
Maldives National Oil Company Limited	-	-	365,173	365,172
Maldives Industrials Fisheries Company Limited	-	-	41,489,869	5,675,000
STO Hotels & Resorts Private Limited	-	-	180,846	180,846
Lafarge Maldives Cement Private Limited	40,786,574	29,432,457	40,786,574	29,432,457
Maldives Structural Product Private Limited	16,423,494	21,738,231	16,423,494	21,738,231
National Social Protection Agency	-	-	-	-
Addu International Airport Private Limited	290,289	290,289	290,289	290,289
Ministry of Housing and Infrastructure	299,932	302,932	299,932	302,932
Maldives Pension Administration Office	1,201,164	25,183,943	1,201,164	25,183,943
Fenaka Corporation Limited	556,158	527,795	556,158	527,795
Housing Development Corporation Limited	58,265,519	39,761,519	58,265,519	39,761,519
Rainbow Enterprises Private Limited	70,281	12,868	70,281	12,868
Champa Oil and Gas Company Private Limited	1,000,000	958,576	-	-
Other Government entities	6,760,782	10,512,907	6,620,243	9,561,687
	125,654,193	128,721,517	342,943,083	232,714,607

Payable to Allied Insurance Company of the Maldives Private Limited includes the demand loan of MVR 48,119,710 at an interest rate of 2.75% per annum.

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 capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. 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	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 MVR
Total liabilities	5,214,346,408	4,631,521,608	3,953,051,183	3,332,757,519
Less: Cash and cash equivalent	(426,983,884)	(765,761,706)	(188,715,523)	(547,503,243)
Net debt	4,787,362,524	3,865,759,902	3,764,335,660	2,785,254,276
Total equity	2,523,476,478	2,421,534,189	2,252,657,417	2,100,784,833
Total capital employed	7,310,839,002	6,287,294,091	6,016,993,077	4,886,039,109
Gearing	65.48%	61.49%	62.56%	57.00%

The increase in gearing ratio of the Group during the 2017 is primarily due to increase in net debt of the group as a result of increase in liabilities of State Trading Organization PLC.

36 COMMITMENTS

	Group		Company	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 MVR
36.1 Capital commitments				
Capital expenditure contracted as of the reporting date but not yet incurred	354,028,786	324,606,257	354,028,786	324,606,257
Shares subscribed as of the reporting date but not yet paid	10,000,000	10,000,000	10,000,000	10,000,000
	364,028,786	334,606,257	364,028,786	334,606,257

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

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**	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	MVR	**MVR**	**MVR**	**MVR**
Non-cancellable operating lease rentals payable for future years are as follows;				
Less than one year	47,028,071	29,871,189	38,706,518	24,867,434
1 to 5 years	136,171,532	121,437,710	105,715,408	102,821,823
More than 5 years	175,654,437	187,123,434	33,715,804	57,653,249
	358,854,040	338,432,333	178,137,730	185,342,506

Amount recognized in profit or loss	**Group**		**Company**	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	MVR	**MVR**	**MVR**	**MVR**
Lease expense	35,702,748	22,113,719	14,560,116	10,645,997

Leases as lessor

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

Future minimum lease rent receivable	**Group**		**Company**	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	MVR	**MVR**	**MVR**	**MVR**
Non-cancellable operating lease rentals receivable for future years are as follows;				
Less than one year	24,537,720	16,387,696	29,744,036	22,223,458
1 to 5 years	53,319,124	55,407,507	68,938,071	66,670,374
	77,856,844	71,795,203	98,682,107	88,893,832

Amount recognized in profit or loss	**Group**		**Company**	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	MVR	**MVR**	**MVR**	**MVR**
Rent income	18,643,774	15,910,036	23,799,331	21,154,907

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.

	31/12/2017	**31/12/2016**
Type of facilities	**MVR**	**MVR**
- overdraft	3,855,000	3,855,000
- letter of credit	15,420,000	15,420,000
	19,275,000	19,275,000

(ii) State Trading Organization PLC has issued promissory notes to the International Islamic Trade Finance Corporation (ITFC) for an amount of USD 10,359,440 for the financing facility obtained during the year 2017.

(iii) A customer has filed suit in Civil Court claiming compensation for damage amounting to MVR 3,149,792 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.1000/60/602/201O/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.

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 2017

Group	**Carrying amount**						**Fair value**		
Financial assets measured at fair value	**Designated at fair value**	**Held to maturity**	**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**
Investments available for sale	-	-	56,740,800	-	-	56,740,800	10,000,000	-	46,740,800
	-	-	56,740,800	-	-	56,740,800	10,000,000	-	46,740,800
Financial assets not measured at fair value									
Investments held to maturity	-	151,539,822	-	-	-	151,539,822	-	-	-
Trade and other receivables	-	-	-	739,455,359	-	739,455,359	-	-	-
Amounts due from related parties	-	-	-	2,178,390,324	-	2,178,390,324	-	-	-
Reinsurance contracts	-	-	-	233,434,948	-	233,434,948	-	-	-
Cash and cash equivalents	-	-	-	426,983,884	-	426,983,884	-	-	-
	-	151,539,822	-	3,578,264,515	-	3,729,804,337	-	-	-
Financial liabilities not measured at fair value									
Bank overdraft	-	-	-	-	267,356,119	267,356,119	-	-	-
Loans and borrowings	-	-	-	-	1,756,375,437	1,756,375,437	-	-	-
Amounts due to related Parties	-	-	-	-	125,654,193	125,654,193	-	-	-
Insurance contracts	-	-	-	-	426,110,542	426,110,542	-	-	-
Trade and other payables	-	-	-	-	2,542,627,073	2,542,627,073	-	-	-
	-	-	-	-	5,118,123,364	5,118,123,364	-	-	-

AS AT 31ST DECEMBER 2016

Group	**Carrying amount**						**Fair value**		
Financial assets measured at fair value	**Designated at fair value**	**Held to maturity**	**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**
Investments available for sale	-	-	22,865,800	-	-	22,865,800	10,125,000	-	12,740,800
	-	-	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 receivable	-	-	-	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	-	-	-
	-	154,359,639	-	3,364,721,128	-	3,519,080,767	-	-	-
Financial liabilities not measured at fair value									
Bank overdraft	-	-	-	-	204,909,234	204,909,234	-	-	-
Loans and borrowings	-	-	-	-	1,760,203,121	1,760,203,121	-	-	-
Amounts due to related parties	-	-	-	-	128,721,517	128,721,517	-	-	-
Insurance contracts	-	-	-	-	364,694,640	364,694,640	-	-	-
Trade and other payables	-	-	-	-	2,108,481,971	2,108,481,971	-	-	-
	-	-	-	-	4,567,010,483	4,567,010,483	-	-	-

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

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 2017

Company	**Carrying amount**					**Fair value**		
Financial assets measured at 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**
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	-	-	286,551,274	-	286,551,274	-	-	-
Amounts due from related parties	-	-	2,666,031,460	-	2,666,031,460	-	-	-
Cash and cash equivalents	-	-	188,715,523	-	188,715,523	-	-	-
	-	-	3,141,298,257	-	3,141,298,257	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	137,941,870	137,941,870	-	-	-
Loans and borrowings	-	-	-	1,218,006,952	1,218,006,952	-	-	-
Amounts due to related parties	-	-	-	342,943,083	342,943,083	-	-	-
Trade and other payables	-	-	-	2,157,115,964	2,157,115,964	-	-	-
	-	-	-	3,856,007,869	3,856,007,869	-	-	-

AS AT 31ST DECEMBER 2016

Company	**Carrying amount**					**Fair value**		
Financial assets measured at 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**
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	-	-	-

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

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 Carrying amount		Company Carrying amount	
	31/12/2017 MVR	31/12/2016 MVR	31/12/2017 MVR	31/12/2016 MVR
Trade and other receivables	739,455,359	648,190,054	286,551,274	223,418,415
Amounts due from related party	2,178,390,324	1,740,150,110	2,666,031,460	1,872,450,434
Reinsurance contracts	233,434,948	210,619,258	-	-
Held to maturity investment	151,539,822	154,359,639	-	-
Balances with banks and short term deposits	388,310,680	695,843,416	178,749,299	509,114,571
	3,691,131,133	3,449,162,477	3,131,332,033	2,604,983,420

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	**31/12/2017**		**31/12/2016**	
	Gross	**Impairment**	**Gross**	**Impairment**
Group	**MVR**	**MVR**	**MVR**	**MVR**
The aging of trade, other receivables and related party receivables at the reporting date was:				
Not Past Due	1,168,482,967	1,732,459	776,349,885	161,422
Past Due 31-90 days	298,651,163	880,114	229,380,305	731,647
Past Due 91-180 days	245,927,763	1,418,604	444,810,268	2,569,820
Past Due 181-365 days	476,130,427	3,428,809	430,329,536	6,524,102
Past Due more than 365 days	1,123,034,525	384,104,860	858,748,097	337,933,553
	3,312,226,845	391,564,847	2,739,618,091	347,920,544

Impairment losses	**31/12/2017**		**31/12/2016**	
	Gross	**Impairment**	**Gross**	**Impairment**
Company	**MVR**	**MVR**	**MVR**	**MVR**
The aging of trade, other receivables and related party receivables at the reporting date was:				
Not Past Due	1,474,616,895	106,898	933,605,009	161,422
Past Due 31-90 days	376,207,940	236,614	383,787,951	731,647
Past Due 91-180 days	187,395,601	663,586	60,648,750	455,540
Past Due 181-365 days	222,697,850	1,158,926	162,405,483	3,926,915
Past Due more than 365 days	934,633,947	237,987,160	786,090,548	222,035,985
	3,195,552,233	240,153,184	2,326,537,741	227,311,509

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 2017, 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.

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 2017 **Group**	**Carrying amount MVR**	**0-12 months MVR**	**1-2 years MVR**	**2-5 years MVR**	**More than 5 years MVR**
Financial liabilities (Non- derivative)					
Trade and other payables	2,542,627,073	2,542,627,073	-	-	-
Loans and borrowings	1,756,375,438	1,118,325,333	281,239,841	356,810,264	-
Amounts due to related parties	125,654,193	125,654,193	-	-	-
Insurance contracts	426,110,542	426,110,542	-	-	-
Bank overdrafts	267,356,119	267,356,119	-	-	-
Total	5,118,123,365	4,480,073,260	281,239,841	356,810,264	-

31st December 2016 **Group**	**Carrying amount MVR**	**0-12 months MVR**	**1-2 years MVR**	**2-5 years MVR**	**More than 5 years MVR**
Financial liabilities (Non- derivative)					
Trade and other payables	2,108,481,971	2,108,481,971	-	-	-
Loans and borrowings	1,760,203,121	813,982,346	202,412,030	395,872,098	347,936,647
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	4,567,010,483	3,620,789,708	202,412,030	395,872,098	347,936,647

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

31st December 2017 **Company**	**Carrying amount MVR**	**0-12 months MVR**	**1-2 years MVR**	**2-5 years MVR**	**More than 5 years MVR**
Financial liabilities (Non- derivative)					
Trade and other payables	2,157,115,964	2,157,115,964	-	-	-
Loans and borrowings	1,218,006,952	727,959,247	133,237,441	356,810,264	-
Amounts due to related parties	342,943,083	342,943,083	-	-	-
Bank overdrafts	137,941,870	137,941,870	-	-	-
Total	3,856,007,869	3,365,960,164	133,237,441	356,810,264	-

31st December 2016 **Company**	**Carrying amount MVR**	**0-12 months MVR**	**1-2 years MVR**	**2-5 years MVR**	**More than 5 years MVR**
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

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 wer

	Group Carrying amount		Company Carrying amount	
	2017 MVR	2016 MVR	2017 MVR	2016 MVR
Variable rate instruments				
Financial Assets	120,000,000	-	120,000,000	-
Financial liabilities	(1,298,429,179)	(569,402,022)	(1,286,943,056)	(537,905,256)
	(1,178,429,179)	(569,402,022)	(1,166,943,056)	(537,905,256)
Fixed rate instruments				
Financial assets	204,557,533	206,897,531	53,017,711	52,537,892
Financial liabilities	(1,596,649,945)	(2,165,937,722)	(1,067,145,447)	(1,712,726,698)
	(1,392,092,412)	(1,959,040,191)	(1,014,127,736)	(1,660,188,806)

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	
31 st December 2017	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(11,784,292)	11,784,292	(10,016,648)	10,016,648
31 st December 2016				
Variable rate instruments	(5,694,020)	5,694,020	(4,839,917)	4,839,917

COMPANY	Profit or loss		Equity net of tax	
31 st December 2017	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(11,669,431)	11,669,431	(9,919,016)	9,919,016
31 st December 2016				
Variable rate instruments	(5,379,053)	5,379,053	(4,572,195)	4,572,195

(b) Currency Risk

Exposure to currency risk

Group

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

	31/12/2017		
	US$	Euro	SGD
Cash and cash equivalents	8,496,356	6,764	26,620
Trade, amount due from related parties and other receivables	31,142,970	1,836	8,831
Reinsurance contracts	15,720,923	-	-
Trade, amount due to related parties and other payables	(124,060,034)	(381,652)	(1,204,273)
Loans and borrowings	(62,968,988)	-	-
Bank overdrafts	(13,690,532)	-	-
Net currency exposure	(145,359,305)	(373,052)	(1,168,822)

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

(v) Market risk (Continued)

Exposure to currency risk (Continued)

Group	**31/12/2016**		
The Group's exposure to foreign currency risk was as follows based on notional amount	**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	(121,288,430)	(171,029)	(751,581)

Company	**31/12/2017**		
	US$	**Euro**	**SGD**
The Company's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	3,105,462	3,772	-
Trade, amount due from related parties and other receivables	28,770,781	183,484	4,332
Trade, amount due to related parties and other payables	(124,956,754)	(382,947)	(1,186,025)
Loans and borrowings	(56,290,588)	-	-
Bank overdrafts	(8,945,647)	-	-
Net currency exposure	(158,316,746)	(195,691)	(1,181,693)

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)	-	-
Bank overdrafts	(4,354,346)	-	-
Net currency exposure	(129,533,283)	11,402	(763,532)

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	Average Rate		**Reporting date spot rate**	
The following significant exchange rate were applied during the year:	**2017**	**2016**	**31/12/2017**	**31/12/2016**
1 US$: MVR	15.42	15.42	15.42	15.42
1 Euro : MVR	17.25	16.49	18.36	16.14
1 SGD : MVR	11.08	10.77	11.51	10.64

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**	
31 st December 2017	**Strengthening**	**Weakening**
USD 5% movement	(112,072,024)	112,072,024
EURO 5% movement	(342,490)	342,490
SGD 5% movement	(672,760)	672,760
	(113,087,274)	113,087,274
31 st December 2016		
USD 5% movement	(93,513,380)	93,513,380
EURO 5% movement	(140,981)	140,981
SGD 5% movement	(404,610)	404,610
	(94,058,970)	94,058,970
COMPANY		
31 st December 2017		
USD 5% movement	(122,062,211)	122,062,211
EURO 5% movement	(179,659)	179,659
SGD 5% movement	(680,168)	680,168
	(122,922,038)	122,922,038

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

(v) Market risk (Continued)

	Profit or Loss	
	Strengthening	**Weakening**
Sensitivity analysis (Continued) - COMPANY		
31 st December 2016		
USD 5% movement	(99,870,161)	99,870,161
EURO 5% movement	9,199	(9,199)
SGD 5% movement	(406,297)	406,297
	(100,267,258)	100,267,258

39 EVENTS AFTER THE REPORTING DATE

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	
		2017	**2016**	**2017**	**2016**
Maldive 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%
STO 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%
STO 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	1,439,725	99.99%	99.99%

41.1 Maldive 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 STO 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 STO 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 Fasmeeru products.

FOR THE YEAR ENDED 31ST DECEMBER 2017

42 RELATED PARTY TRANSACTIONS

42.1 GROUP

Name of the related party	Relationship	Nature of the transaction	Amount 2017 MVR	Amount 2016 MVR	Balance outstanding due from / (to) 31/12/2017 MVR	Balance outstanding due from / (to) 31/12/2016 MVR
Maldives Structural Product Private Limited	Joint venture	Sale of goods	63,642	-	(16,423,494)	(21,738,231)
		Purchase of goods	(56,665,368)	(56,146,418)		
		Dividend received	13,000,000	13,000,000		
		Payment received	(13,072,573)	(13,021,587)		
		Payment made	61,989,036	48,100,297		
Lafarge Maldives Cement Private Limited	Associate	Purchase of goods	(104,556,727)	(69,696,166)	(40,028,539)	(29,400,292)
		Payment made	93,974,395	57,073,139		
		Sales of goods	254,251	23,440		
		Payment received	(529,777)	(212,626)		
		Written off	(8,500)	-		
		Rent received	238,111	212,626		
Ministry of Finance and Treasury	Majority shareholder	Food subsidy income	188,739,703	291,908,809	222,428,432	349,651,249
		Fuel subsidy	71,136,176	-		
		Sale of goods	345,068	76,903		
		Compensation given for MIFCO acquisition	-	333,632,560		
		Payment received	(387,443,764)	(347,267,222)		
Ministry of Health	Affiliate company	Sale of goods	149,552,122	169,152,943	97,406,963	116,377,448
		Payment received	(168,522,607)	(193,632,088)		
State Electric Company (STELCO)	Affiliate company	Service obtained	(18,928,401)	(21,275,407)	137,611,973	95,471,238
		Payment made	20,148,801	22,407,396		
		Payment received	(969,083,325)	(925,099,473)		
		Sale of goods and fuel	1,010,003,660	906,169,040		
		Sale of foreign currency	-	3,855,000		
Indira Gandhi Memorial Hospital	Affiliate company	Sale of goods	325,658,612	354,415,130	180,209,881	143,110,912
		Payment received	(288,536,230)	(324,566,702)		
		Service obtained (utility bills)	(267,625)	(342,752)		
		Payment Made	244,212	295,964		
Rainbow Enterprises Private Limited	Affiliate company	Purchase of goods	(426,278)	(513,924)	5,729,986	679,455
		Sale of goods	7,799,021	3,021,646		
		Payment made	368,864	395,205		
		Interest	(9,182)	-		
		Payment received	(2,681,894)	(2,744,724)		
Maldives Road Development Corporation	Affiliate company	Sale of goods	50,194,852	13,189,126	62,410,221	14,910,293
		Fine charged	-	368,994		
		Payment received	(2,694,924)	(3,702,715)		
Hulhumale Hospital	Affiliate company	Sale of goods	1,325,836	29,479,098	27,428,065	26,333,732
		Payment received	(231,503)	(10,978,049)		
Ministry of Housing and Infrastructure	Affiliate company	Sale of goods	62,941,732	54,044,868	96,528,782	74,661,227
		Service obtained	(162,230)	(90,820)		
		Payment made	165,230	87,820		
		Payment received	(41,077,177)	(24,135,605)		
Fenaka Corporation Limited	Affiliate company	Sale of goods and fuel	507,853,184	262,010,396	528,055,480	339,750,456
		Sale of foreign currency	-	1,542,000		
		Service obtained	(9,470,643)	(8,204,144)		
		Payment made	9,442,280	7,681,106		
		Payment received	(319,519,797)	(268,311,317)		
Maldives Airport Company Limited	Affiliate company	Sale of goods	1,425,034	58,519,576	200,741,654	80,502,616
		Sale of fuel	1,268,663,113	943,323,277		
		Payment received	###########	(921,815,640)		
Addu International Airport Private Limited	Affiliate company	Sale of goods	32,548,699	9,770,003	198,012,292	170,369,021
		Transferred from Gan Airport	-	2,990,140		
		Payment received	(4,905,428)	(1,258,157)		
Aasandha Private Limited	Affiliate company	Sale of goods	306,230,283	219,767,128	232,611,736	96,404,835
		Services provided	101,927	101,927		
		Payment received	(170,125,309)	(239,708,276)		

42.1.1 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

	2017 MVR	2016 MVR
Short term employee benefits	8,682,390	7,394,029

42.1.2 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.

FOR THE YEAR ENDED 31ST DECEMBER 2017

42 RELATED PARTY TRANSACTIONS (CONTINUED)

42.2 COMPANY

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2017 MVR	2016 MVR	31/12/2017 MVR	31/12/2016 MVR
Allied Insurance Company of the Maldives Private Limited	Subsidiary	Sale of goods	250,899	206,236	(45,773,607)	(70,875,666)
		Service obtained	(29,784,349)	(27,195,271)		
		Advance received	-	(28,180,209)		
		Interest paid	(1,323,293)	(1,323,293)		
		Payment made	21,379,772	26,904,510		
		Claims received	2,932,581	210,889		
		Payment received	(22,887,812)	(18,909,478)		
		Rent received	1,910,780	1,895,459		
		Transferred to deferred income	32,523,615	-		
		Dividend received	20,099,866	29,699,802		
Maldive National Oil Company Limited	Subsidiary	Expense Reimbursement	1,999	46,583	(19,563)	(21,562)
		Service obtained	-	-		
Maldive Gas Private Limited	Subsidiary	Sale of goods	2,483,597	1,258,029	(1,570,761)	(4,610,813)
		Purchase of goods	(22,688,817)	(27,088,758)		
		Dividend received	9,000,000	20,000,000		
		Rent received	1,552,665	1,324,317		
		Payment made	26,070,837	19,267,175		
		Advance paid	(514,500)	-		
		Payment received	(12,863,730)	(9,500,311)		
Fuel Supplies Maldives Private Limited	Subsidiary	Sale of fuel	2,250,525,094	1,891,010,109	817,472,952	678,677,430
		Purchases of fuel	(323,258,487)	(275,651,853)		
		Payment made	363,695,953	291,482,218		
		Dividend received	-	21,237,299		
		Service obtained	(2,198,036)	-		
		Rent received	2,651,458	2,321,691		
		Rebate paid on fuel sales	(7,044,673)	(6,401,685)		
		Payment received	(1,994,379,759)	(1,691,646,885)		
		Receivables transferred	(120,000,000)	-		
		Government subsidy payable	(26,738,770)	-		
		Transportation charges paid	(4,457,258)	(9,428,680)		
STO Maldives (Singapore) Private Limited	Subsidiary	Purchases of fuel	(165,618,412)	(38,525,051)	(79,241,772)	12,548,994
		Purchases of goods	(13,675,994)	(3,571,025)		
		Service obtained	(2,822,102)	(5,440,248)		
		Service provided	10,610,837	-		
		Payment made	84,264,471	46,464,310		
		Payments received	(4,549,566)	(1,839,002)		
Maldives Industrial Fisheries Company Limited	Subsidiary	Sale of goods	7,807,987	6,411,881	14,475,631	58,792,738
		Loan given	6,987,451	-		
		Purchase of goods	(57,902,725)	(14,367,500)		
		Capital commitment payable	(40,316,282)	-		
		Payment made	727,459,086	180,954,629		
		Payment received	(6,788,624)	(472,320)		
		Purchase of foreign currency	(681,564,000)	(134,539,500)		
STO Hotels & Resorts Private Limited	Subsidiary	Expense Reimbursement	1,552,094	44,950	202,654,780	201,102,686
Maldives Structural Product Private Limited	Joint venture	Purchase of goods	(56,665,368)	(56,146,418)	(16,423,494)	(21,738,231)
		Dividend received	13,000,000	13,000,000		
		Payment received	(13,008,931)	(13,021,587)		
		Payment made	61,989,036	48,100,297		
Lafarge Maldives Cement Private Limited	Associate	Purchase of goods	(104,532,389)	(69,696,166)	(40,031,620)	(29,432,457)
		Payment made	93,950,057	57,073,139		
		Sales of goods	40,651	-		
		Payment received	(295,593)	(212,626)		
		Rent received	238,111	212,626		
Ministry of Finance and Treasury	Majority Shareholder	Food subsidy income	188,739,703	291,908,809	132,884,248	66,018,689
		Fuel subsidy	71,136,176	-		
		Sale of goods	345,068	76,903		
		Payment received	(193,355,388)	(297,267,222)		
Ministry of Health	Affiliate company	Sale of goods	149,552,122	169,152,943	97,406,963	116,377,448
		Payment received	(168,522,607)	(193,632,088)		
State Electric Company (STELCO)	Affiliatc company	Service obtained	(16,815,830)	(14,911,102)	137,566,183	95,085,332
		Payment madc	18,362,105	15,680,235		
		Payment received	(968,369,411)	(913,628,394)		
		Sale of fuel	1,009,303,987	898,529,911		

42 RELATED PARTY TRANSACTIONS (CONTINUED)

42.2 COMPANY (CONTINUED)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2017 MVR	2016 MVR	31/12/2017 MVR	31/12/2016 MVR
Indira Gandhi Memorial Hospital	Affiliate company	Sale of goods	325,658,612	354,415,130	180,209,881	143,110,912
		Payment received	(288,536,230)	(324,566,702)		
		Service obtained (utility bills)	(267,625)	(342,752)		
		Payment made	244,212	295,964		
Rainbow Enterprises Private Limited	Affiliate company	Purchase of goods	(426,278)	(513,924)	5,729,986	679,455
		Sale of goods	7,799,021	3,021,646		
		Payment made	368,864	395,205		
		Interest	(9,182)	-		
		Payment received	(2,681,894)	(2,744,724)		
Maldives Road Development Corporation	Affiliate company	Sale of goods	49,573,195	13,189,126	61,788,564	14,910,293
		Fine charged	-	368,994		
		Payment received	(2,694,924)	(3,702,715)		
Hulhumale Hospital	Affiliate company	Sale of goods	1,325,836	29,479,098	27,428,065	26,333,732
		Payment received	(231,503)	(10,978,049)		
Fenaka Corporation Limited	Affiliate company	Sale of foreign currency	-	1,542,000	121,206,552	(527,795)
		Sale of goods	5,117,192	-		
		Service obtained	(9,358,162)	(8,204,144)		
		Receivables transferred	120,000,000	-		
		Payment made	9,329,799	7,681,106		
		Payment received	(3,354,482)	(89,911,900)		
Maldives Airport Company Limited	Affiliate company	Sale of goods	1,425,034	58,519,576	200,741,654	80,502,616
		Sale of fuel	1,268,663,113	943,323,277		
		Payment received	(1,149,849,109)	(921,815,640)		
Addu International Airport Private Limited	Affiliate company	Sale of goods	32,144,820	9,481,945	196,418,321	168,686,021
		Transferred from Gan Airport	-	2,990,140		
		Payment received	(4,412,520)	(970,099)		
Ministry of Housing and Infrastructure	Affiliate company	Sale of goods	62,941,732	54,044,868	96,528,782	74,661,227
		Service obtained	(162,230)	(90,820)		
		Payment made	165,230	87,820		
		Payment received	(41,077,177)	(24,135,605)		
Aasandha Private Limited	Affiliate company	Sale of goods	306,230,283	219,767,128	232,611,736	96,404,835
		Payment received	(170,023,382)	(239,606,349)		

42.2.1 Transactions with key management personnel

The Managing Director and a board of director of the Company are the members of the key management personnel. Key management personnel compensation comprised the following.

	2017 MVR	2016 MVR
Short term employee benefits	2,884,445	2,996,583

42.2.2 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.

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43 RESTATEMENT OF COMPARATIVE INFORMATION

43.1 GROUP / COMPANY

As per the staff handbook of the Group / Company, the Group / Company is liable to pay a lump sum amount to its employees at their retirement. This policy is required to be reported in the financial statements as per International Accounting Standard 19 - "Employee Benefits". However, the Group / Company has not recorded this liability in the past. This error is now corrected by restating the amounts presented as at 1st January 2016 and 31st December 2016 as required by the IAS 8 - "Changes in Accounting Policies, Estimates and Errors". The following note summarizes the impacts on the financial statements of the Group due to the restatements and reclassifications made by the Group during the year ended 31st December 2017.

43.1.1 ***As at 1st January 2016***

a. Statement of Financial Position

	Group			Company		
	As Previously Reported	**Adjustments**	**Restated Balance**	**As Previously Reported**	**Adjustments**	**Restated Balance**
	MVR	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Impact on Retained Earnings	1,489,660,990	(17,229,264)	1,472,431,726	1,233,328,800	(17,229,264)	1,216,099,536
Impact on Total Equity	2,210,645,209	(17,229,264)	2,193,415,945	1,896,859,648	(17,229,264)	1,879,630,384
Impact on Defined Benefit Obligation	-	20,269,722	20,269,722	-	20,269,722	20,269,722
Impact on Total Non Current Liabilities	825,176,916	20,269,722	845,446,638	811,480,567	20,269,722	831,750,289
Impact on Deferred Tax Assets	65,157,731	3,040,458	68,198,189	61,165,267	3,040,458	64,205,725
Impact on Total Assets	1,982,350,591	3,040,458	1,985,391,049	1,899,966,693	3,040,458	1,903,007,151

43.1.2 ***31st December 2016***

a. Statement of Financial Position

	Group			Company		
	As Previously Reported	**Adjustments**	**Restated Balance**	**As Previously Reported**	**Adjustments**	**Restated Balance**
	MVR	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Impact on Retained Earnings **(Note A)**	1,661,937,730	(20,085,579)	1,641,852,151	1,399,690,637	(20,085,579)	1,379,605,058
Impact on Total Equity	2,441,619,768	(20,085,579)	2,421,534,189	2,120,870,412	(20,085,579)	2,100,784,833
Defined Benefit Obligation **(Note 44.1.3)**	-	23,630,093	23,630,093	-	23,630,093	23,630,093
Impact on Total Non Current Liabilities	889,989,018	23,630,093	913,619,111	778,315,651	23,630,093	801,945,744
Impact on Deferred Tax Asset	52,332,708	3,544,514	55,877,222	47,861,097	3,544,514	51,405,611
Impact on Total Non Current Assets	2,495,792,852	3,544,514	2,499,337,366	2,014,178,914	3,544,514	2,017,723,428

Note A	Group			Company		
	1/1/2016	**31/12/2016**	**Total**	**1/1/2016**	**31/12/2016**	**Total**
	MVR	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Recognition of Defined Benefit Obligation	20,269,722	3,360,371	23,630,093	20,269,722	3,360,371	23,630,093
Recognition of Deferred Tax Asset	(3,040,458)	(504,056)	(3,544,514)	(3,040,458)	(504,056)	(3,544,514)
	17,229,264	2,856,315	20,085,579	17,229,264	2,856,315	20,085,579

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43 COMPARATIVE FIGURES (CONTINUED)

43.1 GROUP / COMPANY (CONTINUED)

b. Statement of Comprehensive Income

	Group			Company		
	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Profit or Loss for the Year						
Administrative Expenses	(487,042,224)	(2,153,351)	(489,195,575)	(308,170,814)	(2,153,351)	(310,324,165)
Tax Expense for the Year	(61,181,288)	323,003	(60,858,285)	(49,480,624)	323,003	(49,157,621)
Impact on Profit for the Year	430,593,863	(1,830,348)	428,763,515	288,244,634	(1,830,348)	286,414,286
Other Comprehensive Income						
Deficit for the Year	-	(1,207,020)	(1,207,020)	-	(1,207,020)	(1,207,020)
Recognition of Deferred Tax Asset	-	181,053	181,053	-	181,053	181,053
Impact on Other Comprehensive Income	(125,000)	(1,025,967)	(1,150,967)	-	(1,025,967)	(1,025,967)
Impact on Total Comprehensive Incoı	430,468,863	(2,856,315)	427,612,548	288,244,634	(2,856,315)	285,388,319
Earnings per share	378.20	(1.62)	376.58	255.78	(1.62)	254.16

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