

ANNUAL REPORT

2020

State Trading Organization plc





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, Maldives Securities Act (02/2006), Securities (Continuing Disclosure and Obligations of Issuers) Regulation (R-1050/2019) 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 2020. 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

Progressive

Respectful

Innovative

Accessible

Caring

Mission

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

Explore beyond our borders, expand our markets and establish ourselves as an international player, respected by the international business community.

Ensure accessibility with our presence nationwide; offer peace of mind and assurance to the public of uninterrupted provision and affordability of essential goods and services and those that contribute to a fulfilling modern lifestyle.

Build a skilled workforce by investing in human development; build our competencies, to achieve sustainable and unhindered growth and fulfil our vision.



STO Group in 2020

Revenue

MVR 8,501

2019: 10,906
MVR, million

Gross Profit

MVR 1,784

2019: 1,969
MVR, million

Operating Profit

MVR 401

2019: 842
MVR, million

Profit for the year

MVR 127

2019: 383
MVR, million

Operating Cash flow

MVR 583

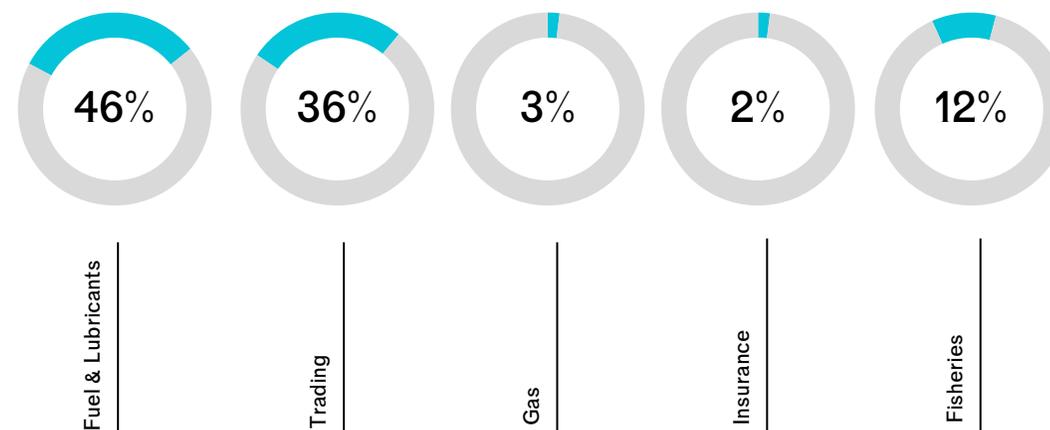
2019 : 96
MVR, million

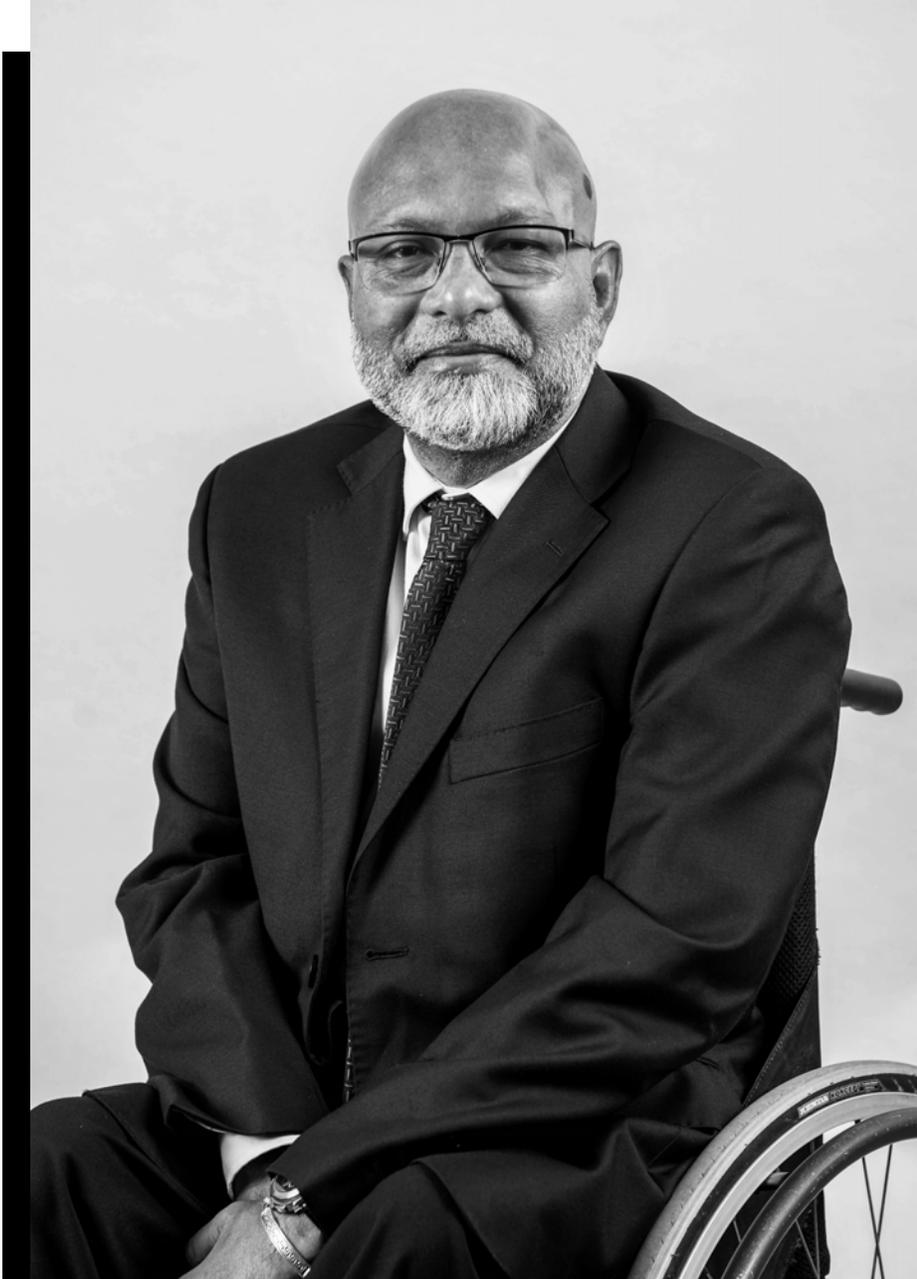
Dividend Proposed

MVR 60

2019 : 58
MVR

Share of Profit by Segment





A Letter to Shareholders

Overview

In an unprecedented year during the pandemic, we all experienced a severe impact on all aspects of society, including our customers and our businesses, particularly the uncertain economy, and increasingly difficult business environment. Through the resilience and dedication of our employees and our ability to adapt solutions quickly, we ended the year with improved results. The reduction in revenue starting the second quarter of 2020 was dramatic, mainly due to oil prices plunging the lowest since the financial crisis and reduced consumer demand due to safety lockdowns across the nation. During this period, the Board took an active role in responding to the crisis, communicating regularly with the management team, and holding regular meetings. Throughout the year, the health and safety of employees, customers and stakeholders have been our topmost priority.

Group revenue for the year end, 31st December 2020, was MVR 8.5 billion (2019: 10.9 billion). Group profits have significantly declined, mainly due to accounting of continued loss from MIFCO against the comparative period for 2019. However, the Company reported a profit of MVR 359 million, which represents an increase of 19% compared to last year.

“Our agile business models enabled us to quickly implement cost savings across the Group. We were able to maintain our operating margin more than expected in most businesses and continued to improve throughout the period. Our focus is to meet the expectations of our customers and all stakeholders. I am extremely proud that we were able to have navigated this challenging year that has been difficult to many of us.”

Strategy

During the year we have revisited our strategic plan, and focus has been aligned to our primary mandate to deliver continuous supply of essential goods and services across the nation, driven by optimization of our transport, delivery and digitalization being most important. It is therefore with great pride and satisfaction that I see focused strategy, pull through and deliver on the significant milestone for our Group. In addition, we re-aligned our strategy by strengthening our core business areas, while exploring into new markets and diversifications, such as digital banking. We are confident that the decisions to venture into new businesses are crucial to our vision and sustainability. Despite the economic, social and operational challenges, STO's business model has proved to be resilient. There is no doubt that the focused strategic direction by the Board will guide the Company to attain its vision of the future.

Sustainability

The Group's strategy to support the environment, customers and community wellbeing is fundamental to its culture and embedded in our desire to undertake business responsibly. We are committed to promote strong environmental, social and governance objectives. We have set out clear policies and objectives, considering the long-term impact of all business operations. We put our people first, support our society and seek greater efficiency in business operations whilst ensuring less environmental impact across our operations. In 2020, we focused on protecting the employees and customers by adapting new ways of working in the office and home. We have taken steps to replace certain products that could have harmful effect on the environment as well as to human health. We set and communicate sustainability targets in 2020, embedded in our Strategic Business Plan aligned with the UN's Sustainable Development Goals (SDGs).

Board & Governance

We are committed to the highest standards of corporate governance while complying with provisions of the CMDA Corporate Governance Code. The Group's response to the pandemic has been a critical feature of 2020, therefore the Board increased its oversight function covering all aspects of the business including employee health and safety, operational business continuity and financial control. The Board was heavily involved with the development of policies and procedures and provided detailed oversight and governance. During the year, the Board approved and implemented new and revised policies including whistleblower policy, anti-corruption & anti-bribery policy and corporate gift acceptance policy. The policies demonstrate strong ethical behavior, transparent and robust governance, which is well-embedded within our Group.

I would like to express my sincere appreciation to Executive Director and former CFO Mohamed Mihad, who resigned from the Company in November 2020 after 10 years of service. His knowledge, unwavering commitment and dedication was a great loss for our Company, while we wish him greater achievements in his new career. We thank our Board members for their continued commitment to the Group and for promoting sound corporate governance. Their valuable insights and encouragement, all while holding us to the highest ethical standards, enables us to execute our strategy with confidence.

Our People

Our employees have been the foundation of our efforts over the years. They showed impressive creativity and strength in meeting new challenges. As the health emergency was declared, we acted quickly to help protect our people from the spread of Covid-19. Across the business, we implemented all the appropriate health and safety measures and work from home mechanisms to keep our employees safe and well, while keeping our operations open for business to ensure unimpeded flow of essential supplies, staple, medical and groceries to our customers. For this effort, our exceptionally talented people across our business segments have helped us to navigate the extremely difficult business environment.

I have been continually impressed with the way that all our employees have managed to adapt, and we should all be proud of what has been achieved. The Board will continue to focus on retaining the best people, and regularly monitor training and development opportunities to engage all employees. Our priorities include work on wellbeing and safety of all employees, succession and development planning and training and development, diversity, and inclusion.

Dividend

Despite the uncertain outlook for the year ahead, the improved Company financial position in the 1st quarter of 2021, has enabled the Board to recommend an increase in the dividend by 3.4% to MVR 60 per share, which is subject to shareholder approval at the next Annual General Meeting.

The Year Ahead

Our focus in the year ahead will be to ensure the Group's long-term sustainability as we continue to adjust to the challenges and opportunities of the current economic environment. Our priorities will be ensuring the health and wellbeing of our people, continuous supply of essential goods, automation and digitization process to better serve the evolving needs of our customers and preserving our financial strength so that we are able to continue and improve our products and services, as opportunities arise.

I take this opportunity to thank all Board Members, our shareholders, customers, suppliers, bankers and the management and the staff of STO for their strong support. Your commitment, hard work and patience will be crucial as we try to take on the new challenges, and I look forward to your continued support.

Same as last year, our AGM will be held as a closed meeting, due to the increased spread of COVID-19 and the current restrictions on public gatherings and the need to observe social distancing measures. We recognize the importance of the shareholders' voices and have made arrangements to submit questions in advance of the AGM by email and we will publish responses to the questions received on our website.

I wish all our stakeholders and your families a safe, healthy and more prosperous future.



Hamid Nasheed Mohamed

Chairman

Validation of Our Existence

The coronavirus global pandemic in 2020 had a severe impact on all aspects of our business, our society, our economy, including our stakeholders and staff. We have all experienced challenging times, but I believe these experiences have taught us valuable lessons. And nothing has been more valuable to me than the validation of STO's existence. We are battling the challenges of this pandemic with reaffirmed belief in our mission, vision, and core values. STO was formed to serve the nation in such situations. We are encouraged in our continuous efforts and take great pride in the conviction that we were able to serve the nation when it needed us the most. And we remain steadfast in our commitment to see through these challenging times.



The world is facing a pandemic that is nothing like we have seen in our recent history. It has affected us all in unprecedented ways both personally and professionally. This time last year as the world came to grasp the seriousness of the pandemic, countries rushed to close their borders to protect their citizens. This left us, an island nation in the middle of the Indian ocean, even more cut off from the rest of the world. Given the fact we as a country imported 90% of food, this left us in a very precarious situation. The pressure was even more high for STO, as we are responsible to provide the essential goods and services such as staple foods, fuel, and pharmaceuticals for the country.

As we rallied up to face the challenging times our top priority was and remained to ensure the required basic necessities for the people. We closely monitored the situation as it got worse week by week at the start of 2020. Together with other state institutions, we teamed up in the national efforts to take preemptive measures to prepare for the worst-case situation. Our strategies as well as our agile way of working helped us to manage the challenges and uncertainties, as well as respond to the day to day changing needs brought by the pandemic. I am pleased at how we managed the situation over the course of the year by quickly adapting to the changing needs, to ensure we took the right measures at the right time. I am even more pleased and proud of the teamwork and dedication shown by my team to serve the nation. Despite several quarantine lockdowns and the uncertain situation, our workforce performed day-in day-out to ensure essential availability in difficult circumstances. I extend my most profound gratitude for the sacrifices they made during the challenging times we faced.

Responding to new situations

Following the lockdown both globally and across the country we immediately focused on implementing temporary cost reduction and cash management actions. These included significantly reduced discretionary spending and reprioritizing capital expenditure by deferring and scaling back investments. The idea was to focus our cashflow to the primary business priorities.

The next important decision was to digitize a lot of the services that were being provided by the organization. Our priority here was to provide safe trading options for our customers and staff alike. To ensure that rice, flour, and sugar were delivered without interruptions to the islands, we introduced an online portal which allowed our agents to order & pay before we deliver it to their vessel. Similarly, we created an online supermarket channel to provide the food and groceries used for daily consumption. We also introduced an online prescription submission portal so that medicine availability is ensured. Due to the given situation, we often had the situation where we were overloaded with orders. However, with immense support from the MNDF, volunteers and other organizations we were able to provide a service which was much appreciated by the public.

Staff health and safety was always an important concern for us. We were quick to introduce work from home facility for all our operational and management level staff. The level of digital transformation adoption was a welcoming sight for me. As we move forward, I am proud of the way we embraced the new norm.

Closer to our roots

The pandemic has shown how vulnerable we are as a nation. It has also highlighted the responsibility we as an organization carry on our shoulders. The lessons we learnt has made us realize the importance of getting closer to our mission. Our responsibility is no longer confined to the extent of just importing the essential goods into the country. To ensure the accessibility of our products and service country wide, we need to further grow our core business and get closer to the root of the business. We have initiated exploring possible ways in which we could tap in at an early stage of these business supply chain processes. We believe this could enable us to secure goods such as foods and pharmaceuticals at much cheaper rates and contribute towards the sustainability of the products. Similarly, we are continuously working to expand our core business to different locations both locally and internationally. Our aim is to ensure that we are coming out of this pandemic stronger, and prepared to provide food, energy, and medical security for any such situations in the future.



Driving growth through innovation

It would not be an understatement to say that this pandemic has been a catalyst for the digital transformation that we have seen across the globe. STO was no exception to this. The abrupt manner in which the countries, borders and operations went to a shutdown meant that we all were looking for alternatives ways to reach to continue the trade business. The most challenging aspect to this was the fact the situation was changing day by day. However, our agile approach to our business and solution meant that we adjusted to this ever-changing situation promptly.

At STO we were fortunate that we had started our road to digital transformation much before the threat of the pandemic. This meant that we were well equipped to change our operations and sales channels to a digital front. While we introduced new commerce channels, we also have transformed few business sectors and processes to a full digital solution. What's most refreshing is to see how well these changes has been accepted and adopted by our customers and staff alike.

Of course, much needs to be done in our digital transformation journey. Work is underway to further digitize our process to achieve the efficiency required. While at the same time work is on going to upgrade the temporary solutions provided during the pandemic to meet customer expectation. We remain committed to prioritize digitization in our approach and business strategies.



Creating shareholder value

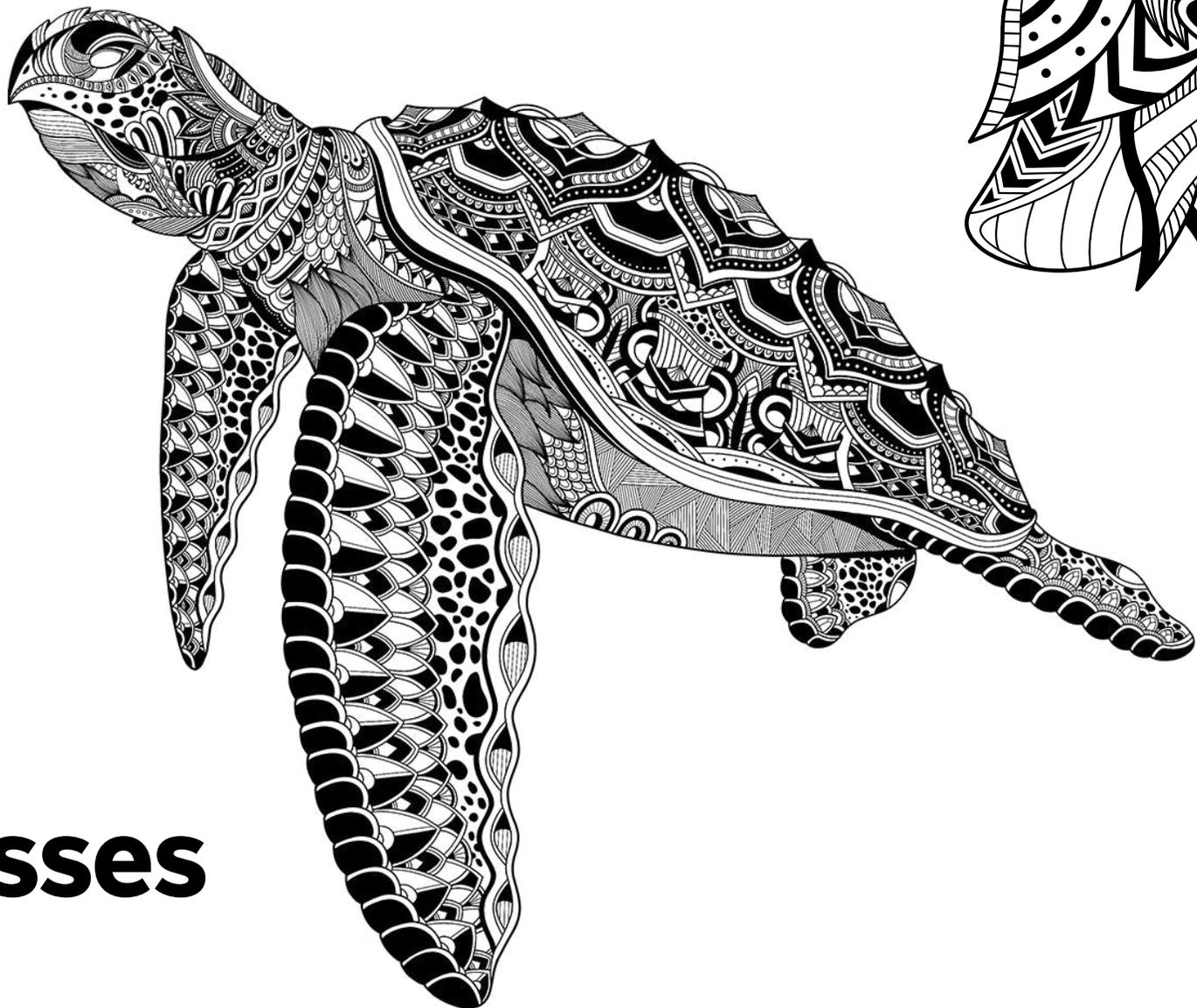
2020 was one of the most challenging years in our history. As the situation got worse and the country went into a lockdown, the economy also came to a mere halt. This significantly decreased the performance of some of our key business sectors. The same effect is seen across the group of companies as well.

While it will take months to recover from this pandemic, we might also need to consider that, life post pandemic might not be the same as before. The Board and the management are committed to evaluate, reassess, modify our business plans to reflect the changes that we are likely to see.

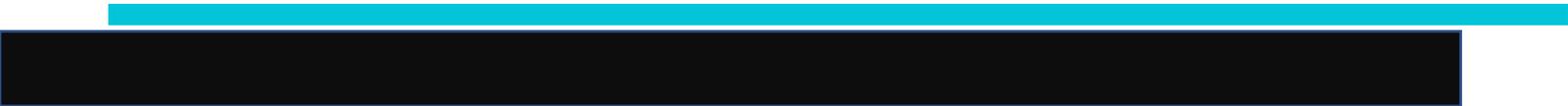
I would like to thank my colleagues for the great commitment and professionalism they have shown during this challenging year due to the corona virus pandemic. It has not only affected how we work but also how we live our lives. As the pandemic continues into 2021, I am comforted with the firm belief we are ready to respond in an agile and dynamic manner. I am confident that our strategy ensures we remain well positioned to deliver long-term shareholder value even in rapidly changing market conditions.

Husen Amr Mohamed Rashad

Chief Executive Officer and Managing Director



Our Businesses



Our Businesses

“Enriching lives through expansion and accessibility”

Trading
Net Revenue

3,091

Y2019 : MVR 2,646
MVR millions

Fuel & Lubricant
Net Revenue

3,923

Y2019 : MVR 6,458
MVR millions

Gas
Net Revenue

197

Y2019 : MVR 219
MVR millions

Insurance
Net Revenue

179

Y2019 : MVR 210
MVR millions

Fisheries
Net Revenue

1,602

Y2019 : MVR 1,359
MVR millions

Other
Net Revenue

48

Y2019 : MVR 14
MVR millions

Trading

The Group has evolved significantly over the years by focusing on creating long term value for customers and 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.

Construction - Designs and develops competitive solutions for the construction industry.

Medical Services - Committed to improve health and well-being of the people through provision of pharmaceuticals, hospital consumables and equipment.

People's Choice

Supermart: Ensures market availability of essential items at affordable prices.

Home Improvement: Focused on improving living standards through quality appliances.

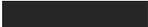
Staple foods: Focused on accessibility and availability of staple foods.

Regional outlets: Ensures quality products at affordable prices across the country

The year 2020 was a challenging year for the Group with the global pandemic which had a negative impact on social and economic activities. Considering the needs of the nation ,the Group focused on providing continuous supply of staple food, essential goods and medical supplies required for general consumption and the COVID-19 relief effort. Further, medical equipment were supplied to the four regional hospital project of the Government, which increased medical segment revenue. Despite the challenges, the Group reported a revenue of MVR 3 billion for the year ended 2020, which is an increase of 17% compared to the previous year. However, the pandemic had an adverse impact on non-essential products which were offset with higher revenues from essential products.

Net Revenue

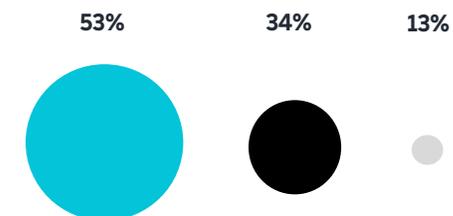
2020  3,091

2019  2,646

MVR millions

Share of trading segment revenue

MVR, million

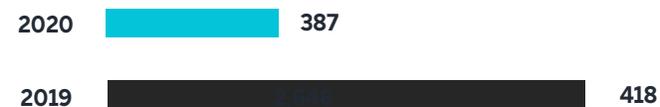


Construction

As a leading supplier of construction materials, the Group focuses on providing competitive solutions for the construction industry. Construction materials including coarse sand, aggregate, cement, deformed bars, roofing materials and other construction products are supplied for resort and government projects, residential and industrial construction units which includes deliveries for private and public contractors. In collaboration with our partners (i.e. Maldives Structural Products Pvt Ltd and Raysut Maldives cement Pvt Ltd), the Group ensures quality products and services are provided at affordable prices.

The year 2020 started with great expectations and impressive business performance for the segment, with construction segment enjoying higher revenue during first quarter of 2020 compared to previous year. However, by the second quarter COVID-19 pandemic set in which brought the operations to a halt having significantly adverse impact on the segment. Proactive measures were taken immediately, and operations were started with utmost importance to safety of our stakeholders and minimize the impact on our operations. Though our revenues started to pick up during the second half of 2020, the segment had a drop in revenue of 7 % compared to previous year.

Net Revenue



MVR millions

Contributions to urban development

The Group is committed to evolve the construction industry through innovative solutions to modernize the practices. The Group is focused on value creation and cost efficiencies and provide solutions to meet customer expectations. To ensure better availability of construction materials, the Group secured a port facility by leasing Nalahiya Port (Thilafushi). As the Group is focused on ensuring availability of construction materials throughout the country at affordable prices, construction materials were brought from the newly established cargo ferry services. During the year, the Group also supplied and installed elevators in private and government properties.

2021 Outlook

Even though there are uncertainties resulting from COVID-19 pandemic, the Group plans to decisively take actions and tackle the challenges. The Group will continue its contributions to urban development through the development projects lined up with Government and other private companies. In addition, better and new quality products and services are planned to be launched during the year 2021.

Medical Services

As the national leader in the supply of essential drugs and health care equipment, the Group envisions to improve people's lives through better health care. As our duty of care, the Group is focused on the continuous availability of medical products and services as per the critical needs of the health sector.

Contributions to medical sectors

2020 had been a critical year for the health sector of the country as we faced a global pandemic. As the nation geared to tackle the pandemic of this magnitude, the Group ensured availability of medical items required by the health sector. In collaboration with the Government, medical items were supplied for the COVID-19 relief. This includes setup and installation of medical equipment required for COVID-19 facility at Hulhumale Hospital along with PCR and extraction machines required for COVID-19 testing in major hospitals. The Group's bio medical team engaged in providing trainings of these equipment to health care professionals to ensure fast response and better services are provided for patients.

Now more than ever, the need for better health care facilities in regional islands are visibly evident. Hence, the Group carried on the supply of equipment required for the 4 tertiary hospital project without any delay. Medical equipment including MRI machines, CSSD equipment, digital x-ray machines, blood gas analyzers were supplied and installed in the regional hospitals during the year 2020.

Net Revenue



MVR millions

Performance

Revenue for the segment increased from MVR 1,028 million to MVR 1,626 million in 2020. The revenue was driven mainly by the medical item supplied for COVID-19 relief and the medical equipment supplied for 4 regional hospital project of the Government.

Promises for better healthcare

The delicateness of healthcare system was clearly evident during the pandemic along with our role in improving the healthcare system. The Group believes that investing in the healthcare system and developing people in the medical field are key factors in transforming the health sector. Hence the Group will continue to support the health sector and emphasize on transforming it through innovative solutions

Peoples Choice

Key activities of the segment include provision of staple foods, household appliances, essential food and etc. across the country. Our focus is on improving the living standards through accessibility and availability of products to geographically scattered islands through regional sales outlets.

Food security

The supermarket, staple and regional outlet acts as a vehicle to stabilize prices and ensure affordability of essential goods. During the year, our main focus was to ensure availability of staple foods across the nation. Inventory levels of staple were increased substantially to avoid shortage of staples in case of a lockdown and movement restrictions. The Group also established a new warehouse in Hulhumale with a storage capacity of over 100,000 bags.

Performance

Revenue for home improvement products had an adverse impact from COVID-19 as a lockdown was enforced during the peak period of sales before Ramadan. However, the increased revenues from essential food items partly offset the reduction in revenue from home improvement products.

Net Revenue



MVR millions

Improvements to living standard

An online platform was established in 2020 for the convenience of our customers, enabling them to make secure purchases from the comfort of their homes. The Group focused on adding value for customers through consistent delivery of high-quality products. In 2020, the Group also introduced new products including Marine Paint, Dryer machines and AOC smart TV to the market. Additionally, the Group also facilitated the Government authorities with essential supplies for COVID-19 facilities.

2021 Outlook

The group aims for sustainable growth by providing innovative solutions to improve customer wellbeing and lifestyle of the people. With emphasis on developing the country's agriculture, the Group plans to establish an Agri center with the aim to ensure fair prices are available for both farmers and the consumers.

Fuel and Lubricants

As the market leader in petroleum products, our objective is to provide quality and reliable products to our customers. STO Group holds a strong reputation in the domestic market through consistent supply to Government entities and private organizations.

Performance

Revenue from the segment decreased by 39% (MVR 3.9 bn in 2020 vs MVR 6.5 bn in 2019) The adverse impact on revenue was mainly due to the slump in global fuel prices coupled with reduction in quantity sold due lower demand in tourism sector as a result of global pandemic.

Net Revenue



MVR millions

Distribution network

Fuel Supplies Maldives (FSM), the Group's distributor of petroleum products ensures easy and convenient access to fuel throughout the country. The Group ensured uninterrupted supply of fuel during pandemic and operations were adapted for the safety of our stakeholders. In May 2020, FSM started using BML cards in fuel sheds to make it more convenient for the public to obtain fuel service. It was also an important step to help people reduce cash handling during the pandemic.

To ease the distribution process and cater to the growing demand, MT. Alihuars with a capacity of 8 million litres, which was used by STO plc was transferred to FSM. The Group believes this transfer will provide easier and convenient fuel supply as per the demands of the customers. During the year 2020, bowser delivery services were established in S.Gan and K.Thilafushi to cater to the growing demand.

2021 Outlook

The fuel prices are expected to increase in 2021 but the uncertainty and unprecedented challenges caused by the pandemic may still continue to impact the fuel segment. The Group is focused on reducing risk faced by oil market by maintaining fuel security and mitigating the impact of price fluctuations through sustainable investments and expansion.

Gas

Maldive Gas Pvt Ltd is the leading supplier of gas and the sole distributor of medical oxygen essential to the healthcare industry. With agents located strategically across the nation, Maldive gas ensures all inhabited islands and resort customers are constantly supplied with an adequate supply of LPG.

Performance

The segment generated a revenue of MVR 197 million for the year 2020 – a reduction of 10% compared to previous year mainly due to lower consumption in tourism industry as a result of the pandemic.

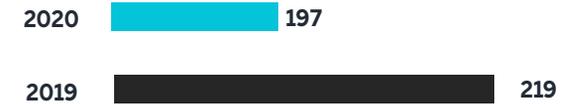
Strategic growth and developments

Despite the operational challenges faced due to Pandemic, the Group was able to deliver to all households including the houses under lockdown by taking necessary precautions and guidelines provided by the Health Protection Agency. A new vehicle was allocated for the delivery of cooking gas to households and standard delivery times were set, which enabled the Group to reduce the delivery time to 65-70 minutes per order. The Group emphasized on sustainable business growth and expanding the customer base of the group, which resulted in additional resorts and restaurants being registered. The group also implemented cloud base storage and short code SMS service on our hotline number, where customers could order gas using their customer code from their mobiles conveniently.

To combat against COVID-19 and ensure safety of our people and the public, several changes were brought to the operations. In order to reduce transmission of COVID-19 during cash handling process, cashless payment method was introduced. During the year, the Group installed medical oxygen production plant in H.Dh Kulhudhufushi regional hospital to cater to the requirements of the hospital and health centers for the northern islands. The installation of medical oxygen will be an impactful logistic aid for medical facilities in the region.

The group is committed to ensure continuous delivery of LPG across the nation and maintain our market position as the industry leader in gas supply solutions. The Group will ensure availability of medical oxygen as per critical needs of the health sector.

Net Revenue



MVR millions

Insurance

Allied insurance is the leading and largest insurance service provider offering total solutions with a comprehensive range of general, life, fire, third party liability, health takaful services etc. throughout the Maldives. The Group strive to ensure that customers evolving needs and expectations are met through strong reinsurance support and tailor-made covers, to protect livelihoods through innovative digital insurance solutions in order to deliver an enhance portfolio of smarter, more competitive products to our customers.

Performance

Similar to other businesses, insurance segment also had an adverse impact due to pandemic. As the pandemic situation deteriorated, many expatriates were forced to leave the country which led to a decrease in expatriate employees health insurance and expatriate insurance sales. Further, demand reduced for the loss of profit policies as there were no tourist during the lockdown period. Hence, the reduction in demand due to COVID-19 pandemic led to reduction in revenue by 15% to MVR 179 million in 2021.

Net Revenue



MVR millions

Strategic developments

The Group focused in digitalizing the services to cater to the customer requirements and evolving nature of lifestyle caused by the pandemic. The group introduced online product portfolio as all company products were made available to customers via online mediums. This enabled the customers and businesses to apply for insurance policies as convenient to them. In addition, online claim submission was also introduced through the Allied customer service portal.

With collaboration with Ministry of Tourism, a special COVID-19 insurance plan was launched on October 2020 providing COVID-19 related coverage to tourists visiting the Maldives. This was launched with the key aim of boosting tourism sector in the country. During the year a special digital marketing campaign was launched with a new webinar series, online tutorials, email campaigns and media articles focused on creating awareness.

2021 Outlook

The Group is committed to keep Allied Insurance at the forefront of the insurance revolution, bringing the benefits of best possible spectrum of personal, business and Islamic risk management solutions to significantly increase the value for our customers, employees and shareholders.

Fisheries

Maldives Industrial Fisheries Company (MIFCO) conducts the largest fish processing operation in the country. MIFCO is engaged in the processing and exploration of tuna, tuna products, reef fish and other fishery products.

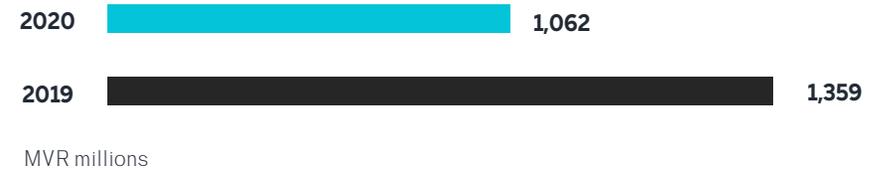
Performance

In collaboration with the Government, the Group strives to maintain economic stability of the fisherman by ensuring they are offered the right price for their catch despite the significant reduction in the world market prices. Hence, fishermen are paid a fixed price (with a floor price) even if MIFCO is exposed to price volatility (and lower prices) in the international market. To tackle the financial imbalance in this approach and to fill the financial gap, the Government provide some level of subsidies which partly compensates the loss incurred.

As the world tackled the COVID-19 pandemic, the Group witnessed a significant reduction in international market prices which had an adverse impact on MIFCO. The segment was further wedged by the reduction in fish collection as lockdown and movement restrictions reduced fish collection significantly during the year 2020. Hence, the Group witnessed a reduction in revenue by 22%, generating a total revenue of MVR 1 billion for the year 2020.

The management is committed to improve the financial stability of the company, monitor and mitigate the expenses and at the same time maintain good relationship with the stakeholders mainly the Fisherman.

Net Revenue



Shipping

The Group formed a new subsidiary, Maldives State Shipping (MSS) , to provide an extensive international liner shipping service. The Group aims to revolutionize the transport sector of the Maldives by delivering efficient transport solutions and overcome the difficulties Maldivian traders and other businesses face in the absence of a reliable shipping line.

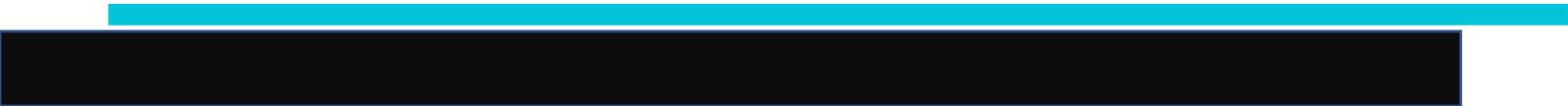
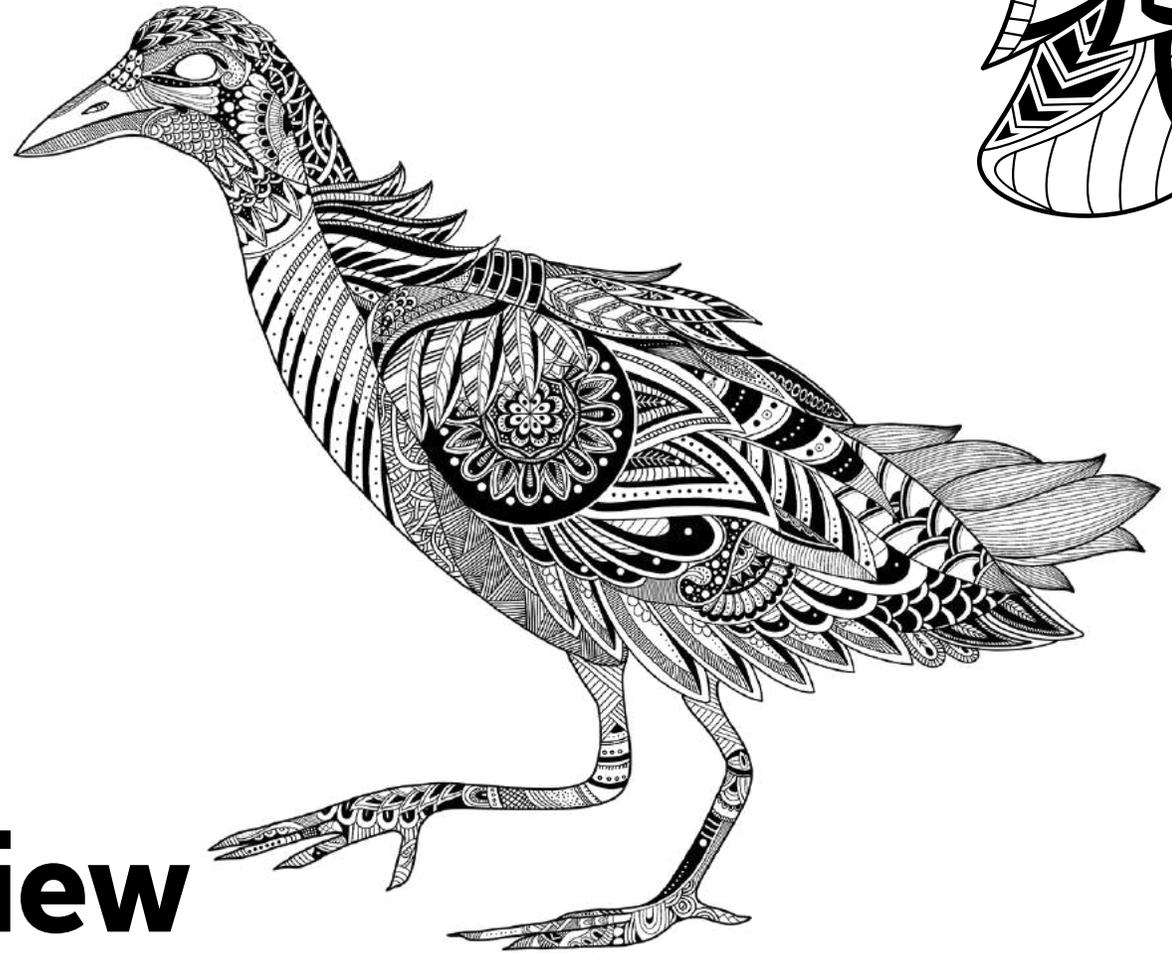
In April 2020, the Group welcomed MV Iberian express that completed her maiden voyage as the first carrier of Maldives State Shipping which marked the beginning of the liner services of MSS. The Group commenced direct shipping between Tuticorin and Addu city and Thinadhoo city which will ensure accessibility and availability of products at reasonable prices in regional islands.

For the year 2020, the MSS generated a revenue of MVR 48 million for the year 2020. The Group strives to grow and expand the shipping services to be established as a reliable and leading shipping liner in the nation.

*As this segment does not meet the quantitative threshold for a reportable segment in 2020, it is included under other services segment.



Financial Review



Financial Performance

STO group has successfully concluded one of the most challenging financial years of its history with resilient financial performance. The group faced unprecedented twin shocks of reduction in fuel sales (as COVID-19 affected tourism industry severely) and sudden plunge in world fish prices.

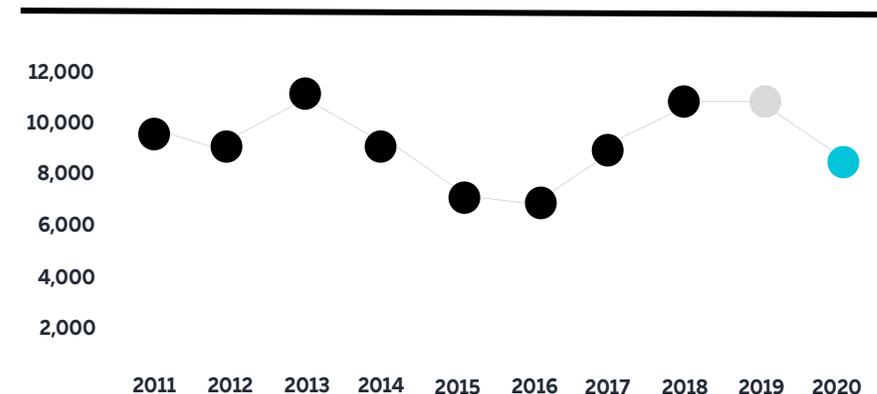
The Group had formulated action plans to cope with the challenges of pandemic and implemented measures to ensure incessant supply of fuel, staple food, essential goods, and medical supplies during the unstable period.

As a result of our spontaneous response in handling the COVID-19 pandemic, the Group was able to minimize the impact on profitability and delivered a robust financial performance with a net profit after tax of MVR 127 million, an earning per share of MVR 109 and proposed a dividend per share of MVR 60.

	2020	2019	
Revenue	8,501	10,906	
Gross Profit	1,784	1,969	Lower sales quantities due to pandemic and fisheries sales due to plunge in world tuna prices.
Operating Profit	401	842	Corresponding to lower sales and higher bad debts provision due to increase in receivables
Net Finance Cost	(188)	(216)	Finance cost reduced due to fall in global fuel prices
Profit before Tax	223	476	
Net Profit	127	383	Lower profit as sales reduced due to pandemic and higher bad debts provision

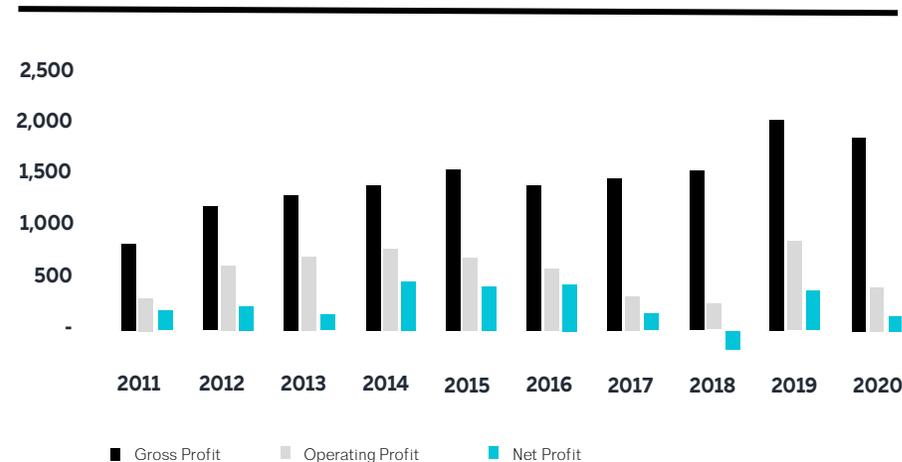
Group Revenue

MVR millions



Gross Profit, Operating Profit and Net Profit

MVR millions



Sound Financial Position

During the year, the Group focused on maintaining a sound asset base with strengthened financial position. The group did not carry out large capital projects due to many uncertainties and challenges faced by business environment and Maldivian economy.

However, the Group incorporated a fully owned subsidiary, Maldives State Shipping Private Limited (MSS) offering an extensive liner shipping service to provide a reliable transportation solution to Maldivian economy.

	2020	2019	
Total Assets	8,482	7,899	Increased inventory level due to pandemic and increase in receivables
Total Liabilities	6,059	5,551	Increase in payables due to advance receipts from Government for medical items required COVID-19 relief effort
Cash and Bank	585	361	Priority given to conserve cash reserve to meet operational requirements and debt obligations
Shareholders' Equity	2,423	2,347	Earned a profit of MVR 127 million for the year
Gearing	47%	54%	Decrease in loans & borrowings from the repayments made, increase in cash position as result of net increase in operating cashflow and increase in equity by virtue of profit

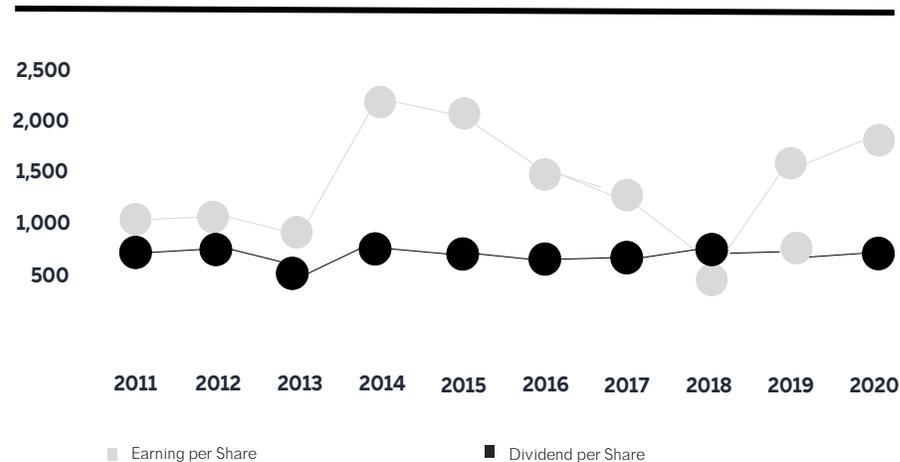
Creating Shareholder Value

A dividend of MVR 60 per share for 2020 was proposed by the Board of Directors. Despite the slight reduction in performance, the directors are confident that performance of 2021 would be better than that of 2020.

Following chart shows net asset value per share, earnings per share and dividend per share during the past 10 years.

EPS and DPS - Company

MVR millions



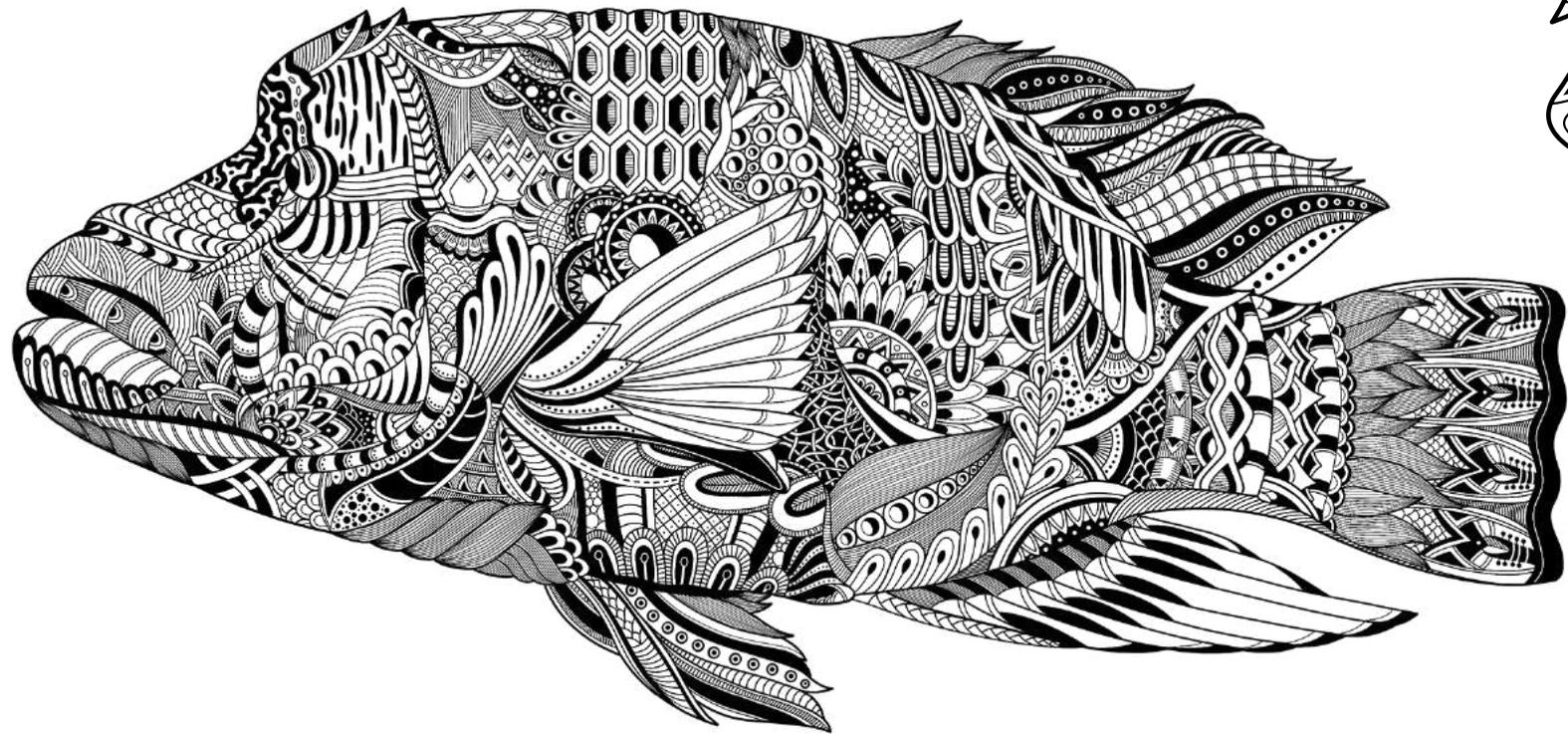
Key Trading Highlights

The shares held by the public have been traded as follows:

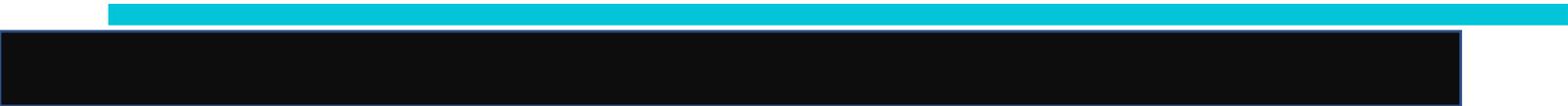
	2020	2019	2018	2017	2016
Last traded price (MVR)	455	500	400	350	500
Highest trade price (MVR)	700	500	500	700	500
Lowest traded price (MVR)	455	500	300	350	400
Weighted Average Traded Price (MVR)	480	500	302	418	500
Number of shares traded	1,057	1,000	12,185	6,505	479
Number of trades	14	39	24	63	22
Market Capitalization (MVR)	513	564	451	394	564

Outlook

The pandemic situation continues to evolve and bring additional challenges to our group companies. We are confident that our business is more resilient and have adequate resources to overcome the challenges emerging from COVID-19 pandemic, while being prepared to transition our business into post COVID-19 environment to serve our customers and Maldivian economy. We are continuously evaluating our business and operational strategies to cope with any unexpected challenge and therefore we expect to meet our shareholders with a better performance in the year 2021.



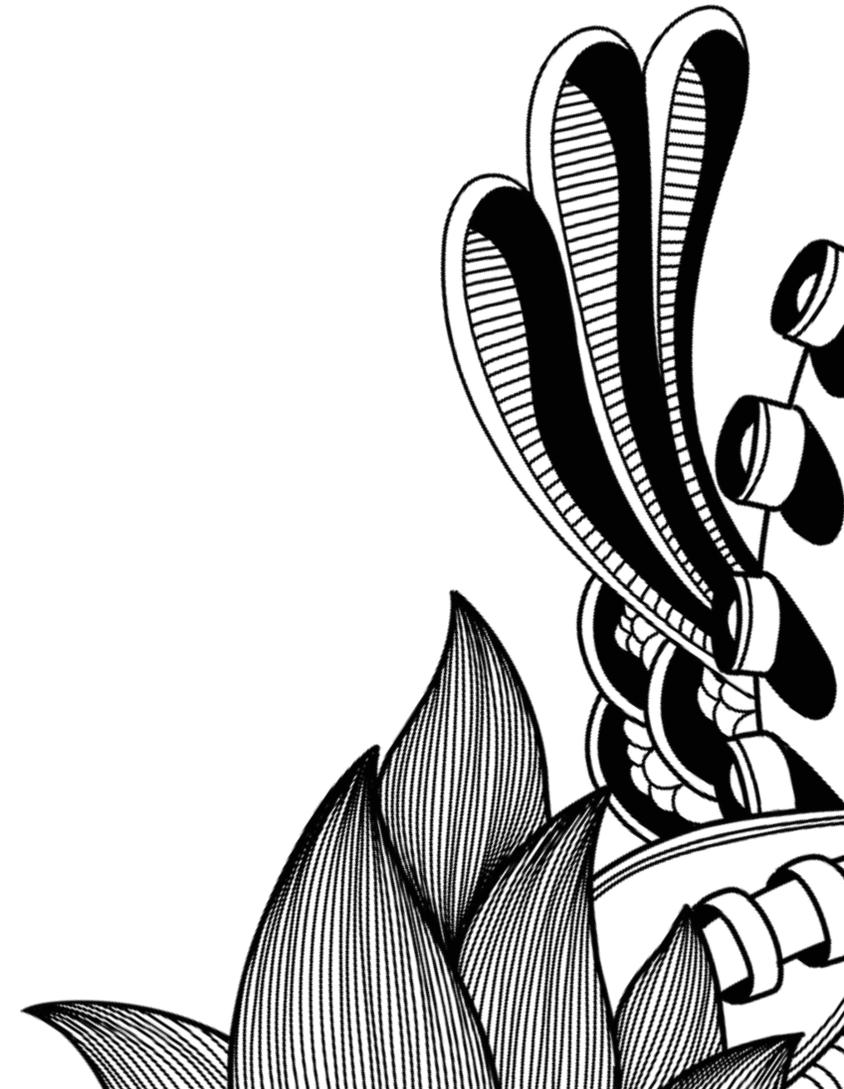
Corporate Governance



Our business practices are conducted in good faith, in the interests of the Group and all our stakeholders, with due observance of the principles of good Corporate Governance.

STO is a limited liability Company and complies to the Companies Act of the Republic of Maldives 10/96, the Corporate Governance Principles of the Corporate Governance Code (Code) of the Capital Market Development Authority (CMDA). Compliance with the rules and recommendations of the Securities Act (02/2006), the Listing Rules of the Maldives Stock Exchange Pvt. Ltd. (MSE) and Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 were also followed, where applicable.

During the year, STO was committed to maintain high standards in compliance with all regulations described above. Any deviations are explained through the “comply” or “explain” principle in this report.





Hamid Nasheed Mohamed

Chairman
Non-Executive, Independent Director

Appointed as the Chairman of STO on 16th May 2019, Hamid Nasheed Mohamed represents the major shareholder of the Company, the Government.

Having a passion for technology and computer programming, he majored in the computing field from Adelaide TAFE, South Australia, in December 1992. He has further completed various short-term courses in different areas of management, business and sustainable development.

He was contracted with polio at the age of 4, yet his determination and passion for achievement never reduced. He is today, the Chairman of the largest trading Company in the Maldives. Furthermore, he is an ambassador creating awareness on disability, while helping people in need.

As such, both nationally and internationally, he holds key positions such as the Vice-Chairperson of Association for Disability Development (ADD), Vice-Chairperson of South Asian Disability & Forum (SADF), Vice-Chairperson of Maldives Association of Physical Disabilities (MAPD), a member of Disabled Peoples International Asia-Pacific (DPI/AP), a member of the foundation of Asia Pacific Development on Disability (APCD) and a member of National Disability Council. He has further, immensely contributed to the development of the national policy on disability in Maldives. He is also the Vice Chairman of Maldives Paralympic Committee. Hamid is a generous and result oriented character who enjoys football and playing chess.



Husen Amru Mohamed Rashad

CEO & MD
Executive, Non-Independent Director

Husen Amru Mohamed Rashad took on the roles of Chief Executive Officer and Managing Director, on 30th November 2018.

He holds a Master of Business Administration from International Islamic University, Malaysia and has a Bachelor of Science in Computer Science from University of Sunderland, through Binary College Malaysia.

Amru has previously held the position of Chief Executive Officer of MTCC, from September 2010 till February 2012. He has also served as Deputy Under-Secretary heading the Economic Development Unit at the President's Office and was a member of the Privatization Committee formed by the President's Decree in 2009. He serves as the Chairman of Maldives Industrial Fisheries Company Ltd, Maldives National Oil Company Ltd and Lafarge Maldives Cement Pvt Ltd.

Amru has also played an active role in the political sphere as a National Council member of the Maldivian Democratic Party. He has been instrumental in formulating manifestos of the party and current government as Chairperson of the Policy Committee, member of the Economic Committee. Furthermore, he has been a successful entrepreneur engaged in the private sector for several years.



Mohamed Nizam

Chief Financial Officer
Executive, Non-Independent Director

Mohamed Nizam joined STO in the year 2010 and is currently Chief Financial Officer. Prior to this, he has worked in key positions of the Company that include the Procurement HOD, the Finance Manager, the Chief Risk Officer and as a Senior Information System Manager of the ICT department.

He is presently the Chairman of the Board of Directors of Allied Insurance Company of the Maldives Pvt Ltd and a Board Director at Maldives Industrial Fisheries Company Ltd and Maldives State Shipping Company Pvt Ltd. Nizam was also a former Director of Fuel Supplies Maldives Ltd and represented STO in the Board of the Maldives Stock Exchange and the Maldives Securities Depository.

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

Nizam is a serene and helpful character. He is known for his crucial ability of critical thinking and problem solving. He is extremely qualified in analyzing and visualizing data in MS Excel. Nizam has an interest in astrophysics and technology.



Shimad Ibrahim

Non-Executive, Independent Director
Chairman of Audit & Risk Committee
Member of Corporate Governance Committee

Shimad Ibrahim is a Chartered Accountant with over 15 years of professional experience. He also holds a Bachelor of Accounting (Honors) Degree from the International Islamic University of Malaysia, where he was awarded the Best Student in Management Accounting.

At present, he works as the Managing Director of SFG Corporate Services. He also worked as the Chief Financial Officer at Villa Group, Head of Finance at Maldives Islamic Bank and as the Chief Finance Executive at Ministry of Finance and Treasury.

Shimad was appointed to the STO Board in May 2019, on behalf of the majority shareholder. He is an Independent, Non-Executive member of the Board. Shimad also served as a Director in the Islamic Bank, Maldives Tourism Development Corporation plc, Thilafushi Corporation Limited and Upper South Utilities Limited. Further to this, he also served the nation as a member of the National Debt Management Committee.

Shimad has a passion for community work, playing and watching football, music, movies, travelling and swimming. He is a compassionate character with an eye for detail and vast knowledge of different industries.



Gais Ismail

Non-Executive, Independent Director
Member of Audit & Risk Committee
Member of Corporate Governance Committee
Member of Nomination & Remuneration Committee

Gais Ismail is an independent, Non-Executive Director of the Company and was appointed to the Board in May 2019, to represent the majority shareholder.

Gais has experience and knowledge in the fields of finance, human resource and project management. He has a Diploma in Management from the University of Leicester, UK and a Bachelor's Degree (Hons) in Management and Finance from the University of Northumbria, UK.

Previously, he has worked as an audit junior at KPMG Maldives and as an auditor at HuvafenFushi Maldives – one of the luxurious resorts in the Country. He has also worked at Centex Group as a Human Resources Manager and as a General Manager at Fortune Capital Management Limited. Further to this, he has handled a project of 32 island water system as a Manager of project operation at Water Engineering FZE-Dubai. Currently he works as a General Manager at Adept Maldives Pvt Ltd. Prior to being appointed as a Board Director of STO, Gais also served as a Board Director of Upper South Health Corporation Ltd.

Gais is a person of confident character and has a strong affection for football. His favourite club is Real Madrid.



Ismail Zumayl Rasheed

Non-Executive, Independent Director
Chairman on Nomination & Remuneration Committee
Member of Audit & Risk Committee

Ismail Zumayl Rasheed was appointed to the Board of Directors of STO as an independent, non-executive member in May 2019 by the majority shareholder.

Zumayl Rasheed actively engages in the trade industry of Maldives, serving currently as a Finance Manager at INK Investment Maldives Pvt Ltd, while contributing to the community by sitting on the Football Association of Maldives (FAM) Disciplinary Committee. Mostly engaged in trade commerce development and international trade channels, he counts over 15 years of international relationship management, served roles as Trade Representative of Maldives Chamber of Commerce and Industry (MNCCI) to Hong Kong; and continues to involve to promote community development activities and successful launch of various products and services.

Keenly interested in innovation strategies and efficiency in International trade transactions, his passions extend to maintaining healthy lifestyle choices and sustainable communities. He holds a Master's of International Business from Hult International Business School, Boston (USA), and a Bachelor's of Business from LaTrobe University, Melbourne (Australia).



Aminath Rushma

Non-Executive, Independent Director
Chairperson of Corporate Governance Committee
Member of Audit & Risk Committee
Member of Nomination & Remuneration Committee

Aminath Rushma was elected to represent the interests of the 18% public shareholders of the Company in the Board of Directors of STO. She was elected to the Board in May 2019 at the Annual General Meeting.

She is currently working at Maldives Airports Company Limited as a Manager of Employee Experience and Performance Management. Earlier to this, she worked at Civil Service Training Institute as a Senior Training Coordinator, in human resources and also in public relations.

She holds a Master's Degree in Managerial Psychology from Help University, Malaysia, and a BA Honors in Human Resource Management from UCTI, Malaysia. Furthermore, she has attained knowledge in different areas of human resources and business management.

With a passion for reading, calligraphy and travelling, Rushma is a very friendly and empathetic character in person.

1.1. Board Director's Charter

The most recent review of the Board Director's Charter was done in 2020. This Charter provides guidelines for Directors on their responsibilities, authorities, composition, meetings, appointment, training, evaluation and disclosure.

The roles and responsibilities of Board include;

- Developing the corporate vision, mission and strategies
- Developing business plans and budgets
- Identifying operational risks and its mitigation strategies
- Monitoring the financial performance and asset management
- Establishing the right technology direction
- Overseeing the general business of STO Group
- Deciding on the dividend policy
- Publishing the Annual Report and other information for the shareholders
- Framing an appropriate Corporate Governance outline for the Company

1.2. Tenure

86% of the Board of Directors changed in 2019, with all of them being Non-Executive, Independent Directors. Currently there is 1 Director who has been appointed recently and has not completed a year in the Board yet. The rest of the Directors are fulfilling a term of between 1 to 3 years. No Director has worked in the Board for more than 6 years.

1.3. Diversity

The merits for directorship of the Company include knowledge of the business, its markets and the industry, ability to interpret financials and sustainability, business background, skills, experience, expertise, personal quality and integrity. The merits for an effective Board further include age and gender diversity. STO Board comprises of a mix of all such merits, in terms of age, gender, experience and knowledge. The Board had 6 male Directors and 1 female Director during the year.

1.4. Board Composition

In accordance with the Company's Articles of Association (AOA), the Board comprises of 7 members, of whom 6 are appointed and 1 is elected for a term of one year. Of these 7 members, 5 are Non-Executive Members and 2 are Executive Officers.

Name	Date of initial appointment	Date of last appointment	Resigned date
Hamid Nasheed Mohamed	16-05-2019	30-08-2020	
Husen Amr Mohamed Rashad	30-11-2019	30-08-2020	
Mohamed Mihad	28-03-2016		30-11-2020
Mohamed Nizam	18-03-2021	18-03-2021	
Gais Ismail	16-05-2019	30-08-2020	
Shimad Ibrahim	16-05-2019	30-08-2020	
Ismail Zumayl Rasheed	16-05-2019	30-08-2020	
Aminath Rushma	16-05-2019	30-08-2020	

1.5. Independence

All Directors have a duty to act with independence of mind, in the best interest of the Company. The Board believes that the Independent, Non-Executive Directors are of the appropriate caliber, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The AOA further indicates that most of the Board shall be independent of the Company. The independence of these members is determined upon the criteria described in the Code of CMDA, where neither a Director nor his or her immediate family members during the past year, has held a key position in the Company, and the Director or none of their immediate family members has had any substantial finance dealings with the Company. Considering these factors, all Non-Executive Members of the Board were deemed independent in the past year.

1.6. Process of Re-Election and Appointment Of New Directors

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 and election process in identifying and evaluating nominees for directors.

Below is the process explained;

- Both the majority shareholder (Government) and the other shareholders (Public) are given 21 days of notice to submit their candidates/interests
- The nominees for public share representatives are then evaluated according to the Board Candidacy Guideline. The prime purpose of this evaluation is to identify the skills, knowledge and experience of the candidates and to see how it would strengthen the existing Board
- Nomination and Remuneration Committee also meets with the shortlisted candidates to assess and further evaluate the candidates
- Nomination and Remuneration Committee then makes recommendations to the Board on the most ideal candidates for directorship, who are then submitted to AGM for an election
- The majority shareholder makes appointments to the Board through Privatization and Corporatization Board. However, the Board Candidacy Guideline and the Fit and Proper Guideline of CMDA are passed to them, requesting to consider when making their appointments
- Directors are then elected and appointed for another term at the Annual General Meeting

In 2020, 2 candidates from the public shareholders submitted their names for Directorship. All candidates were interviewed by the Nomination and Remuneration Committee. After considering the interview results and other information, the Committee recommended and the shareholders appointed Ms. Aminath Rushma to STO Board, at the last Annual General Meeting.

1.7. Board Induction and Continuing Education

The Company has a comprehensive orientation program designed for newly appointed directors to familiarize them with business and governance policies. The orientation program arranged by the Company Secretariat gives Directors an understanding of the Group's business to enable them to assimilate into their new roles.

Effective 2018, the Company provides a training analysis report for Directors upon their appointment, based on their education and experience. This report highlights which areas of development the Director is required to focus on, during his/her tenure.

In 2019, Directors attended a total of 7 different training programs conducted abroad and online. These trainings focused on areas such as Board Directorship, Strategic Performance, Employee Relations, Leadership, Finance and Business Development. .

1.8. Chairman and Managing Director

The Chairman and Managing Director's role in the Company are assumed by different individuals and their roles and responsibilities are provided in the Board Director's Charter.

Chairman, Hamid Nasheed Mohamed was appointed on 16 May 2019. The Managing Director's role has remained with Husen Amru Mohamed Rashad since his appointment on 30 November 2018.

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

The Chairman is the leader of the Board. He;

- Ensures the effectiveness of the Board, Board Committee and individual Directors
- Leads and drives others to achieve and maintain a high standard of Corporate Governance
- Approves the agenda for the board meetings and ensures sufficient allocation of time and information
- Promotes an open environment for debates and ensures that the Non-Executive Directors can speak freely and contribute effectively
- Provides oversight, guidance, advice and leadership to the Managing Director
- Ensures constructive dialogue between shareholders, the Board and management

The Managing Director is the highest-ranking executive officer of the Group. He;

- Runs the day-to-day business of the Group, within the authorities delegated to him by the Board
- Ensures implementation of policies and strategy across the Group as set by the Board
- Provides oversight, guidance, advice and leadership to Group executive and senior management team
- Leads the development of senior management within the Group
- Ensures that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments
- Leads the development of the Group's future strategy, including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

1.9. Role of the Non-Executive Directors

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

For this to happen, the Board and particularly the Non-Executive Directors, must be kept well-informed of the Group's businesses and be knowledgeable about the industries that the Group operates in. To ensure this, Non-Executive Directors are well supported by timely information.

The Board has also adopted processes to ensure that Non-Executive Directors have sufficient time and resources to perform their functions effectively. The roles and responsibilities of Non-Executive Directors are also described in the Board Director's Charter.

1.10. Other Directorships held

No Director has held directorship in any other Public Listed Companies over the year. However, the Executive Directors do practice membership on the Board's of STO Group Companies while some of the Non-Executive Directors are members of private companies and non-profit organizations. Despite this, all Directors devoted enough 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.

1.11. Board Evaluation

Board continuously monitors and reviews the Board's performance and evaluation framework. Board has laid down a new set of evaluation criteria for the performance review of Chairman, Executive, Non-Executive, Independent Directors, the Board, its Committees and the Company Secretary. This evaluation was carried out through an online questionnaire. This process enabled Directors to review the functioning and effectiveness of the Board and as individuals.

The evaluation helped in identifying possible paths for improvement. The questionnaire included to rate on board composition, skills, strategy, performance, governance, board functioning and the effectiveness of the whole board, its various committees and the Company Secretary. The evaluation for the year 2019 was completed in March 2020 and areas for improvement were identified and discussed.

1.12. Board Meetings

The Board of Directors held 24 Board Meetings during the year. In addition to this, the Committees altogether held 17 meetings. The Company Secretary drafts the agenda for each meeting in consultation with the Chairman and the Managing Director. 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.

Name	Attendance at the last Annual General Meeting held on 30.08.2020	No. of Bard Meetings attended / No. of Board Meetings held
Hamid Nasheed Mohamed	Present	24/24
Husen Amr Mohamed Rashad	Present	24/24
Mohamed Mihad	Present	21/21
Mohamed Nizam	-	-
Gais Ismail	Present	23/24
Shimad Ibrahim	Present	24/24
Ismail Zumayl Rasheed	Present	23/24
Aminath Rushma	Present	24/24

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

1.13. Director's Remuneration

Details on Director remuneration is provided in the Remuneration Report of the Nomination and Remuneration Committee. Refer to page 55 for this information.

1.14. Conflict of Interest and Materially Significant, Related Party Transactions

The Company has a Board approved Conflict of Interest Policy for the Directors. As part of this process, the Directors must disclose any company, association or other affiliation where he/she and his/her immediate family members hold a significant interest. This information is reviewed and where required, tallied by the Registrar of Companies to confirm the information provided. All known substantial or material third party transactions, monetary transactions or relationships between the Company and its Directors, the Management, Subsidiaries or relatives have been disclosed in the note 44 of audited financials.

1.15. Board Proceeds and Major Decisions

Board has access to all company related information, including that of the employees where required. At Board meetings, executive team members and managers who can provide additional insights into the items being discussed, are invited.

Board agenda and papers are provided well in advance of the meeting via Boardpaq. Boardpaq is an international software, that is cost-effective, paperless and centralizes all board documents and information. This application also makes it easier to provide additional material or information requested by the Directors, promptly. Further to this, an idea generation and discussion platform is accommodated for Directors through MS Team.

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

In order to keep Directors abreast on Company's performance, management also shares Company performance reports with the Board. These reports include budgets, forecasts, quarterly financial reports and monthly management accounts.

In addition, the Head of Internal Audit Department also provides the Audit and Risk Committee and where necessary to the Board, information on the audit reports. These reports include, annual audit plans, fraud risk assessment and findings from internal and investigation audits. Management further provides status on the implementation of recommendations given in the audit reports to the Board, quarterly.

Some of the major decisions taken during the year include;

- Reviewed and introduced corporate policies and procedures; Welfare Aid Policy, ICT Policies, Corporate Governance Policy, Seal Use Policy, Board Candidacy Guideline, Guideline on Administration and Control of STO Group of Companies, Anti-Bribery and Anti-Corruption Policy, Blacklisting Policy, Whistleblower Policy, Corporate Gift Acceptance Policy
- Formed Maldives State Shipping Company Pvt Ltd (MSS)
- Took steps in establishing a Group Governance Framework
- A Data Warehousing project was initiated
- A digitalization project with the aim to reduce the use and acceptance of paper from and to the Company, was initiated
- Approved a Strategic Action Plan for STO and its Group, for the next 3 years
- Re-arranged department jobs
- Appointed Mohamed Nizam to the position of CFO

1.16. Non-Executive Directors Meeting

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

1.17. Committees

The Board's work is supported through its Committees – the Audit and Risk Committee, the Nomination and Remuneration Committee and the Corporate Governance and Compliance 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 guideline in the form of charters, approved by the Board and signed by the members.

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

The Committee Chairperson and the Company Secretary determines the frequency and duration of the Committee meetings. All Committees are required to meet at least four times a year. Recommendations of the Committees are then submitted to the entire Board for approval before management is assigned the work for implementation.

1.18. Good Governance, Policies, Procedures and Guidelines

Over the years, the Board has developed and reviewed the Company's Corporate Governance Principles to help fulfil 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. Thereon, the Company has reviewed and made changes to it, considering the various amendments brought to the relevant legislations and the international codes. The Company further established its first Code for the Group in 2014. This Code was revised in 2019.

STO has in place, policies and procedures to govern its subsidiary companies and major commercial activities, a manual for Board Directors and a Code of Ethics for Directors. Furthermore, STO has timely reviewed the Board and its Committee Charters and Corporate Governance Guidelines. STO also, has in effect a guideline on holding Annual General Meetings and preparation of Annual Reports for 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.

1.19. Company Secretary

All Directors have access to the services and advice of the Company Secretary. The Company Secretary supports the Board and its individual Directors, by providing guidance as to how to fulfil their responsibilities as directors in the best interests of the Company. The Company Secretary regularly refreshes her knowledge of developments in Corporate Governance best practice and regulation.

The Board remains satisfied with the competency and experience of the Company Secretary.

1.20. 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, Staple Foods, Construction Materials and Medical Service & Pharmacy Management. These businesses are catered in Male' and in many of the Atolls, while the Company has its presence through its pharmacies in every inhabited island. These six business areas are supported by Finance, People Operations, Business Research and Property Management, Procurement, Information Technology, Marketing Communications and Logistics Department. Apart from these, STO has in place an Internal Audit, Risk Management and a Corporate Affairs Department.

STO Group has its businesses established in fields such as insurance, fuel distribution, commodity trade, gas distribution, shipping, fish canning and production of fish products and manufacture 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.

The Nomination and Remuneration Committee reviews and recommends to the Board, on the compensation and benefits of 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 Marketing Communications, represent the Company in interactions with investors, the media and the Government. The individual Executives and Head of People Operations, interacts with employees while individual Executives deal with their clients.



1.21. Group Management

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 Board Manual and Code of Ethics was approved by STO Board for its Group of Companies.

As of 2020, there are 6 subsidiaries of STO; where STO holds more than 90% of shares. STO also has 1 Joint Venture Company with equal share distribution, with Rainbow Investments and holds less than or equal to 25% shares in 3 other Companies. Details of STO Shares held in these Companies as required by the SCDOJ Regulations 2019 is provided on page 158.

1.22. 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, reports functionally to the Chairman of the Audit and Risk Committee and administratively to the Managing Director.

1.23 External Audit

Appointment of an External Auditor is reviewed annually by the Audit and Risk Committee. The Committee advises the Board on the results of this assessment which is then submitted to the Annual General Meeting for shareholders' approval. The Board of Directors welcome the impartial opinion and recommendations of the appointed Independent Auditors and strives to improve the findings pointed out in the Auditor's Report.

The shareholders elected PWC as the External Auditors for 2020. The Auditors have provided an audit opinion regarding STO and the Consolidated Financial Statements of STO Group, in this report. The Audit was conducted in accordance with International Standards on Auditing. These standards ensure

that the auditors comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated and separate Financials Statements are free from material misstatement.

1.24. Internal Controls

The process of Internal Control and Risk Management Framework provides reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting. STO's control environment determines the individual and collective behavior. It is defined by policies and procedures, manuals and codes, IT generated controls and is enforced by the organizational structure with clear responsibility and authority based on collective values.

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

The Audit and Risk Committee assists the Board in overseeing the adequacy of relevant manuals, policies and important accounting principles applied.

The limits of authorities and responsibilities are given in instructions for delegation of authority, manuals, policies, procedures and codes, including the code of conduct and, employee handbook. Together with laws and external regulations, these internal guidelines form the control environment.

All entities within STO Group are required to maintain adequate controls. Monitoring and testing of control activities is performed periodically to ensure the adequacy of these controls and to ensure that the risks are properly mitigated. The level of effectiveness of control activities is monitored by the Internal Audit and Risk Department at Group level, business areas level, functional level and process level, which is reported to the Audit and Risk 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 Company is adequate and effective in addressing the material risks in the Company, in its current business environment including material, financial, operational, compliance and information technology risks.

1.25. Risk Management

The Company has an integrated approach to managing risks in various aspects of the business. The Risk Management Report forms part of this Annual Report on page 44.

1.26. Shares and Shareholders

STO's shares are listed at the Maldives Stock Exchange (MSE). STO has over 4,000 active shareholders in the shareholder's register and of the total share capital, 81.6% is owned by the Government of Maldives, while the rest of the 18.4% is owned by the General Public.

None of the individual shareholders (other than the Government) hold shares of more than 5% of the Company.

1.27. Voting Rights

The share capital of STO includes ordinary shares only. Each share entitles holders to the same proportion of assets and earnings and carries equal rights in terms of dividend.

According to the Articles of Association, each share accounts to one vote each. Voting is based on show of hands, where the vote is counted as 1 vote per member, unless 10% shareholders or their proxies present request for a poll where voting will be counted on shares represented.

1.28. Communication with Shareholders

The Quarterly Report, along with additional information and official news releases, are posted on the Company's website, sto.mv. The proceedings of the Annual General Meeting 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 are delivered directly to the Chairman and the Company Secretary. The Chairman then submits to and recommends for actions, at the earliest Board meeting.

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

1.29 Certification of Financials

The Board has reviewed and approved the financial 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 and SCDOI, the MD, Audit Committee Chairman 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 2020 have been prepared in accordance with the 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.

1.30. Prevention of Insider Trading

The Company has in place a guideline on trading in Company's Securities, to regulate, monitor and report trading by insiders. This guideline also includes practices and procedures for the disclosure of price-sensitive information and continual disclosure. It also includes penalties for not adhering to the guideline.

1.31. System for Raising Concerns

Appropriate mechanisms are in place to enable employees, management or other stakeholders to raise any concerns, whether on a confidential basis or otherwise, about 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, Grievance and Gender Equality Committee and a Sexual Harassment Prevention Committee that looks into concerns and grievances raised by the staff.

In 2019, the Company has also put in place a 'Raise Your Concern' facility that is directly passed to the Managing Director.

1.32. Annual General Meeting

The decision-making rights of shareholders are exercised at the General Meetings. The Annual General Meeting 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 the shareholders who owns 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 2019 Annual General Meeting was held online on 30 August 2020. A total of 52 shareholders representing a total of 82% of the share capital were represented at the Annual General Meeting.

Major decisions made at the Annual General Meeting 2019 include:

- Dividend payment of MVR58 per share
- Election of Directors to the Board
- Approval of Annual Report and Balance Sheet
- Appointment of PWC as External Auditors for a fee of USD 52,700.00

1.33. Remote E-Voting and Ballot Voting at The Annual General Meeting

To allow the shareholders to vote on the resolutions proposed at the Annual General Meeting, the Company has developed and arranged for an e-voting facility. This facility has made managing the meetings easier and quicker. This facility was developed by STO ICT Department staff, and the Company has used the facility in the past 2 Annual General Meetings, successfully.

1.34. Dividend

STO's target for the dividend to correspond to at least 10% of 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 MVR 60 per share for shareholder's approval in the upcoming Annual General Meeting 2020.

1.35. Details of Non-Compliance

No penalty has been imposed by MSE, CMDA or the Registrar of Companies, nor has there been any instance of non-compliance with any legal requirements, or on matters relating to the capital market, in the year 2020.

1.36. Going Concern Declaration and Future Outlook

The Board is confident that it has the right mix of members, to provide the necessary support to the management to implement the strategic and business objectives of the Company. Hence, the Board is highly optimistic on what the future holds for this Company. There is no doubt that the Board will continue to strive to pursue the long-term vision of the Company.

Hereby, we confirm that the Company can carry on its activities, implement its proposed plans and achieve its forecast results, satisfactorily.



Hamid Nasheed Mohamed

Chairman



Husen Amr Mohamed Rashad

Chief Executive Officer and Managing Director



Audit & Risk Committee Report

Composition

The Audit and Risk Committee (ARC) was established in accordance with the requirements of Corporate Governance Code ("CG Code") issued by the Capital Market Development Authority of the Maldives. The Committee comprises of 4 (four) members, all of whom are Non-Executive Directors.

There were 3 members in the Committee up until 30 August 2020. They included of Shimad Ibrahim (Chairman), Aminath Rushma (Member) and Ismail Zumayl Rasheed (Member). Gais Ismail joined the Committee on 15 September 2020, while Ms. Aminath Rushma resigned on 15 December 2020.

A total of 6 meetings were held in 2020 and the below table indicates attendance of members to the meetings;

Name	No. of meeting held
Shimad Ibrahim (Chairman)	6/6
Gais Ismail (Member)	1/1
Ismail Zumayl Rasheed (Member)	6/6
Aminath Rushma (Member)	5/5

Terms of Reference

The Committee assists the Board in overseeing the quality and integrity of the accounting, reporting, information dissemination, internal control practices and the management of key risks as well as the frameworks, guidelines, policies and processes for identifying, monitoring and mitigating risks of the Company.

The Committee also ensures independence and objectivity of internal and external audit functions.



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 controls to ensure that adequate measures are taken to safeguard the Company's assets;
- Overseeing the Company's relations with the External Auditors;
- Making recommendation to Board on the appointment, retention, and removal of External Auditors;
- Ensure the independence and credentials of the Independent Auditors;
- Review the performance of the Internal Audit function and Independent Auditors;
- Approving the Internal Audit Plan and reviewing regular reports on the effectiveness of the internal control systems;
- Ensuring compliance to statutory requirements and ethical standards;
- Reviewing and discussing 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;
- Monitoring the Risk Management Policy implementation in the Group;
- Reviewing disclosures regarding risks contained in the Company's Annual Report; and
- Review reports on selected risk topics as the Committee deems appropriate from time to time.

Major Activities of 2020

- Initiated a Group Governance Audit and discussed on its outcome and made recommendations to Group Companies on strengthening governance and initiated measures to support good governance.
- Reviewed and approved the Financial Statement of 2019.
- Recommended the dividend of 2019 to the Board.
- Discussed Internal Audit Reports and made recommendations to management on actions to be taken.
- Reviewed Management Letter and recommended management on the measures to be taken regarding issues identified by external auditors.
- Conducted Chief Internal Auditor evaluation.
- Decided to combine Internal Audit and Risk Management functions.
- Discussed and approved 2021 budget of the company.

External Audit

The shareholders appointed PWC as the External Auditors of the Company for the year 2020. During the year 2020, the firm has not provided any non-audit related services to the Company.

Internal Audit

The Internal Audit Department conducted multiple audits during the year 2020, in line with the approved Internal Audit Plan. The audit reports, along with comments from Management if needed, were presented to the ARC during ARC meetings.

The ARC is satisfied with the performance of the Internal Audit function, its independence and objectivity and the adequacy and effectiveness of the internal controls established.

Conclusion

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

On behalf of the Audit and Risk Committee;



Shimad Ibrahim
Committee Chairman

Risk Report

Overview

Exposure to risk is an inherent element to carrying out the business activities of the Group, being a conglomerate with interests in various industries and economic and social sectors. Effective risk management and internal controls are therefore necessary to protect the Group from exposure to unnecessary risks and ensure sustainability of the Group's business activities.

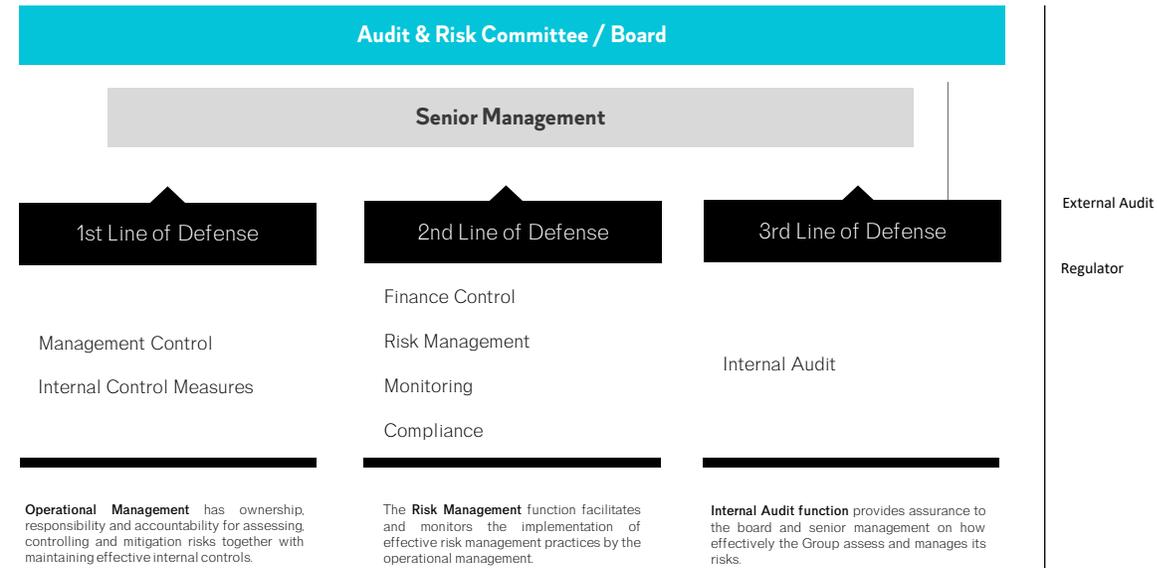
The Board has overall responsibility of the Group's risk management and internal control systems, including the setting of acceptable risk levels to achieve the Group's strategic objectives.

Response to COVID-19 Pandemic

The outbreak of COVID-19 pandemic created unprecedented and unexpected challenges to almost all businesses of the group, for which existing crisis plans and teams were not prepared to handle. The Group developed incident management plans specific to the crisis and was able to successfully manage the impromptu risks the Group faced with. Hence, apart from the usual risk management activities, significant efforts were made to managing the risks related to the pandemic.

Risk Management Framework

The Group has adopted a three lines of defense risk management framework, as shown below, to provide assurance that appropriate control and mitigation measures are in place for various risks identified.



Strategic Risks

Risk	Description	Potential Impact	Mitigation Measures
Security of major products	The Group is mandated to ensure security of food, fuel and medical supply of the country.	Insufficient reserve of fuel, staple food and medical supplies.	Investments in storage. Supplier relationships. Access to finance.
Commercial & market	The Group operates in a competitive environment.	Loss of revenue and profit.	Dynamic pricing. Internal controls

Operational Risks

Risk	Description	Potential Impact	Mitigation Measures
Fire and explosion	Key products stored in a place where unauthorized access is possible.	Loss of essential inventories. Investment loss.	Access control. Immediate incident response plan.
Health and Safety	Risk of accidents causing serious personal injury.	Loss of life. Serious injuries.	Safety standards. Training & supervision.

Financial Risks

Risk	Description	Potential Impact	Mitigation Measures
Credit risk	Negative impact of COVID-19 to major customers of the Group.	Loss of revenue and profit.	Tight credit management measures.
Plunge in export prices	Significant reduction in world tuna prices.	Loss of revenue and profit.	Investment in storage. Value addition to improve yield and profit.
Foreign Exchange	Access to foreign currency required for foreign trade transactions.	High exposure to forex. Increase in financial cost.	Attract customers who pay in foreign currency. Partner with forex facilitators such as banks.

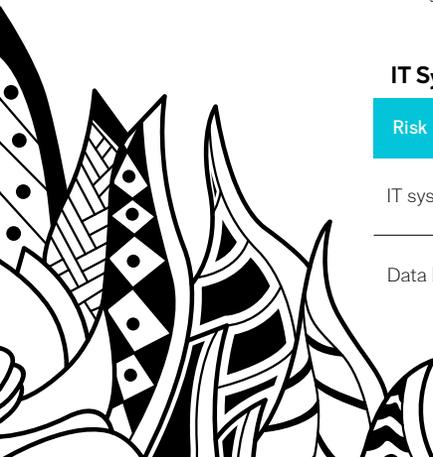
IT Systems & Cyber Risks

Risk	Description	Potential Impact	Mitigation Measures
IT systems failure	IT systems disruption due to internal failure and third-party service providers.	Business interruption. Interruption to accounting system.	Continuous review of IT systems. Alignment with best practices.
Data breach	Sensitive data held by the group being targeted by cyber criminals.	Business interruption. Financial loss. Reputational damage.	Licensed and anti-virus software. Staff training.

To further strengthen the risk management function, as a temporary measure, the board decided to move risk management under internal audit function. The objective of the board is to ultimately move risk management out of internal audit to facilitate conducting effective risk-based audits.



Shimad Ibrahim
Committee Chairman



Corporate Governance & Compliance Committee Report

Composition

The Corporate Governance and Compliance Committee (CGC) was established in accordance with the requirements of Corporate Governance Code ("CG Code") issued by the Capital Market Development Authority of the Maldives. The Committee comprises of 3 (three) members, all of whom are Non-Executive Directors.

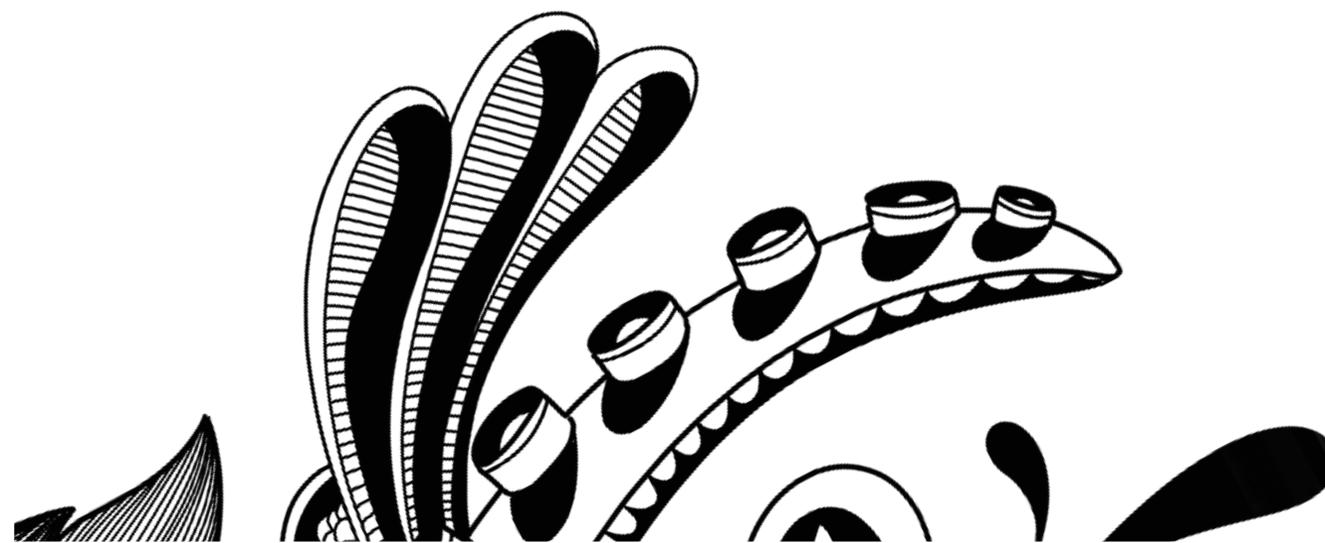
There were no changes to the members of the Committee, during 2020.

A total of 6 meetings were held in 2020 and the below table indicates attendance of members to the meetings:

Name	No. of meeting held
Aminath Rushma (Chairperson)	6/6
Gais Ismail (Member)	6/6
Shimad Ibrahim (Member)	6/6

Terms of Reference

This Committee is responsible to monitor and review the Company's overall approach to Corporate Governance issues and implement, administer and continue to develop a system of governance within the Company.



Key Duties

- Undertaking an annual review of Corporate Governance issues and practices for the Company and making recommendations for improvements where necessary
- Advising the Board or any of its Committees on corporate governance issues
- Developing and implementing an orientation and educational program for new recruits to the Board
- Developing a process for assessing the effectiveness of the Company, Board, individual Directors and its Committees and ensure that the Board conducts these evaluations annually
- Ensuring that an appropriate Code of Ethics is established and reviewed necessarily for the Company
- Ensuring that appropriate methods are being established for the stakeholders to submit their recommendations and inquiries to the necessary established regulatory bodies in the Company

Major Activities of 2020

- Reviewed ICT Policies and Procedures
- Reviewed Board Governance Policy and Seal Use Policy
- Reviewed Board Evaluation Procedure
- Conducted and reviewed a Subsidiary Governance Audit, to check on the company's compliance with STO Group CG Code
- Reviewed the Guideline on Administration and Control of Group Companies
- Initiated and presented to Board on a Group Governance Framework
- Assessed the quality of talent, within the Group and discussed on its management

Conclusion

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

On behalf of the Corporate Governance and Compliance Committee;



Aminath Rushma
Committee Chairperson



Nomination & Remuneration Committee Report

Composition

The Corporate Governance and Compliance Committee (CGC) was established in accordance with the requirements of Corporate Governance Code ("CG Code") issued by the Capital Market Development Authority of the Maldives. The Committee comprises of 3 (three) members, all of whom are Non-Executive Directors.

The Committee comprises of 3 Non-Executive, Independent Directors and held 5 meetings during 2020. The members of the Committee comprised of Ismail Zumayl Rasheed (Chairman), Shimad Ibrahim (Member) and Gais Ismail (Member). On 15 September 2020, Aminath Rushma replaced Shimad Ibrahim on the Committee.

Below table indicates attendance of members to the meetings:

Name	No. of meeting held
Ismail Zumayl Rasheed (Chairman)	5/5
Gais Ismail (Member)	5/5
Shimad Ibrahim (Member)	3/3
Aminath Rushma (Member)	2/2

Terms of Reference

The main role of this Committee is to develop and maintain a formal and transparent procedure for making recommendation on board appointments and re-appointments. Furthermore, the committee is responsible to assist the Board of Directors in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the company and the remuneration of Directors and senior management of the company, and for determining their remuneration packages.



Key Duties

- Developing policies on employee remuneration and fixing the structure and the amount of remuneration packages of individual Directors and key employees of the Company
- Approving the design of and determining targets for any performance related pay schemes
- Determining the policy for and scope of pension arrangements for the Company as required by law
- 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 and shareholders regarding any changes
- Be responsible for identifying and nominating appropriate candidates for the approval of the Board

Major Activities of 2020

- 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 the Board
- Reviewed Board Evaluation Form
- Reviewed Welfare Aid Policy
- Reviewed Redundancy Policy
- Reviewed Bonus and Sales Incentive Policy

Conclusion

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

On behalf of the Nomination and Remuneration Committee.



Ismail Zumayl Rasheed
Committee Chairman

Remuneration Report

We believe that our strategic objectives can only be delivered with the dedication and hard work of our employees. The Nomination and Remuneration Committee assists the Board by formulating a remuneration strategy that ensures a balance in attracting, motivating and retaining human capital through competitive remuneration practices, while creating shareholder value. This Policy gives effect to the remuneration strategy, supports the business objectives and offers a balance in the remuneration mix to align it with our goals. The remuneration policies for employees and Board Directors are separately stated in this Policy

Taking Care of Our Employees

We try to maximize our employee value proposition. We are committed to provide a competitive pay to all employees and operate various wellness programs.

Pay for Performance

We focus on pay-for-performance in the design of our variable pay structure, particularly for sales segments.

Gender Diversity and Equality

We support main-streaming diversity in the workplace and develop more robust employment equality plans and targets.

Training and Developing Talent

We invest in the development and skills of our employees to maximize learning potential with study assistance, performance management and career development opportunities based on our talent management strategy.

1.1. Employee Remuneration and Other Incentives

The employee remuneration principles include;

- A systematic role of evaluation shall be developed for each employee to identify their appropriate level
- of remuneration and placement within the structure
- The remuneration shall comprise of fixed and performance-based components
- The evaluation must be performed annually, and the review must assess the degree to which the employee is satisfying the requirement of his/her role and the degree to which established performance objectives have been achieved
- Fixed remuneration must align with that of comparable industry positions
- Employees are entitled to performance-based incentives including bonuses and other relative allowances
- Employees can trade in Securities of the Company, in accordance with the Trading in Securities Guideline of the Company
- The Company abides by the Regulations of the Maldives Pension Administration Office for pension

- Provision of employees, where the employee provides 7% of his/her basic salary as pension, and the Company provides the same
- Employees are further entitled to retirement, termination and severance payments where applicable
- Employees are also eligible for loans provided by the Company

1.2. Board Director's Remuneration and Other Incentives

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 the same, and an 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 principles of employee's remuneration and incentives, 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 allowance for the Chairman of the Board

The principles for board director remuneration include;

- Non-Executive Director's shall be remunerated by way of fees paid in recognition of their membership on the Board and its Sub-Committees
- The Executive Directors should be paid the same fee as that received by the Non-Executive Directors for their Board membership
- Executive Directors shall also receive variable salaries in addition to the Board membership fees. This salary must be a market median of companies comparable in market segment, business complexity and international scope. The Executive's performance must also consider fulfilment of various improvement targets and attainment of certain financial objectives
- The Company's Remuneration Policy must be formulated to attract and retain high caliber executives and motivate them to develop and implement the Company's business strategy to optimize long-term shareholder value creation

1.3. Summary on Remuneration Provided for Executive Directors

	Policy	Implementation
Base Salary	<ul style="list-style-type: none"> Benchmarked against market practices in Maldives with companies that are comparable in size, business and complexity Generally, reflects market median levels based on the role and individual skills and experience 	<ul style="list-style-type: none"> Paid monthly Increments are given as per company policies
Pension Fund	<ul style="list-style-type: none"> Provided as per Maldives Pension Administration Office regulations for pension provision 	<ul style="list-style-type: none"> Paid to Maldives Pension Administration monthly 7% of basic salary contributed from employee's salary 7% of basic salary contributed from STO
Health Insurance	<ul style="list-style-type: none"> Allied Insurance Gold package subscribed for Executive Directors 	<ul style="list-style-type: none"> Paid to Allied Insurance yearly Cost is borne by the Company Covers 1 spouse and 2 children of below 18 years of age Cost depends on the age of Director and the dependent Director must bear any insurance for additional dependents
Life Insurance	<ul style="list-style-type: none"> Allied Insurance Life Insurance package subscribed for Executive Directors 	<ul style="list-style-type: none"> Paid MVR180.00 per person per year
Annual and Deferred Bonus	<ul style="list-style-type: none"> Bonus calculations are made between 1 to 5% of net profit, as approved by the Board Bonus is given yearly Annual bonus is distributed equally to all Corporate and Staple Foods Department staff Employee must have served a minimum of 30 days over the bonus review period 50% marks is taken from performance appraisal 50% marks is concluded from attendance and disciplinary actions As such, points are deducted for disciplinary actions, late and sick leaves Overall, 49 mark and below do not receive a bonus, 50 mark to 79 mark receive 80% of eligible bonus and 80 mark to 100 mark receive 100% of eligible bonus 	<ul style="list-style-type: none"> Bonus of the year 2019 was paid in 2020 Board approved to pay 3% of net profit to all the eligible employees Both Executive Directors received above 80% marks and hence were paid 100% of the eligible amount received There was no deferred bonus paid to any of the Executive Directors in 2020

	Policy	Implementation
Sales and Performance Incentive	<ul style="list-style-type: none"> • Incentive calculations are made based on monthly and annual targets on gross profit and net profit • This policy applies to all staff of business segments, excluding Staple Foods • Targets are approved by the strategic committee • Amount of incentive reward is maintained between 1 and 10 % of target profit for the month • Above target incentives are also provided as per Incentive and Performance Policy • 20% of incentive and an administrative change of 3% is withheld by the Company • Incentive for each month is paid in the preceding month 	<ul style="list-style-type: none"> • Board Directors are not eligible for sales and performance incentives
Service Contract, Notice Period and Severance Fee	<ul style="list-style-type: none"> • All Directors are appointed for a term of one year (i.e., from one Annual General Meeting to another) 	<ul style="list-style-type: none"> • The Non-Executive Directors were last appointed to the Board on 16th May 2019 • All Directors have signed the Board Charter • This Charter indicates the term, roles and responsibilities of the Board and its Directors • The Chief Executive Officer and Managing Director, along with the Chief Financial officer have signed service contracts with the Company for the position they hold in the Company • Mohamed Mihad resigned in November 2020. He was provided severance fees through the Redundancy Policy of the Company.
Share options and Trading in Securities	<ul style="list-style-type: none"> • All Directors may hold shares in the Company • Share Trading must be made in accordance with relevant policies of the Company 	<ul style="list-style-type: none"> • No share options were provided to any Non-Executive Directors • Trading in Securities are implemented according to the Trading in Securities Guideline of the Company
Other Benefits		<ul style="list-style-type: none"> • Directors are provided additional benefits such as authority to use certain Company vehicles, accept gifts from Company on certain occasions and discount benefits as per the benefits list and policies approved by the Board

1.4. Summary on Remuneration Provided for Non- Executive Directors

	Policy	Implementation
Remuneration and Allowances	<ul style="list-style-type: none"> • Approved at the Annual General Meeting by Shareholders • Benchmarked against market practices in Maldives with companies that are comparable in size, business and complexity • Generally, reflects market median levels based on the role and individual skills and experience 	<ul style="list-style-type: none"> • Paid monthly • No increase or decrease was granted • Includes a monthly fee of MVR10,000.00 and an attendance fee of MVR500.00 per meeting • Chairman was provided an additional fee of MVR10,000.00 and a phone allowance of MVR1,000.00 per month • No additional remuneration is provided to committee members or its chairpersons
Pension Fund	<ul style="list-style-type: none"> • Non-Executive Board Directors are not eligible for this fund 	<ul style="list-style-type: none"> • No pension provisions provided for or from non-executive directors
Health Insurance	<ul style="list-style-type: none"> • Allied Insurance Gold package subscribed for Directors 	<ul style="list-style-type: none"> • Paid to Allied Insurance yearly • Cost is borne by the Company • Covers 1 spouse and 2 children of below 18 years of age • Cost depends on the age of Director and the dependent • Director must bear any insurance for additional dependents
Life Insurance	<ul style="list-style-type: none"> • Allied Insurance Life Insurance package subscribed for Directors 	<ul style="list-style-type: none"> • Paid MVR180.00 per person per year
Annual and Deferred Bonus	<ul style="list-style-type: none"> • Non-Executive Board Directors are not given a bonus 	
Sales and Performance Incentive	<ul style="list-style-type: none"> • Board Directors are not eligible performance incentives 	
Service Contract, Notice Period and Severance Fee	<ul style="list-style-type: none"> • All Directors are appointed for a term of one year (i.e., from one annual general meeting to another) • All Directors have signed the board charter 	<ul style="list-style-type: none"> • The Non-Executive Directors were last appointed to Board on 30 August 2020 • No notice period or severance fees were provided to any Non-Executive Director
Share options and Trading in Securities	<ul style="list-style-type: none"> • All Directors may hold shares in the Company • Share Trading must be made in accordance with relevant policies of the Company 	<ul style="list-style-type: none"> • No share options were provided to any Non-Executive Directors • None of the Directors traded shares within the year
Other Benefits		<ul style="list-style-type: none"> • Non-Executive Directors are provided additional benefits such as authority to use certain company vehicles, accept gifts from Company on certain occasions and discount benefits as per the benefits list and policies approved by the Board

1.5. Paid Remuneration to Board Members

In 2020, a sum of MVR970,500 was paid to the Board of Directors as remuneration in the Board, while MVR32 million was paid to the Executive Directors as remuneration for their executive position in the Company. A total of MVR8.4 million was paid to the top management, excluding the Executive Directors, as basic salary and allowances.

Name	Position in Board	Total Remuneration received for the position in the Board
Hamid Nasheed Mohamed	Chairman	MVR 265,500
Husen Amr Mohamed Rashad	CEO & MD	MVR 102,500
Mohamed Mihad	Former CFO	MVR 91,000
Mohamed Nizam	CFO	Appointed to Board in 2021
Gais Ismail	Board Director	MVR 139,500
Shimad Ibrahim	Board Director	MVR 140,500
Ismail Zumayl Rasheed	Board Director	MVR 91,500
Aminath Rushma	Board Director	MVR 140,000

- Ismail Zumayl Rasheed voluntarily took half his salary during the pandemic period from May 2020 till December 2020 and hence the difference in remuneration from other members.
- Likewise, Husen Amr Mohamed Rashad and Mohamed Mihad, had not taken any board remuneration for the period from May 2020 to July 2020.

1.6. Paid Remuneration to Top Management

Due to salary disparities in the employment market, the Board of Directors have chosen not to disclose the individual remuneration package of top management and Executive Directors. The table above indicates the remuneration paid to individual Board of Directors for the year 2020.

Mohamed Mihad, the former CFO and Hussain Sobah, a former General Manager were provided severance fees in accordance with Company Redundancy Policy. Members of current top management and their profile will be available on page 151-154.

1.7. Director's Shareholding in the Company

The Directors have the right to subscribe for Securities in the Company, in accordance with the Trading in Securities Guideline of the Company.

However, they do not have the right to subscribe for Securities in the Subsidiaries.

Name	Direct Shares	Indirect Shares
Hamid Nasheed Mohamed	-	-
Husen Amr Mohamed Rashad	-	-
Mohamed Mihad	-	-
Mohamed Nizam	-	-
Gais Ismail	-	-
Shimad Ibrahim	55	-
Ismail Zumayl Rasheed	-	-
Aminath Rushma	1	-

1.8. Director's 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 can sit on the Boards of Subsidiary Companies.

According to the Code of CMDA, no Director is permitted to sit in the Board of 3 or more Public Lister Companies.

As such, below table includes any additional remuneration received from their representations in other Boards of STO Group or another Public Listed Company in 2020.

1.9. Declaration

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



Ismail Zumayl Rasheed
Committee Chairman

Name	Other Directorships held	Policy on Remuneration
Husen Amr Mohamed Rashad	Chairman of MIFCO	Monthly MVR5000 and sitting fee of MVR300 per meeting
	Chairman of Raysut Maldives Cement	Monthly MVR5000 and sitting fee of MVR300 per meeting
Mohamed Mihad	Board Member of MIFCO	Monthly MVR5000 and sitting fee of MVR300 per meeting
	Board Member of MSS	No remuneration received
Mohamed Nizam	Chairman of Allied Insurance Company of the Maldives	Appointed in 2021. Hence no remuneration was received in 2020
	Board Member of MIFCO	Monthly MVR5000 and sitting fee of MVR300 per board meeting and MVR250 per committee meeting
	Board Member of MSS	Appointed in 2021. Hence no remuneration was received in 2020

Our People, Our Pride



Agile and United Workforce

Year 2020 began with a series of traumatic scenarios resulting from the worldwide pandemic which affected millions across the globe. COVID-19 was confirmed to have spread in our country in early 2020 while the pandemic situation continued to get worse in several other countries. We took several necessary precautions to avoid and minimize its impact to the organization and to the employees. When lockdown was imposed, we implemented an effective work-from-home system according to the functional requirements of the organization. As we were providing necessities to the public, we prioritized ensuring that these services remained uninterrupted. Our team conquered every challenge of the crisis by being united through mutual principles of discipline and co-operation. Our employees' can-do attitude, determination, responsiveness, and unity during this time has been nothing short of inspiring.

Commitment to Employee Well-being

We are committed in educating our employees on health and work-behavior equations and practices that can improve work behavior. Our policies and practices are designed to enhance well-being and maintain a positive employment relationship. During the COVID-19 pandemic, people around world struggled with grief at the loss of loved ones, isolation and general anxiety from uncertainty surround the pandemic, further adding to the stress of the work-life balance which existed pre-COVID-19. Keeping in mind the mental and physical stress faced by employees, we ensured that necessary support was in place during such challenging times.

On account of this, high-risk employees were released from work to ensure their safety. As our employees working at the forefront were at higher risk of contracting the virus, special arrangements of accommodation and food were provided for them to protect their families from exposure to the virus. We personally kept in touch and showed our support to our employees who were diagnosed with COVID-19.

Engage and Invest on a High-tech Workforce

One of the focused areas of the year was to emancipate employees from manual process and allowing them to focus on strategizing and complex tasks. Working towards automation was prioritized. Technological enhancements in the organization were among the key contributors that alleviated the processes during the work from home period of lockdown. COVID-19 exhibited a unique insight into the practicality of work from home, which influenced the organization's decision in 2020 to reshape current policies to include remote working as a permanent process. Our decision to move towards e-working was to encourage and enable the opportunity to work for the organization from anywhere in the country or beyond. Our main aim was to bring out the talent by providing remote work opportunities for those who face challenges in reporting to work due to conflicting duties in their work-life balance.

Tackling Skill Shortage and Unemployment

We ensure and deliver methods for employees to be more efficient in their current roles. Through this process we initiated to go beyond, by providing opportunities to develop people from

the community for areas where specialized and skilled people are required. This has been initiated to bridge the skill shortage gaps within the organization and throughout the country and tackle the unemployment issue in the country.

Work in Future

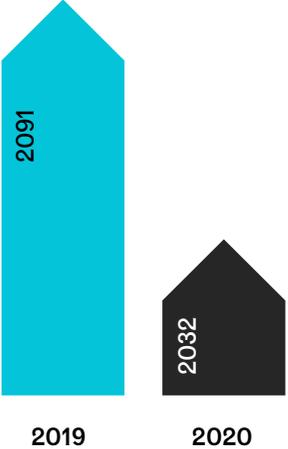
Despite the challenges faced in the year 2020, we started working towards 2021 with additional plans. Focus would be more towards inclusiveness on the whole team where we would create a culture of appreciation inclusiveness and would advocate to lead with empathy, kindness, and compassion.

Emphasis would be given to leverage technology to boost employee engagement, and platforms that are more accessible would be introduced. We would reinforce to establish a learning culture throughout the organization where employees actively develop each other through the sharing of information and knowledge.

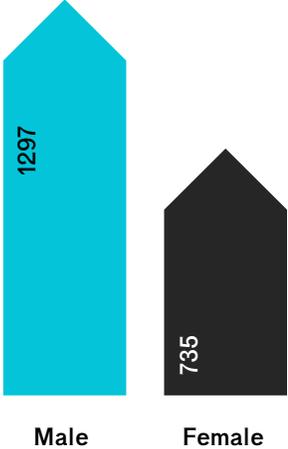
A skill gap analysis would be carried out to identify skill shortages, career development plans, to ensure that we have clear succession planning and mobility opportunities, and to attract, develop and retain high-performing talent across the organization. Additionally, revitalizing and enhancing the current performance appraisal and reward system would also be carried out.

We will lead the way in the design of proactive workplace practices that will help attract and retain talent with skills and competencies necessary for growth and sustainability.

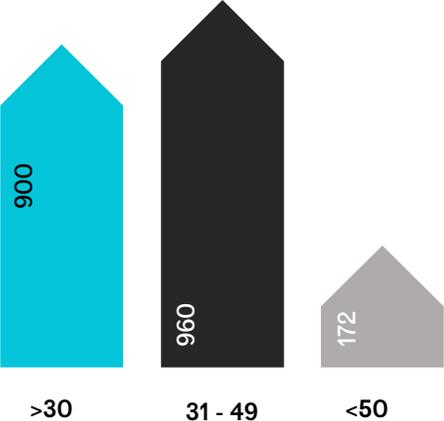
Staff Count



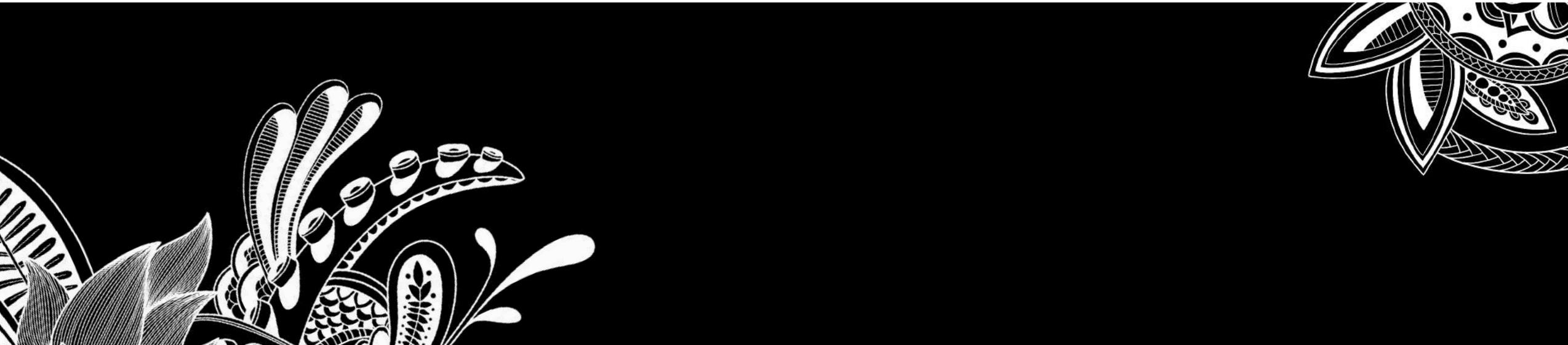
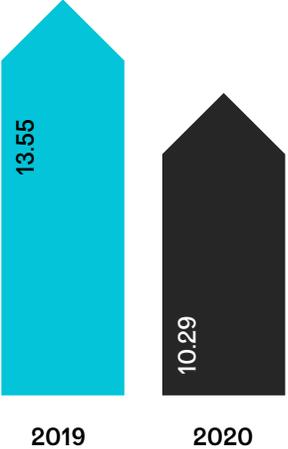
Gender Profile



Age Profile

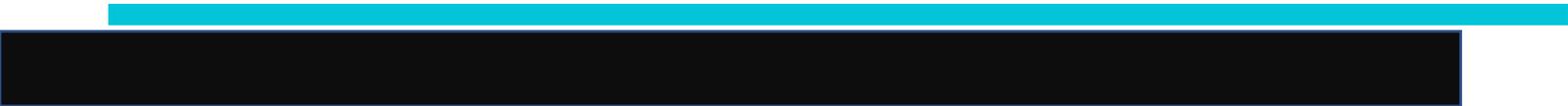


Turnover Rate





Sustainability Report





COVID-19 pandemic has greatly affected the world and has brought the economy and life to a standstill. This unprecedented crisis has affected millions of people and their livelihoods. COVID-19 has globally slowed economic growth, created barriers to healthcare access and increased unemployment. However, STO as an organization responsible for safeguarding the food security of the nation as well as playing a vital role in the procuring of energy and medical services has stood steadfast in ensuring the public of uninterrupted essential supply. STO's operations during the pandemic was well strategized and preventive measures were taken for the safety of the employees.

Food Security

A special staple operations taskforce was formed to ensure the food security of the nation during Male' City lockdown. This operation included managing both 'Kaadu Agents' and the delivery of staples to local Islands. Ensuring that all 187 inhabited islands were supplied with adequate amount of staple food was of utmost importance.

	Parboiled Rice (50KG)	Crystal white sugar (50KG)	Wheat Flour (50KG)
Sales 2020	451,318	152,286	302,052

Health and Well-Being

Demand for medical equipment and pharmaceutical items boomed in no time during the pandemic making it almost impossible for the healthcare facilities to cater to demand. We made sure these items were secured for a possible surge in this country and together with the relevant authorities, significant precautionary measures were taken ahead in time.

In addition to this, STO has contributed to the local communities in terms of COVID-19 relief efforts and has spent MVR229,906.00 as various types of donations.

Health, sports & recreation sponsors in 2020: MVR 873,521.90

Quality Education

STO ensures and provides ways for employees to be more efficient and effective in their current roles. Through this process HR initiated to go beyond, by providing opportunities to develop people from the community for areas where specialized and skilled people are required. Under this program, a Pharmacy Certification Program was offered for 50 participants, where 37 STO staff and 13 from the public participated.

Another area focused was developing heavy vehicle drivers. In order to build a local workforce in this area of work, opportunity for training was open to public and STO staff.

In the first batch 11 participants joined, 9 STO staff and 2 from the public joined. In addition, opportunity to public was offered for internship in Information Technology field. Six interns completed the internship program and job opportunity from STO was provided to one.

Type	Total Cost (MVR)
Short term overseas	870,666.23
Short term local	4,770
In-house trainings	2,286,820.56
Awareness sessions	4,874.81
Long term courses	1,770,654.75
Total	4,937,786.35

Gender Equality

STO has always been a strong advocate of Gender Equality. Working on gender balance has always been of utmost priority for STO. As of 2020, STO's Male workforce consisted of 63.8% Male and 36.2% Female. We are constantly working on reducing the gender gap at our workforce.

Work and Economic Growth

In order to minimize the impact of COVID-19 on our operations and to ensure uninterrupted essential services, swift preventive measures were taken to ensure the safety of our employees. In addition, strategies and emergency plans were developed and carefully organized teams were assembled to address potential challenges faced during an outbreak.

Quick changes were implemented to our traditional work method and employees started working remotely. Many important services such as eSTOre, an online shop which allowed consumers to purchase supermart items, home improvement products and staple foods were set up online. In addition, an Online Prescription Portal was created so that people who are in dire need of prescription medicine can order their medication from abroad.

Strengthening the IT framework of the business was another sustainable measure taken transforming to online-based solutions for both internal and external stakeholders of the business and more are still underway.

Reduced Inequalities

To retain and attract employees, a salary review process was initiated in the beginning of the year 2020. Review sessions and other forums were carried out with the departments throughout the year. A market research was carried out and a pay policy was drafted. The implementation of the streamlining of salary would ensure fair pay among our employees.

Sustainable Cities and Communities

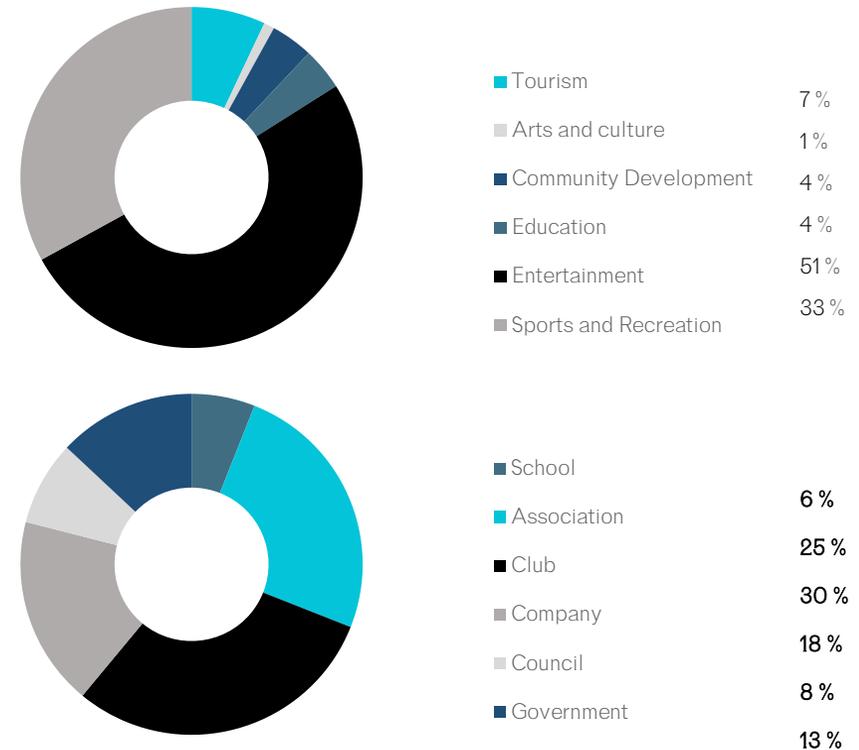
Operations were conducted to ensure that eSTOre orders and prescription medicine orders were delivered to respective customers flawlessly. In addition to this, we have been supporting the local communities by donating diagnostic kits, facemasks, and other essential COVID-19 prevention items. Apart from the local communities, we have donated PCR Machines, protective face shields and facemasks to government authorities. Together with government and non-government authorities, we also contributed in creating awareness about COVID-19 via social media and mainstream media. Our team tirelessly work to make sure the general public is aware of the basic COVID-19 preventive measures.

Sustainable Development Goals and Pandemic

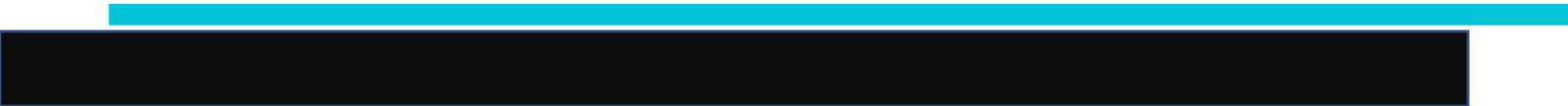
Along with providing essential items required by the public during the pandemic, we continued in our efforts to contribute to SDG goals in terms of sponsorships and donations. AS such, MVR 1,694,435.65 spent as corporate sponsorships in 2020.

MVR 721,831.00 spent as CSR/Donations in 2020

Hope for Women	45,000.00
Dharumavantha Hospital Pharmacy	240,000.00
Fire relief	71,925.00
Pandemic	229,906.04
Bus Terminal	756,678.94



Independent Auditor's Report and Financial Statements



Independent auditor's report

To the Shareholders of State Trading organization PLC

Our opinion

In our opinion, the financial statements of State Trading organization PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

PricewaterhouseCoopers, H. Thandiraimage, 3rd Floor, Roshanee Magu, Malé, Republic of Maldives
Tel: +960 3318342, 3336046, Fax: +960 3314601, www.pwc.com/lk

Partners D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, T.U. Jayasinghe FCA
Resident Partner Jatindra Bhatray FCA

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Key audit matter

The Company:

Recoverability of investment property under construction

(Refer to the significant accounting policy note 3.5 and note 14 to the consolidated financial statements)

There has been an inordinate delay in completing the construction of an investment property amounting MVR 287,559,138 shown at a cost less accumulated impairment of MVR 369,104,671 in the statement of financial position as at December 31, 2020. Management considers the delay as an impairment indicator and has performed impairment assessments annually from the year ended December 31, 2018, by comparing the carrying amount of the investment property with the recoverable amount. The recoverable amount of the investment property was based on fair value less cost of disposal. An accumulated impairment charge of MRV 369,104,671 had been recognized for the amount by which the carrying amount exceeded the recoverable amount of the investment property as at December 31, 2020.

Management engaged an independent valuer to estimate the fair value of the investment property under construction. We identified recoverability of investment property as a key audit matter as the carrying amount of investment property in the Company's statement of financial position is significant and determining fair value involves use of assumptions in the valuation methodology, subject to significant judgement.

How our audit addressed the Key audit matter

Our audit approach included both process understanding and substantive procedures as follows:

- i. Obtained an understanding of the process by which management determines the recoverability of investment made on property under construction and evaluated management's assessment of impairment indicator;
- ii. Obtained and examined the valuation report of the external valuer and assessed the independence, competence and qualification of the management appointed valuer;
- iii. Verified the completeness and accuracy of the information provided to the valuer;
- iv. Involved our valuation expert in the evaluation of the appropriateness of the management appointed valuer's valuation method and basis, reasonability of key assumptions and information used;
- v. Performed sensitivity analysis for discount rates and other assumptions used in the recoverable value;
- vi. Re-performed the calculation of the accumulated impairment provision as at the year-end;
- vii. Assessed the adequacy of the disclosures in the consolidated financial statements; and
- viii. Evaluated the appropriateness of the accounting policy on investment property adopted by management based on the relevant accounting standards and our understanding of the nature of the entity's business.

Based on the work performed, we found the accumulated impairment provision on investment property made by management had been determined based on appropriate valuation methodology and reasonable assumptions.

Recognition of revenue from retail and wholesale business

(Refer to the significant accounting policy Note 3.18 and Note 7 to the consolidated financial statements)

During the year ended 31 December 2020, the Company has recognized revenue from retail and wholesale business amounting to MVR 7,200,560,599.

Revenue from retail and wholesale business represent 99.9% of the Company's revenue for the year ended 31 December 2020 and is material to the financial statements.

We focused on this area as determining revenue from retail and wholesale business involves risk due to:

- revenue being generated from several geographical locations in the Maldives; and
- revenue being captured and processed by automated systems involving large volumes of transactions.

Our audit approach included both control testing and substantive procedures performed as follows:

- i. Understanding and evaluating the design, implementation and operating effectiveness of key controls over initiating, recording, processing and reporting of revenue transactions across all significant revenue streams in relation to retail and wholesale business;
- ii. Identified the relevant IT systems installed and operated for capturing and processing revenue transactions and evaluated the effectiveness of ITGCs and IT application controls over revenue recognition with the assistance of our IT specialists;
- iii. Tested significant wholesale revenue transactions on a sample basis during the year, to ensure that revenue had been recognized in accordance with the contractual terms in the correct accounting period and the requirements of the relevant accounting standard;
- iv. Performed reconciliations of the Point of Sales ("POS") records of retail revenue to the general ledger;
- v. Tested significant retail revenue transactions on a sample basis during the year, to ensure that revenue had been recognized in the correct accounting period and in accordance with the requirements of the relevant accounting standard;
- vi. Examined material manual journal entries and other adjustments processed to revenue; and
- vii. Assessed the adequacy of the disclosures made in the consolidated financial statements in relation to revenue from retail and wholesale business.

Based on the worked performed we found that revenue had been recognized in line with the requirements of the relevant accounting standard and the Company's revenue recognition policies.

The Group:**Impairment review of property, plant and equipment of a subsidiary company (MIFCO)**

(Refer to Note 13.1 to the consolidated financial statements)

Maldives Industrial Fisheries Company Limited ("MIFCO") a subsidiary company of the Group had property, plant and equipment with a carrying value of MVR 354,439,880 as at 31 December 2020.

MIFCO had been incurring operating losses for several years due to price control by Government on purchase of fish and fluctuating selling prices in the market although sold in a competitive market resulting in MIFCO not being able to recover cost. Management of MIFCO considered the continuing operating losses as impairment indicators and performed impairment assessment on the carrying amount of the property, plant and equipment. The recoverable amount of the property, plant and equipment was determined based on the fair values less cost of disposal.

Accordingly, the management engaged an independent valuer to estimate the fair value of the property, plant and equipment. As determining fair value involves use of assumptions in the valuation methodology, subject to significant judgement, we considered estimation of fair value of property, plant and equipment of MIFCO for ascertaining the recoverable amount as a key audit matter.

The audit procedures we performed in relation to the estimation of fair value of property, plant and equipment of the subsidiary included the following:

- i. Obtained and examined the valuation report and assessed the independence, competence and qualification of the external valuer;
- ii. Checked the completeness and accuracy of the inputs provided to the valuer;
- iii. Examined the existence and physical condition of assets considered for valuation by the valuer by physical inspection of a sample of assets and with reference to the fixed assets register;
- iv. Engaged an independent valuer to evaluate the appropriateness of the management appointed valuer's valuation method and basis, reasonability of key assumptions and information used; and
- v. Re-performed management calculation independently to determine that the fair value less cost of disposal was higher than the carrying amount of the assets in the subsidiary.

Based on the worked performed we found that revenue had been recognized in line with the requirements of the relevant accounting standard and the Company's revenue recognition policies.

Valuation of insurance contract liabilities

(Refer to the significant accounting policy in Note 3.13 and Notes 34 to the consolidated financial statements)

As at 31 December 2020 the Group has reserved insurance contract liabilities of MVR 441,902,500, MRV 78,533,214 and MVR 42,247,242 for Non-life insurance, Life insurance and Takaful insurance respectively.

The liabilities for individual life assurance policies had been determined using net premium valuation method. For group term assurance - life policies, the liability was determined based on the

We, along with the actuarial audit support experts performed the following audit procedures to assess the reasonableness of the insurance contract liabilities:

- i. Assessed the appropriateness of the valuation methodologies used, by applying our industry knowledge and experience to compare whether the methodologies and changes in methodologies (where applicable) are in line with recognized actuarial practices and expectation derived from market experience;

estimation of unearned premium reserve (UPR) and incurred but not reported (IBNR) claims.

The liabilities for the general insurance business comprise claims related liabilities and premium related liabilities. Claims related liabilities include IBNR and Case reserves held by the company. Premium related liability was held based on UPR.

The management's valuation of these insurance contract liabilities involves significant judgment with respect to uncertain future outcomes, including previous claims experience, loss development factors, initial expected loss ratios, mortality/morbidity, interest/ investment rates, expense levels and inflation. The process also involves complex valuation methodologies.

Accordingly, we have considered this as a Key Audit Matter.

- ii. Assessed the competence and experience to the management expert involved in the liability valuation;
- iii. Assessed reasonableness of the key assumptions. Our assessment included:
 - Obtaining an understanding of and testing the management controls in place to ensure the accuracy of data used for the valuations;
 - Examining the approach used by management expert to derive the assumptions by applying our industry knowledge and experience;
 - Assessing reasonableness of the key assumptions used by management expert against past experience, market observable data (as applicable) and our knowledge on market practices;
- iv. Checked on a sample basis, provision for pending claims against evidence available, such as surveyor / loss adjuster reports; and
- v. Checked the calculation of the liability adequacy test and assessed the adequacy of the disclosures made in the financial statements.

Based on the procedures performed we found the methodologies and assumptions used by the management expert to value the insurance contract liabilities to be appropriate and reasonable.

Other Information

Management is responsible for the other information. The other information comprises the annual report for the year ended 31 December 2020 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company's and the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management'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 Company's/Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of Company and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
-



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 entities or 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 those charged with governance 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 those charged with governance with a statement that we have complied with the ethical requirements in accordance with IESBA Code of Ethics 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Jatindra Bhatray.

MALE'

For PRICEWAATERHOUSECOOPERS

Jatindra Bhatray
Partner

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

FOR THE YEAR ENDED 31ST DECEMBER	Note	Group		Company	
		2020 MVR	2019 MVR	2020 MVR	2019 MVR
Revenue	7	8,501,085,171	10,905,884,282	7,208,991,811	9,319,256,401
Cost of sales	10	(6,717,476,893)	(8,937,353,802)	(5,836,431,919)	(7,974,146,698)
Gross profit		1,783,608,278	1,968,530,480	1,372,559,892	1,345,109,703
Other income	8	64,625,714	95,016,762	70,687,306	70,712,195
Administrative expenses	10	(742,508,895)	(708,305,596)	(325,517,956)	(365,062,487)
Selling and marketing expenses	10	(570,542,819)	(599,205,752)	(490,107,489)	(498,259,043)
Impairment (loss)/ reversal on trade, other and related party receivables	22	(107,403,312)	105,769,284	(116,566,739)	132,860,941
Other operating expenses	10	(26,551,850)	(20,112,580)	(2,657,453)	(1,946,349)
Operating profit		401,227,116	841,692,599	508,397,561	683,414,960
Finance income		22,556,193	24,667,725	60,839,719	69,132,043
Finance costs		(210,415,610)	(240,663,736)	(137,825,704)	(189,389,339)
Net finance costs	9	(187,859,417)	(215,996,011)	(76,985,985)	(120,257,296)
Share of profit of equity accounted investees - net of tax	18	9,696,528	9,499,747	-	-
Profit before tax and impairment of investment		223,064,227	635,196,335	431,411,576	563,157,664
Impairment of investment property under construction	14.2	-	(159,209,712)	-	(159,209,712)
Profit before tax		223,064,227	475,986,623	431,411,576	403,947,952
Income tax expense	11	(96,388,141)	(92,525,548)	(72,113,257)	(100,919,508)
Profit after tax		126,676,086	383,461,075	359,298,319	303,028,444

FOR THE YEAR ENDED 31ST DECEMBER	Note	Group		Company	
		2020 MVR	2019 MVR	2020 MVR	2019 MVR
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	31	13,790,211	(7,200,941)	5,964,428	(6,583,891)
Tax related to remeasurement of defined benefit liability		(737,436)	536,265	(894,664)	987,584
Equity investment at FVOCI - net change in fair value	19	14,875,000	1,545,774	10,000,000	(2,579,226)
Tax related to equity investments at FVOCI - net change in fair value	11.3	(2,231,250)	(231,866)	(1,500,000)	386,884
Total other comprehensive income / (loss) - net of tax		25,696,525	(5,350,768)	13,569,764	(7,788,649)
Total comprehensive income for the year		152,372,611	378,110,306	372,868,083	295,239,795
Profit attributable to:					
Owners of the Company		123,358,223	378,946,200	359,298,319	303,028,444
Non - controlling interests		3,317,863	4,514,875	-	-
		126,676,086	383,461,075	359,298,319	303,028,444
Total comprehensive income attributable to:					
Owners of the Company		149,124,957	373,489,794	372,868,083	295,239,795
Non - controlling interests		3,247,654	4,620,512	-	-
		152,372,611	378,110,306	372,868,083	295,239,795
Basic and diluted earnings per share	12	109	336	319	269

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 75 to 149. The Report of the Independent Auditors is given on pages 64 to 69.

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

AS AT 31ST DECEMBER

Note	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
ASSETS				
Non-current assets				
Property, plant and equipment	13	2,086,008,356	2,124,549,574	1,405,274,477
Investment property	14	370,473,349	347,504,634	370,473,349
Intangible assets	15	22,277,031	16,953,798	1,233,600
Prepaid lease rent	16	-	26,810,112	-
Investment in subsidiaries	17	-	-	157,107,425
Equity accounted investees	18	34,495,440	32,798,912	15,267,267
Equity securities at FVOCI	19	56,240,800	51,365,800	2,240,800
Right-of-use assets	20	516,552,870	524,308,647	164,879,935
Deferred tax assets	11	122,681,114	113,807,996	87,726,148
Total non-current assets		3,208,728,960	3,238,099,473	2,204,203,001
Current asset				
Inventories	21	1,314,404,330	1,200,366,381	935,531,894
Trade and other receivables	22	683,711,477	705,476,221	248,005,320
Prepaid lease rent	16	-	2,314,542	-
Amounts due from related parties	23	2,033,369,401	1,874,437,905	2,860,475,306
Reinsurance contracts	24	375,565,718	308,484,814	-
Other financial investments	25	281,429,651	208,747,816	-
Cash and cash equivalents	26	585,270,947	360,639,441	366,331,483
Total current assets		5,273,751,523	4,660,467,120	4,410,344,003
Total assets		8,482,480,483	7,898,566,593	6,614,547,005
EQUITY AND LIABILITIES				
Equity				
Share capital	27	56,345,500	56,345,500	56,345,500
Share premium	27	27,814,500	27,814,500	27,814,500
Claim equalization reserve	27	59,471,109	51,709,518	-
Currency translation reserve	27	334,411	334,411	-
General reserve	27	823,905,658	752,045,994	814,623,848
Fair value reserve	27	4,665,852	(7,977,898)	(7,234,148)
Retained earnings		1,425,075,336	1,443,576,164	1,625,969,760
Equity attributable to owners of the Company		2,397,612,366	2,323,848,189	2,517,519,460
Non-controlling interests	28	25,370,201	23,222,547	-
Total equity		2,422,982,567	2,347,070,736	2,517,519,460

LIABILITIES

Non-current liabilities

Loans and borrowings	29	208,707,516	388,664,858	181,912,554	284,332,964
Deferred income	33	38,360,046	38,647,813	47,806,652	49,737,506
Deferred tax liability	11	1,075,108	1,097,534	-	-
Lease liabilities	30	424,254,006	420,184,235	160,227,981	137,490,910
Defined benefit obligation	31	110,569,873	66,670,383	37,320,592	41,897,966
Total non-current liabilities		782,966,549	915,264,823	427,267,779	513,459,346

Current liabilities

Loans and borrowings	29	2,023,483,639	2,261,220,827	1,507,740,378	1,847,924,418
Trade and other payables	32	1,848,649,500	1,389,980,201	1,534,938,058	1,221,008,401
Lease liabilities	30	67,361,350	43,943,474	19,145,324	21,596,892
Deferred income	33	8,951,011	8,503,607	1,930,854	1,930,854
Insurance contracts	34	562,682,956	477,906,281	-	-
Current tax liabilities	35	55,778,411	64,752,039	49,043,901	43,075,864
Amounts due to related parties	36	135,278,871	112,026,956	214,071,016	179,594,110
Bank overdrafts	26	574,345,629	277,897,649	342,890,234	215,383,259
Total current liabilities		5,276,531,367	4,636,231,034	3,669,759,765	3,530,513,798

Total liabilities

Total equity and liabilities

		6,059,497,916	5,551,495,857	4,097,027,544	4,043,973,144
		8,482,480,483	7,898,566,593	6,614,547,005	6,263,985,302

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 75 to 149. The Report of the Independent Auditors is given on pages 64 to 69.

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

				
Mohamed Nizam CFO	Husen Amru Mohamed Rashad CEO & MD	Shihad Ibrahim Audit & Risk Committee Chairman	Hamid Nasheed Mohamed Board Chairman	Aminath Rushma Director representing Public Shareholders

15 May 2021

STATE TRADING ORGANIZATION PLC.
(INCORPORATED IN THE REPUBLIC OF THE MALDIVES)
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2020

GROUP	Attributable to owners of the Company						Total	Non-controlling interest	Total	
	Share capital	Share premium	Claim equalization reserve	Currency translation reserve	General reserve	Fair value reserve				Retained earnings
	MVR	MVR	MVR	MVR	MVR	MVR				MVR
Balance at 1st January 2019	56,345,500	27,814,500	42,720,880	334,411	691,440,305	(9,291,806)	1,206,355,385	2,015,719,175	19,713,146	2,035,432,320
Profit for the year	-	-	-	-	-	-	378,946,200	378,946,200	4,514,875	383,461,075
Net change in fair value of Equity Investments at FVOCI - net of tax	-	-	-	-	-	1,313,908	-	1,313,908	-	1,313,908
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(6,770,313)	(6,770,313)	105,637	(6,664,676)
Total comprehensive income for the year	-	-	-	-	-	1,313,908	372,175,887	373,489,794	4,620,512	378,110,306
Transfer to / (from) during the year										
- general reserve (Note 27.4)	-	-	-	-	60,605,689	-	(60,605,689)	-	-	-
- claim equalization reserve (Note 27.6)	-	-	8,988,638	-	-	-	(8,988,638)	-	-	-
Transactions with owners of the Company										
- Dividends (Note 27.3)	-	-	-	-	-	-	(65,360,780)	(65,360,780)	(1,111,111)	(66,471,891)
Total transaction with owners of the Company	-	-	-	-	-	-	(65,360,780)	(65,360,780)	(1,111,111)	(66,471,891)
As at 31st December 2019	56,345,500	27,814,500	51,709,518	334,411	752,045,994	(7,977,898)	1,443,576,164	2,323,848,189	23,222,547	2,347,070,736
Balance at 1st January 2020	56,345,500	27,814,500	51,709,518	334,411	752,045,994	(7,977,898)	1,443,576,164	2,323,848,189	23,222,547	2,347,070,736
Profit for the year	-	-	-	-	-	-	123,358,223	123,358,223	3,317,863	126,676,086
Other comprehensive income										
Net change in fair value of Equity Investments at FVOCI - net of tax	-	-	-	-	-	12,643,750	(10,000,000)	2,643,750	-	2,643,750
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	13,122,983	13,122,983	(70,209)	13,052,775
Total comprehensive income for the year	-	-	-	-	-	12,643,750	126,481,206	139,124,956	3,247,655	142,372,611
Transfer to / (from) during the year										
- general reserve	-	-	-	-	71,859,664	-	(71,859,664)	-	-	-
- claim equalization reserve	-	-	7,761,591	-	-	-	(7,761,591)	-	-	-
Transactions with owners of the Company										
- Dividends (Note 27.3)	-	-	-	-	-	-	(65,360,780)	(65,360,780)	(1,100,000)	(66,460,780)
Total transaction with owners of the Company	-	-	-	-	-	-	(65,360,780)	(65,360,780)	(1,100,000)	(66,460,780)
As at 31st December 2020	56,345,500	27,814,500	59,471,109	334,411	823,905,658	4,665,852	1,425,075,336	2,397,612,366	25,370,201	2,422,982,567

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 75 to 149. The Report of the Independent Auditors is given on pages 64 to 69.

STATE TRADING ORGANIZATION PLC.
(INCORPORATED IN THE REPUBLIC OF THE MALDIVES)
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER 2020

COMPANY	Share capital MVR	Share premium MVR	General reserve MVR	Fair Value reserve MVR	Retained earnings MVR	Total MVR
Balance at 1st January 2019	56,345,500	27,814,500	682,158,495	(13,541,806)	1,237,356,454	1,990,133,143
Profit for the year	-	-	-	-	303,028,444	303,028,444
Other comprehensive income, net of tax	-	-	-	(2,192,342)	(5,596,307)	(7,788,649)
Total comprehensive income for the year	-	-	-	(2,192,342)	297,432,137	295,239,795
Transfer to / (from) during the year						
- general reserve	-	-	60,605,689	-	(60,605,689)	-
Transactions with owners of the Company						
- Dividends (Note 27.3)	-	-	-	-	(65,360,780)	(65,360,780)
Total transaction with owners of the Company	-	-	-	-	(65,360,780)	(65,360,780)
As at 31st December 2019	<u>56,345,500</u>	<u>27,814,500</u>	<u>742,764,184</u>	<u>(15,734,148)</u>	<u>1,408,822,122</u>	<u>2,220,012,158</u>
Balance at 1st January 2020	56,345,500	27,814,500	742,764,184	(15,734,148)	1,408,822,122	2,220,012,158
Profit for the year	-	-	-	-	359,298,319	359,298,319
Other comprehensive income, net of tax	-	-	-	8,500,000	(4,930,236)	3,569,764
Total comprehensive income for the year	-	-	-	8,500,000	354,368,083	362,868,083
Transfer to / (from) during the year						
- general reserve	-	-	71,859,664	-	(71,859,664)	-
Transactions with owners of the Company						
- Dividends (Note 27.3)	-	-	-	-	(65,360,780)	(65,360,780)
Total transaction with owners of the Company	-	-	-	-	(65,360,780)	(65,360,780)
As at 31st December 2020	<u>56,345,500</u>	<u>27,814,500</u>	<u>814,623,848</u>	<u>(7,234,148)</u>	<u>1,625,969,760</u>	<u>2,517,519,460</u>

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 75 to 149. The Report of the Independent Auditors is given on pages 64 to 69.

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER

	Note	Group		Company	
		2020 MVR	2019 MVR	2020 MVR	2019 MVR
Cash flows from operating activities					
Profit before tax		223,064,227	475,986,623	431,411,576	403,947,952
Adjustments for:					
Depreciation on property, plant and equipment	13	195,032,628	198,806,125	115,673,027	122,446,007
Depreciation on investment properties	14	6,155,939	6,164,365	6,155,939	6,164,365
Amortization on right-of-use assets	10	38,382,244	33,118,002	23,784,745	16,445,854
Interest on lease liabilities	9	40,328,406	35,182,949	16,657,559	12,642,010
Amortization of intangible assets	15	5,623,572	5,557,801	-	-
Opening lease expense adjustment		5,891,787	-	4,353,854	-
Capital work-in progress written off	15.3	136,850	-	-	-
Capital work-in progress written off	13	1,131,933	878,431	1,047,370	-
Gain on disposal of property, plant and equipment	8	(715,679)	(198,613)	(17,858,050)	(73,563)
Loss on disposal of intangible assets	15	-	90,000	-	-
Provision for impairment of investment in subsidiaries	10	-	-	-	7,343,701
Provision for impairment of investment in hulhumale hotel	14	-	159,209,712	-	159,209,712
Provision/ (reversal) for impairment of trade, other and related party receivable	10	107,403,312	(105,769,284)	116,566,739	(132,860,941)
Provision of impairment for slow moving inventories	21.1	60,773,879	4,434,143	53,529,234	3,950,466
Provision for defined benefit obligation	31	60,955,584	17,620,210	4,032,354	4,640,104
Receivable written off	10	147,460	-	-	-
Share of profit of equity - accounted investees, net of tax	18	(9,696,528)	(9,499,747)	-	-
Interest expense	9	170,069,284	204,234,102	121,150,225	175,508,369
Interest income	9	(6,032,070)	(7,168,208)	(2,937,986)	(4,272,355)
Dividend income	9	(5,891,437)	(5,547,290)	(57,901,733)	(64,859,688)
Operating profit before working capital changes		892,761,391	1,013,099,321	815,664,853	710,231,993
Working capital changes					
Change in inventories		(174,811,827)	(127,342,847)	(77,683,323)	(163,615,006)
Change in trade and other receivables		(85,786,027)	186,917,726	22,608,179	77,857,005
Change in amount due from related parties		(158,931,492)	178,652,058	(220,263,307)	226,264,835
Changes in reinsurance contracts		(67,080,904)	(39,038,682)	-	-
Changes in deferred revenue		159,636	(53,021)	(1,930,854)	(1,930,854)
Change in amount due to related parties		23,251,914	27,970,963	34,476,906	42,435,288
Change in trade and other payables		404,109,235	(833,510,812)	259,369,593	(768,295,882)
Changes in insurance contracts		84,776,675	86,710	-	-
Cash generated from operating activities		918,448,600	406,781,416	832,242,047	122,947,379
Interest paid		(210,397,690)	(239,417,051)	(137,807,784)	(188,150,379)
Gratuity paid		(3,265,883)	(4,051,439)	(2,645,300)	(1,788,422)
Income tax paid	35	(117,225,999)	(67,606,067)	(76,058,790)	(43,401,048)
Net cash generated from / (used in) operating activities		587,559,029	95,706,859	615,730,173	(110,392,470)

Cash flows from investing activities

	Note	2020 MVR	2019 MVR	2020 MVR	2019 MVR
Purchase and construction of property, plant and equipment	13	(158,916,205)	(210,872,509)	(47,730,311)	(134,326,585)
Purchase and construction of investment properties	14.1	-	(918,989)	-	(918,989)
Purchase of intangible assets	15	(9,850,055)	(5,479,162)	-	-
Proceeds from sales of property, plant and equipment		774,934	3,385,463	17,902,051	3,132,142
Investment in subsidiaries	17	-	-	(52,163,045)	-
Purchase of other financial instruments	25	(176,051,489)	(364,488,290)	-	-
Proceeds from sales of other financial instruments	25	103,369,654	353,453,928	-	-
Interest received		6,032,070	7,168,208	2,937,986	4,272,355
Dividend received		13,891,437	13,547,290	57,901,733	64,859,688
Net cash used in investing activities		(220,749,654)	(204,204,061)	(211,515,586)	(62,981,389)

Cash flows from financing activities

	Note	2020 MVR	2019 MVR	2020 MVR	2019 MVR
Loans and borrowings obtained	29	242,324,844	6,236,303	226,897,134	-
Repayments of borrowings	29	(78,951,237)	(186,646,746)	(88,433,447)	(168,608,543)
Loans and borrowings obtained for working capital	29	3,455,293,181	6,352,813,257	3,455,293,181	6,352,813,257
Principal lease payments		(9,030,603)	(4,615,655)	(18,500,531)	(11,590,553)
Repayments of working capital loans and borrowings	29	(4,036,361,318)	(5,850,087,064)	(4,036,361,318)	(5,850,087,064)
Dividend paid		(11,900,716)	(240,313,184)	(10,800,716)	(239,202,073)
Net cash (used in) / generated from financing activities		(438,625,849)	77,386,911	(471,905,697)	83,325,024
Net (decrease) / increase in cash and cash equivalents		(71,816,475)	(31,110,292)	122,672,889	(90,048,835)
Cash and cash equivalents at beginning of the year		82,741,792	113,852,084	(99,231,640)	(9,182,805)
Cash and cash equivalents at end of the year	26	10,925,317	82,741,792	23,441,249	(99,231,640)

Figures in brackets indicate deductions.

The consolidated and separate financial statements 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 75 to 149. The Report of the Independent Auditors is given on pages 64 to 69.

STATE TRADING ORGANIZATION PLC.

(INCORPORATED IN THE REPUBLIC OF THE MALDIVES)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Corporate information

State Trading Organization PLC (the 'Company') is a company incorporated and domiciled in the Republic of Maldives as a public limited liability company since 2001 and presently governed under the Companies' Act No. 10 of 1996 with its registered office at Kan'baa, Aisarani Hingun, K.Male' 20345, Republic of Maldives.

1.2 Consolidated financial statements

The consolidated financial statements of the Group for the year ended 31st December 2020 include the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in investments in equity accounted investees. The financial statements of all companies in the Group have a common financial year which ends on December 31st. State Trading Organization PLC is the ultimate parent of the Group.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

1.3 Principal Activities and Nature of Operations

Entity	Principal business activities
State Trading Organization PLC ('STO')	The Company is involved in the business of local and foreign trading.
Fuel Supplies Maldives Private Limited ('FSM')	FSM is in the business of supplying and distribution of fuel and lubricant in Maldives.
Raysut Maldives Cement Private Limited ('Raysut')	Raysut imports cement and distributes in Maldives.
Maldives National Oil Company Private Limited ('MNOOC')	MNOOC is directly responsible for the development of oil and gas industry processes in the Maldives and overseas.
STO Hotels & Resorts Private Limited ('STOHR')	STOHR is involved in the business of Hotel and Leisure sector, however the Company has not commenced commercial operations as at 31st December 2020.
Allied Insurance Company of the Maldives Private Limited ('ALLIED')	ALLIED is involved in the business of providing insurance services in Maldives.
STO Maldives (Singapore) Private Limited ('STOS')	The company's line of business includes the trading of commodities in international markets.
Maldives Structural Products Private Limited ('MSP')	MSP's main objective is producing steel roofing products and related accessories and supply to the Maldives market.
Maldives Gas Private Limited ('MGPL')	MGPL supplies and delivers liquefied petroleum gas (LPG), produces medical and industrial oxygen and sells a range of products from gas stoves to regulators and other LPG equipment.
Maldives Industrial Fisheries Company Limited ('MIFCO')	MIFCO's main activity is centered on the purchase, process and value addition of tuna and the subsequent sale and exporting of tuna, tuna products, reef fish and other fisheries products.

STATE TRADING ORGANIZATION PLC.

(INCORPORATED IN THE REPUBLIC OF THE MALDIVES)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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 item, which is measured on an alternative basis on each reporting date.

Items	Measurement basis
Equity Securities at FVOCI	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 financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

- Loss allowance for expected credit losses - note 3.10 and 40 (III).
- Estimated useful life of property plant and equipment - note 3.4 and 13.
- Estimated useful life of intangible asset - note 3.6 and 15.
- Estimation uncertainties and judgements made in relation to lease accounting - note 3.14 and 30.
- Estimation of fair values of land and buildings and investment property - note 3.5 and note 14.

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

(i) Business combinations (continued)

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.

(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

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2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

(vi) Common control transactions

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

(vii) Loss of control

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

(viii) Goodwill on consolidation

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill that arises is tested annually for impairment. Group policy on impairment of goodwill is discussed under note 3.8 (ii).

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, 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Foreign currency (continued)

(ii) Foreign operations

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

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

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group / the 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 / the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3.2 Financial instruments

(i) Financial assets (non-derivatives other than insurance receivables)

Recognition and initial measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group/Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at

fair value plus, for an item not at FVTPL, transaction cost that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") - Debt investment, FVOCI - equity investment or FVTPL. Financial assets are not classified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. In which case all affected financial assets are classified on the first day of the first reporting period following the change in the business model.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

Classification and subsequent measurement (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group / the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

Business Model Assessment

The Group / the Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's / Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

Assessment Whether the Cash flows are Solely Payment of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
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Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
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- The Group / the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- The Group / the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group / the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

De-recognition

The Group / the Company de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group / the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

(ii) Financial assets (insurance receivables)

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. Premium receivables are derecognized when the de-recognition criteria for financial assets have been met.

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

(ii) Financial liabilities (non-derivative other than reinsurance liabilities)

The Group / 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 / the Company becomes a party to the contractual provisions of the instrument. The Group / the Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group / the 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 / the Company non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties and trade and other payables. Such 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

De-recognition (continued)

(iii) Financial liabilities (non-derivative other than reinsurance liabilities)

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expire. The Group / the Company also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Reinsurance Liabilities

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.

3.3 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 is 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.

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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 / the 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 - 25	Years
Vessels and fleet	5 - 15	Years
Motor vehicles	4 - 5	Years
Plant and machinery	3 - 25	Years
Air conditioners	3 - 4	Years
Office equipment	3 - 5	Years
Furniture and fixtures	3 - 5	Years
Other assets	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 ready for use upon which the cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

3.5 Investment property

Investment property 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property (continued)

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

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 ready for use upon which the cost of completed construction works is transferred to the appropriate category of investment property.

3.6 Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group / the 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 / the 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 / the Company has sufficient resources to complete development and to use the asset.

(iii) Amortization

Amortization is recognized 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 ready to use upon which the cost of completed construction works is transferred to intangible assets.

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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 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Company.

3.9 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within current liabilities in the balance sheet.

3.10 Impairment

(i) Financial assets (including insurance receivables)

The Group / the Company accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, the Group / the Company recognizes a loss allowance for expected credit losses on:

Debt investments measured subsequently at amortized cost or at FVTOCI;

Trade receivables;

Cash and bank balances; and

Contract assets;

Amounts due from related parties

In particular, the Group / Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group / the Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. The Group / the Company applies a simplified approach for measuring the loss allowance at an amount equal to lifetime

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (continued)

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

ECL for trade receivables and contract assets. The Group / the Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group / the Company considers a financial asset to be in default when,

- The borrower is unlikely to pay its credit obligations to the Group / the Company in full
- The financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are presented by deducting from the gross carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group / the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial assets

The carrying amounts of the Group's / Company's non-financial assets 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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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 insurance 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.

3.12. Provisions

A provision is recognized in the reporting date when the Group / the 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, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Insurance contract liabilities (continued)

(ii) Insurance contract liabilities – life insurance

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.

(iii) 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.

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.

(iv) 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 Leases

At inception of a contract, the Group / the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group / the Company uses the definition of lease in IFRS 16.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leases (continued)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group / the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group / the Company has elected not to separate non-lease component and account for the lease and non-lease component as a single lease component.

(a) Recognition and initial measurement of right-to-use asset

The Group / the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(b) Subsequent measurement

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group / the Company by the end of lease term or the cost of the right-of-use asset reflects that the Group / the Company will exercise a purchase option. In that case the right-to-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those property and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any and adjusted for certain re-measurement of the lease liability.

(c) Recognition and initial measurement of lease liability

The lease liability is initially measured at present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group / the Company's incremental borrowing rate. Generally, the Group / the Company uses its incremental borrowing rate as the discount rate.

(d) Short-term leases and leases of low-value assets

The Group / the Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise underlying asset value of which is less than USD 5,000 including IT equipment. The Group / the Company recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a Lessor

At the inception or on modification of a contract that contains a lease component, the Group / the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leases (continued)

(ii) As a Lessor (continued)

When the Group / the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group / the Company makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group / the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group / the Company an intermediate lessor, it account for accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-to-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group / the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If the arrangement contains lease and non-lease components, then Group / the Company applies IFRS 15 to allocate the consideration in the contract.

The Group / the Company applies the de-recognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group / the Company further regularly reviews estimated unguaranteed residual value used in calculating the gross investment in the lease.

The Group / the Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

13.15 Deferred income

The group's deferred income policy is described in 33.1.

13.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

13.17 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.18 Revenue

3.18.1 Revenue from contract with customers (other than insurance)

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services

Type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Goods transferred at a point in time	Under IFRS 15, revenue is recognized upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods. The Group has average credit periods varying from 30 - 90 days depending on the contract.	Revenue from the sale of goods is recognized when the Company satisfies its performance obligation towards the customer.
Services transferred over time	Under IFRS 15, the Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.	Revenue from the services rendered is recognized with reference to the time of services rendered.

Retail and wholesale

Retail and wholesales segment focuses on trading of a wide range of beverages, frozen confectionary, processed meat, dairy products, pharmaceutical items, electric equipment's and construction materials. Revenue is recognized at the point in time when the control of the asset is transferred to the customer, which is generally upon sale of the goods to the customer. Revenue is measured based on actual sales.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue (continued)

3.18.1 Revenue from contract with customers (other than insurance)

Gas

Gas segment focuses on sale and distribution of Liquid gas (L.P.G), industrial gas, medical gases and related equipment. Revenue is recognized at the point in time when the control of the asset is transferred to the customer, which is generally upon sale of the goods to the customer. Revenue is measured based on actual sales.

Fuel and lubricants

Fuel and lubricants segment focuses on trading of petrol, diesel and jet fuel. Revenue is recognized at the point in time when the control of the asset is transferred to the customer, which is generally upon sale of the goods to the customer. Revenue is measured based on actual sales.

Fishery

Fishery segment focuses on processing and selling of fish products. Revenue is recognized at the point in time when the control of the asset is transferred to the customer, which is generally upon sale of the goods to the customer. Revenue is measured based on actual sales.

Other services

Other services segment include following categories:

Freight income

Revenue from shipping activities is recognized over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages at the balance sheet date. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred.

Documents handling and other income

Revenue from documents handling and other activities is recognized upon completion of the service.

Registration fee income

In the case of registration fee income, the revenue has been recognized over the period of five years.

Repair and maintenance services

Revenue from repair and maintenance is recognized over the period of service is provided.

Transport charges received

Revenue from transport income, the revenue has been recognized by reference to the time of service rendered.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue (continued)

3.18.2 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.

(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.

(iii) Unearned premium reserve (UPR)

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

(iv) 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.

(v) Reinsurance premium

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.

(vi) 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 cargo and travel 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue (continued)

3.18.2 Gross written premium (GWP) (continued)

(vii) 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.

(viii) 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.

3.19 Benefits, claims and expenses recognition

3.19.1 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.

3.19.2 Reinsurance claims

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

3.20 Acquisition cost

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 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.

3.22 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.

3.23 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.

3.24 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.

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 financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 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.

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.

3.26 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 7% 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 by a professional actuary in every three years in compliance with accounting requirements.

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 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

3.28 Determination of fair values

A number of the Group's / Company'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.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(a) New and amended accounting standards adopted by the Group / the Company

The Group / the Company has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2020. Most of the amendments listed below did not have any significant impact on amounts recognized in prior periods and do not significantly affect current or future period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- i. Definition of material – amendments to IAS 1 and IAS 8
- ii. Revised conceptual framework for financial reporting
- iii. Covid 19 - related rent concession - amendments to IFRS 16
- iv. Definition of a Business –Amendments to IFRS 3

(i) Definition of material – amendments to IAS 1 and IAS 8

The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New and amended accounting standards adopted by the Group/ the Company (continued)

(i) Definition of material – amendments to IAS 1 and IAS 8 (continued)

In particular, the amendments clarify:

- a) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- b) the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(ii) Revised conceptual framework for financial reporting

The revised conceptual framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- a) increasing the prominence of stewardship in the objective of financial reporting
- b) reinstating prudence as a component of neutrality
- c) defining a reporting entity, which may be a legal entity, or a portion of an entity
- d) revising the definitions of an asset and a liability
- e) removing the probability threshold for recognition and adding guidance on derecognition
- f) adding guidance on different measurement basis, and
- g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(ii) Covid 19 - related rent concession - amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New and amended accounting standards adopted by the Group/ the Company (continued)

(iv) International Definition of a Business –Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for asset acquisitions.

This amendment is effective for the annual periods beginning on or after 1st January 2020.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new standards and amendments are effective for annual periods beginning after 1 January 2020 and early application is permitted. However, the Group / the Company has not early adopted the following new or amended standards in preparing these financial statements.

- i. Classification of liabilities as current or non-current – amendments to IAS 1
- ii. Annual improvements to IFRS standards 2018-2020
- iii. International Financial Reporting Standard 9 - 'Financial Instruments'
- iv. IFRS 17, 'Insurance contracts'

(i) Classification of liabilities as current or non-current – amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(ii) Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalized in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

(iii) IFRS 9 - 'Financial Instruments'.

Temporary Exemption from IFRS 9 for Subsidiary, Allied Insurance Company of Maldives Private Limited

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1st January 2020. However, for an insurer that meets the criteria in paragraph 20B of IFRS 4 it provides a temporary exemption that permits, but does not require, the insurer to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1st January 2021.

An insurer may apply the temporary exemption from IFRS 9 if, and only if:

- (a) It has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7 – 5.7.9, 7.2.14 and B5.7.5 – B5.7.20 of IFRS 9; and
- (b) Its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date as specified in paragraph 20G of IFRS 4.

Since Allied Insurance Company of Maldives Private Limited predominantly connected with Insurance activities, having considering the above criteria, the Company has elected to continue to apply IAS 39 rather than IFRS 9 up to annual periods beginning before 1st January 2021. However, the financial statements of Allied Insurance Company of Maldives Private Limited has been prepared in line with IFRS 9 for the preparation of consolidated financial statements of the Group.

(iv) IFRS 17, 'Insurance contracts'

IFRS 17 was issued as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- a) discounted probability-weighted cash flows
- b) an explicit risk adjustment, and
- c) a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This amendment is effective for the annual periods beginning on or after 1 January 2023.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31ST DECEMBER 2020

6 OPERATING SEGMENTS

A. Basis of segmentation

The Group has the following five 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 liquified 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 hotel, Shipping and other services. This segments does not meet the quantitative thresholds for a reportable segment in 2020 and 2019.

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 2020

	Reportable segments					Total reportable segments	Other segments	Total
	Trading	Gas	Insurance service	Fuel, lubricant & crude Oil	Fishery			
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Gross revenue	3,096,053,699	205,348,207	220,395,093	6,820,739,649	1,068,157,698	11,410,694,346	76,543,124	11,487,237,470
Inter-segment revenue	(5,057,319)	(8,024,078)	(41,164,046)	(2,897,877,306)	(5,749,326)	(2,957,872,075)	(28,280,224)	(2,986,152,299)
Segment revenue	3,090,996,381	197,324,129	179,231,047	3,922,862,343	1,062,408,372	8,452,822,271	48,262,900	8,501,085,171
Segment profit before tax	(8,872,149)	40,385,008	93,173,612	418,185,192	(265,050,600)	277,821,063	(54,756,835)	223,064,227
Interest income	2,937,986	-	14,089,338	-	-	17,027,324	-	17,027,324
Interest expense	(39,874,876)	(3,576,470)	(493,661)	(99,576,240)	(56,482,175)	(200,003,421)	(15,055,706)	(215,059,127)
Depreciation & amortization	(101,330,279)	(19,977,210)	(12,718,994)	(60,530,062)	(44,892,740)	(239,449,284)	(5,745,100)	(245,194,383)
Share of profit of associate	878,782	-	-	-	-	878,782	-	878,782
Share of profit of joint venture	8,817,746	-	-	-	-	8,817,746	-	8,817,746
Segment assets	1,346,844,414	364,977,820	932,559,358	4,312,064,016	885,890,495	7,842,336,103	605,648,941	8,447,985,044
Equity accounted investees	34,495,440	-	-	-	-	34,495,440	-	34,495,440
Capital expenditure	7,852,348	38,667,990	9,304,014	83,200,181	27,427,185	166,451,718	2,314,542	168,766,260
Segment liabilities	(1,024,946,151)	(112,805,530)	(669,193,314)	(2,924,338,302)	(1,068,683,663)	(5,799,966,959)	(259,530,957)	(6,059,497,916)

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6 OPERATING SEGMENTS (CONTINUED)

B. Information about reportable segments (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Trading	Gas	Reportable segments		Fishery	Total reportable segments	Other segments	Total
	MVR	MVR	Insurance service	Fuel, lubricant & crude Oil				
Gross revenue	2,655,877,345	230,999,801	252,097,604	10,584,314,055	1,367,617,540	15,090,906,346	20,029,295	15,110,935,641
Inter-segment revenue	(9,625,635)	(12,155,587)	(42,016,528)	(4,126,562,045)	(9,109,602)	(4,199,469,398)	(5,581,963)	(4,205,051,361)
Segment revenue	2,646,251,710	218,844,214	210,081,076	6,457,752,010	1,358,507,938	10,891,436,948	14,447,332	10,905,884,280
Segment profit / (loss) before tax	149,616,729	52,902,456	97,295,049	457,231,039	(115,544,802)	641,500,471	(6,304,138)	635,196,333
Interest income	4,272,355	-	11,913,150	-	-	16,185,505	-	16,185,505
Interest expense	(17,839,333)	(2,401,488)	(309,449)	(148,500,768)	(34,457,338)	(203,508,376)	(38,324,553)	(241,832,929)
Depreciation & amortization	(103,513,885)	(20,268,124)	(14,179,662)	(59,815,877)	(40,100,916)	(237,878,464)	(5,767,829)	(243,646,293)
Share of loss of associate	(530,209)	-	-	-	-	(530,209)	-	(530,209)
Share of profit of joint venture	10,029,956	-	-	-	-	10,029,956	-	10,029,956
Segment assets	1,237,871,355	322,815,977	778,557,532	4,165,122,315	802,625,400	7,306,992,579	558,775,102	7,865,767,681
Equity accounted investees	32,798,912	-	-	-	-	32,798,912	-	32,798,912
Capital expenditure	123,893,960	29,471,324	5,657,097	26,940,524	30,954,264	216,917,169	3,233,531	220,150,700
Segment liabilities	(1,143,032,934)	(85,965,829)	(559,566,368)	(2,689,211,479)	(766,155,024)	(5,243,931,634)	(307,564,223)	(5,551,495,857)

C. Reconciliations of information on reportable segment to IFRS measures

I Revenue

Total revenue for reportable segments	11,410,694,346	15,090,906,346
Revenue for other segments	76,543,124	20,029,295
Elimination of inter - segment revenue	(2,986,152,299)	(4,205,051,361)

Consolidated revenue

	2020 MVR	2019 MVR
Total revenue for reportable segments	11,410,694,346	15,090,906,346
Revenue for other segments	76,543,124	20,029,295
Elimination of inter - segment revenue	(2,986,152,299)	(4,205,051,361)
Consolidated revenue	8,501,085,171	10,905,884,280

II Profit before tax

Total profit before tax for reportable segments	277,821,063	641,500,471
Loss before tax for other segments	(54,756,835)	(6,304,138)
Elimination of inter-segment profit	(1,696,528)	(1,499,747)
Dividend received from joint venture	(8,000,000)	(8,000,000)
Share of profit of equity - accounted investees	9,696,528	9,499,747

Consolidated profit before tax from continuing operations

Total profit before tax for reportable segments	277,821,063	641,500,471
Loss before tax for other segments	(54,756,835)	(6,304,138)
Elimination of inter-segment profit	(1,696,528)	(1,499,747)
Dividend received from joint venture	(8,000,000)	(8,000,000)
Share of profit of equity - accounted investees	9,696,528	9,499,747
Consolidated profit before tax from continuing operations	223,064,227	635,196,333

III Assets

Total assets for reportable segment	7,842,336,103	7,306,992,579
Assets for other segments	605,648,941	558,775,102
Equity -accounted investees	34,495,440	32,798,912

Consolidated total assets

Total assets for reportable segment	7,842,336,103	7,306,992,579
Assets for other segments	605,648,941	558,775,102
Equity -accounted investees	34,495,440	32,798,912
Consolidated total assets	8,482,480,484	7,898,566,593

IV Liabilities

Total liabilities for reportable segment	5,799,966,959	5,243,931,634
Liabilities for other segments	259,530,957	307,564,223

Consolidated total liabilities

Total liabilities for reportable segment	5,799,966,959	5,243,931,634
Liabilities for other segments	259,530,957	307,564,223
Consolidated total liabilities	6,059,497,916	5,551,495,857

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6 OPERATING SEGMENTS (CONTINUED)

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

v. Other material items

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Reportable segment totals	Adjustment	Consolidated totals
	MVR	MVR	MVR
Interest income	17,027,324	(4,643,517)	12,383,807
Interest expense	(200,003,421)	4,643,517	(195,359,904)
Capital expenditure	166,451,718	-	166,451,718
Depreciation and amortization	(239,449,284)	-	(239,449,284)
	<u>(255,973,663)</u>	<u>-</u>	<u>(255,973,663)</u>

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Interest income	16,185,505	(2,415,878)	13,769,627
Interest expense	(203,508,376)	2,415,878	(201,092,498)
Capital expenditure	216,917,169	-	216,917,169
Depreciation and amortization	(237,878,464)	-	(237,878,464)
	<u>(208,284,166)</u>	<u>-</u>	<u>(208,284,166)</u>

D. Geographic Information

The trading, gas and 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.

i. Revenue

	2020 MVR	2019 MVR
Male'	7,435,211,350	9,861,756,741
Thilafushi	273,225,261	666,924,419
Hulhumale'	459,784,108	197,311,256
Other Islands	2,534,690,331	3,460,928,083
Overseas	784,326,420	924,015,141
Less : Inter-company transactions	<u>(2,986,152,299)</u>	<u>(4,205,051,360)</u>
	<u>8,501,085,171</u>	<u>10,905,884,280</u>

ii. Non - current assets

	2020 MVR	2019 MVR
Male'	2,485,216,875	2,561,139,418
Thilafushi	160,277,505	116,773,661
Hulhumale'	35,218,689	17,425,461
Other Islands	<u>528,015,892</u>	<u>542,760,933</u>
	<u>3,208,728,961</u>	<u>3,238,099,473</u>

E. Major customer

Revenue from one customer of the Fuel, lubricant and crude oil segment represented approximately MVR 630,266,798/- (2019: MVR 1,721,046,372/-) of the Group's total revenues.

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7 REVENUE	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
Retail and wholesale	3,090,996,381	2,646,251,711	3,062,450,312	2,621,057,572
Insurance	179,231,047	210,081,077	-	-
Gas	197,324,129	218,844,214	-	-
Fuel and lubricants	3,922,862,343	6,457,752,010	4,138,110,287	6,690,732,713
Fishery	1,062,408,372	1,358,507,938	-	-
Other services	48,262,900	14,447,332	8,431,212	7,466,116
	<u>8,501,085,171</u>	<u>10,905,884,282</u>	<u>7,208,991,811</u>	<u>9,319,256,401</u>
Timing of revenue recognition	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
Goods transferred at a point in time	8,285,078,908	10,688,821,989	7,200,560,599	9,311,790,285
Services transferred over time	36,775,216	6,981,216	8,431,212	7,466,116
Total revenue from contracts with customers	<u>8,321,854,124</u>	<u>10,695,803,205</u>	<u>7,208,991,811</u>	<u>9,319,256,401</u>
Revenue from insurance contracts	179,231,047	210,081,077	-	-
Total revenue	<u>8,501,085,171</u>	<u>10,905,884,282</u>	<u>7,208,991,811</u>	<u>9,319,256,401</u>
8 OTHER INCOME	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
Profit on disposal of property, plant and equipment	715,679	198,613	17,858,050	73,563
Income from vessels and fleets	4,482,971	2,080,171	4,482,971	1,997,571
Fines and claims received	6,445,443	12,752,443	5,480,114	9,850,313
Rent income	26,579,880	37,624,415	31,817,750	46,302,985
Discounts received	2,586,196	903,970	5,157,264	903,970
Agency fee	39,228	145,334	39,228	145,334
Reversal of accrued lease rent	-	14,802,345	-	-
Income from staff shop	9,476,331	9,900,574	-	-
Miscellaneous income	14,299,985	16,608,896	5,851,929	11,438,459
	<u>64,625,714</u>	<u>95,016,762</u>	<u>70,687,306</u>	<u>70,712,195</u>

9 NET FINANCE COSTS	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
Finance income				
Interest income on loans granted	3,094,084	2,895,853	-	-
Interest income on credit scheme sales	2,937,986	4,272,355	2,937,986	4,272,355
Foreign exchange gain	251,156	219,831	-	-
Dividend income	5,891,437	5,547,290	57,901,733	64,859,688
Discounts on treasury bills	6,351,737	6,601,419	-	-
Other Finance income	4,029,793	5,130,977	-	-
	<u>22,556,193</u>	<u>24,667,725</u>	<u>60,839,719</u>	<u>69,132,043</u>
Finance costs				
Interest on bank borrowings	(61,860,312)	(38,859,602)	(17,969,810)	(16,746,809)
Interest on bank overdrafts	(32,564,131)	(26,586,216)	(23,203,923)	(17,557,396)
Interest on lease liabilities	(40,328,406)	(35,182,949)	(16,657,559)	(12,642,010)
Interest on other borrowings	(75,644,841)	(138,788,284)	(79,976,492)	(141,204,164)
Foreign exchange loss	(17,920)	(1,246,685)	(17,920)	(1,238,960)
	<u>(210,415,610)</u>	<u>(240,663,736)</u>	<u>(137,825,704)</u>	<u>(189,389,339)</u>
Net finance costs	<u>(187,859,417)</u>	<u>(215,996,011)</u>	<u>(76,985,985)</u>	<u>(120,257,296)</u>

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10 EXPENSES	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
Raw material and consumables used / cost of sales	6,459,580,352	8,717,065,718	5,776,949,650	7,969,558,333
Depreciation on property, plant and equipment (Note 13)	195,032,628	198,806,125	115,673,027	122,446,007
Depreciation on investment properties (Note 14)	6,155,939	6,164,365	6,155,939	6,164,365
Amortization of right-of-use assets (Note 20)	38,382,244	33,118,002	23,784,745	16,445,854
Amortization of intangible assets (Note 15)	5,623,573	5,557,801	-	-
Rental expense on short term leases	18,831,622	4,187,410	12,125,991	3,707,966
Directors' remuneration	4,286,979	7,425,958	1,042,500	1,025,917
Transportation	44,893,554	54,738,203	18,829,504	27,420,119
Vessel and fleet expenses	7,452,907	26,390,824	7,452,907	26,390,824
Audit fees	2,178,470	2,048,131	806,312	736,305
Accounting and legal charges	5,839,319	4,593,315	3,133,387	2,716,509
Distribution agency fees	45,174,956	32,848,687	22,332,637	10,088,707
Provision for slow and non moving inventories (Note 211)	60,773,879	4,230,844	53,529,234	603,198
Receivable write off	147,460	-	-	-
Fuel expenses	36,899,872	55,099,273	19,381,164	26,087,542
Rebate on fuel	-	-	13,805,733	4,343,376
Provision for impairment of investment in hulhumale hotel (Note 14.2)	-	159,209,712	-	159,209,712
Provision for impairment of property, plant and equipment (Note 13)	-	984,830	-	-
Provision for impairment of investment in subsidiaries (Note 17)	-	-	-	7,343,701
Provision for impairment of trade, other and related party receivable	107,403,312	(105,769,284)	116,566,739	(132,860,941)
Bank charges	19,345,819	34,817,553	13,947,814	29,824,897
Repair and maintenance	111,743,791	121,465,013	51,625,774	58,911,156
Advertisement and sales promotion expenses	22,060,108	22,186,545	11,434,580	13,484,019
Telephone, electricity and water charges	52,900,241	48,035,036	35,677,851	34,425,396
Other selling and distribution costs	18,060,296	27,274,270	16,131,953	22,582,182
Other expenses	72,487,992	89,275,421	59,545,282	83,225,955
Personnel costs (Note 10.2)	829,228,456	768,664,405	391,348,834	371,882,250
	<u>8,164,483,768</u>	<u>10,318,418,157</u>	<u>6,771,281,556</u>	<u>8,865,763,348</u>

10 EXPENSES	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
Classified as:				
Cost of sales	6,717,476,893	8,937,353,802	5,836,431,919	7,974,146,698
Selling and marketing costs	570,542,819	599,205,752	490,107,489	498,259,043
Impairment loss / (reversal) on trade & other receivables and related party receivable	107,403,312	(105,769,284)	116,566,739	(132,860,941)
Administration expenses	742,508,895	708,305,596	325,517,956	365,062,487
Other operating expenses	26,551,850	20,112,580	2,657,453	1,946,349
Provision for Impairment of investment in hulhumale hotel	-	159,209,712	-	159,209,712
	<u>8,164,483,768</u>	<u>10,318,418,157</u>	<u>6,771,281,556</u>	<u>8,865,763,348</u>
10.1 Personnel costs				
Salaries and wages	380,459,028	384,629,257	126,867,820	126,431,513
Staff welfare	58,389,058	63,016,767	19,305,444	22,114,450
Employer's contribution to government pension fund	15,367,767	15,516,680	7,527,324	7,570,201
Bonus, overtime and allowances	295,969,986	266,667,704	219,896,310	197,555,745
Provision for retirement benefits	63,821,183	17,620,210	7,338,666	4,640,104
Staff training expenses	5,741,286	10,222,317	5,562,192	7,967,914
Other staff related expenses	9,480,148	10,991,470	4,851,078	5,602,323
	<u>829,228,457</u>	<u>768,664,405</u>	<u>391,348,834</u>	<u>371,882,250</u>

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11 INCOME TAX EXPENSE

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
<i>Items recognized in profit or loss</i>				
11.1 Current tax expense				
Current tax expense	105,527,744	102,310,935	80,556,422	63,079,298
Under provision in respect of prior years	2,724,627	643,379	1,470,405	744,263
	<u>108,252,371</u>	<u>102,954,314</u>	<u>82,026,827</u>	<u>63,823,561</u>
Deferred tax adjustments				
Deferred tax asset reversed / (recognized) (Note 11.3)	(11,841,804)	(10,247,725)	(9,913,570)	37,095,947
Deferred tax liability reversed (Note 11.4)	(22,426)	(181,041)	-	-
	<u>(11,864,230)</u>	<u>(10,428,766)</u>	<u>(9,913,570)</u>	<u>37,095,947</u>
Income tax expense	<u>96,388,141</u>	<u>92,525,548</u>	<u>72,113,257</u>	<u>100,919,508</u>
11.2 Reconciliation between accounting profit and taxable income:				
Profit before tax	223,064,227	475,986,623	431,411,576	403,947,952
Loss of subsidiary which is not subject to tax	319,736,277	122,838,090	-	-
Results of associate reported net of tax	878,782	530,209	-	-
Results of joint venture reported net of tax	8,817,746	(10,029,956)	-	-
	<u>552,497,033</u>	<u>589,324,966</u>	<u>431,411,576</u>	<u>403,947,952</u>
Tax calculated at the rate of 15%	82,874,555	88,398,745	64,711,736	60,592,193
Add: tax on non-deductible expenses	15,652,449	50,787,818	14,800,904	70,721,572
Add: under provision in respect of prior years	2,724,627	643,379	1,470,405	744,263
Less: tax on deductible expenses	(4,863,490)	(47,304,394)	(8,869,789)	(31,138,520)
Income tax expense	<u>96,388,141</u>	<u>92,525,548</u>	<u>72,113,257</u>	<u>100,919,508</u>

In accordance with the provisions of the Income Tax Act Law Number 25/2019 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

As at 1st January	113,807,996	103,255,872	80,207,242	115,928,722
Deferred tax asset (recognized) / reversed during the year	11,841,804	10,247,725	9,913,570	(37,095,947)
Deferred tax asset (reversed) / recognized in other comprehensive income	(2,968,686)	304,399	(2,394,664)	1,374,467
As at 31st December	<u>122,681,114</u>	<u>113,807,996</u>	<u>87,726,148</u>	<u>80,207,242</u>

11.4 Deferred tax liability

As at 1st January	1,097,534	1,278,575	-	-
Deferred tax liability reversed during the year (Note 11.1)	(22,426)	(181,041)	-	-
As at 31st December	<u>1,075,108</u>	<u>1,097,534</u>	-	-

11.5 The recognized deferred tax asset is attributable to the following:

	Group			
	31/12/2020		31/12/2019	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR	Tax effect MVR
Property, plant and equipment	338,238,898	50,735,835	348,421,515	52,263,227
Intangible assets	(3,116,291)	(467,444)	(2,969,361)	(445,404)
Right-of-use asset	-	-	100,311	15,047
Leases	-	-	6,180,973	927,146
Fair value reserve	(13,500,000)	(2,025,000)	1,375,000	206,250
Defined benefit obligation	49,851,331	7,477,700	55,342,035	8,301,305
Provisions on trade, other and related party receivable	446,400,163	66,960,023	350,269,503	52,540,425
	<u>817,874,101</u>	<u>122,681,114</u>	<u>758,719,976</u>	<u>113,807,996</u>

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11 TAX EXPENSE (CONTINUED)

11.5 The recognized deferred tax asset is attributable to the following: (continued)

	Company			
	31/12/2020		31/12/2019	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	280,283,159	42,042,474	294,045,096	44,106,764
Leases	-	-	4,289,809	643,471
Fair value reserve	500,000	75,000	10,500,000	1,575,000
Defined benefit obligation	37,320,592	5,598,089	41,897,966	6,284,695
Provisions on trade, other and related party receivable	266,737,237	40,010,586	183,982,079	27,597,312
	<u>584,840,988</u>	<u>87,726,148</u>	<u>534,714,950</u>	<u>80,207,242</u>

11.6 Un-recognized deferred tax asset

The Group has the following unrecognized deferred tax assets attributable to the subsidiaries.

11.6.1 Maldives Industrial Fisheries Company Limited

	31/12/2020		31/12/2019	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
	Property, plant and equipment	28,201,135	4,230,170	39,777,549
Intangible assets	2,239,284	335,893	(236,480)	(35,472)
Accumulated tax losses	794,130,989	119,119,648	633,270,195	94,990,529
Defined benefit obligation	60,718,540	9,107,781	11,328,347	1,699,252
	<u>885,289,948</u>	<u>132,793,492</u>	<u>684,139,611</u>	<u>102,620,942</u>

The Company has not recognized the above deferred tax assets since it is not probable that the Company will generate future taxable profits against which these benefits could be utilized.

11.7 The recognized deferred tax liability is attributable to the following:

	Group			
	31/12/2020		31/12/2019	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	7,167,388	1,075,108	7,316,893	1,097,534

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	
	2020	2019	2020	2019
Profit for the year attributable to the ordinary shareholders - MVR	123,358,223	378,946,200	359,298,319	303,028,444
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	<u>109</u>	<u>336</u>	<u>319</u>	<u>269</u>

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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 vehicles MVR	Air conditioners MVR	Office equipment MVR	Furniture and fixtures MVR	Other assets MVR	Total 31/12/2020 MVR	Total 31/12/2019 MVR
Cost												
As at 1st January	774,186,753	899,904,214	98,729,344	829,572,174	970,027,334	217,866,380	18,699,261	162,530,870	21,728,769	138,347,896	4,131,592,997	3,900,004,349
Additions during the year	-	4,269,443	-	23,445,100	9,374,143	3,763,838	1,239,131	10,631,442	845,295	17,628,200	70,661,079	73,759,796
Disposal during the year	-	-	-	(109,634)	(7,895,719)	-	(15,110)	(345,209)	(9)	(108,300)	(8,476,981)	(9,344,556)
Transferred from capital work in progress	-	19,724,504	2,000,703	4,054,882	396,571	4,211,533	-	4,151,019	14,283	-	34,553,494	167,173,418
Write off during the year	-	-	-	(10,126,833)	-	-	-	-	-	-	(10,126,833)	-
Reclassification	-	-	-	-	(103,253,594)	-	-	103,253,594	-	-	-	-
As at 31st December	774,186,753	923,898,161	100,730,047	846,835,689	868,648,735	225,841,750	19,923,282	280,221,716	22,588,338	155,329,285	4,218,203,756	4,131,593,007
Accumulated depreciation												
As at 1st January	-	630,784,168	47,490,385	462,172,549	629,020,538	156,760,108	13,104,368	139,718,475	15,597,196	77,420,486	2,172,068,273	1,979,419,858
Charge for the year (Note 10)	-	36,202,257	6,202,035	41,574,453	54,684,532	21,994,775	2,616,881	10,126,274	1,626,611	20,543,323	195,032,628	198,806,125
Disposals during the year	-	-	-	(109,634)	(7,895,719)	-	(15,110)	(300,688)	(9)	(96,567)	(8,417,726)	(6,157,706)
Write off during the year	-	-	-	(10,126,833)	-	-	-	-	-	-	(10,126,833)	-
Reclassification	-	-	-	-	(85,026,625)	-	-	85,026,625	-	-	-	-
As at 31st December	-	666,986,425	53,692,420	493,510,534	590,782,726	178,754,882	15,706,140	234,570,686	17,223,799	97,328,730	2,348,556,342	2,172,068,277
Net carrying value												
As at 31st December 2020	774,186,753	256,911,736	47,037,627	353,325,155	277,866,009	47,086,868	4,217,142	45,651,030	5,364,539	58,000,555	1,869,647,414	
As at 31st December 2019	774,186,753	269,120,054	51,238,957	367,399,624	341,006,800	61,106,279	5,594,892	22,812,395	6,131,573	60,927,403		1,959,524,730
Capital work in progress (Note 13.1.1)											216,360,942	165,024,844
Total											<u>2,086,008,356</u>	<u>2,124,549,574</u>

13.1.1 Capital work in progress

As at 1st January											165,024,844	195,398,482
Additions during the year											88,255,126	137,678,211
Transferred to property, plant and equipment											(34,553,495)	(167,173,418)
Write-off during the year											(1,131,933)	(878,431)
Transferred to intangible assets (CWIP)											(1,233,600)	-
As at 31st December											<u>216,360,942</u>	<u>165,024,844</u>

13.1.2

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

13.1.3

Borrowings of MIFCO from Bank of Maldives Plc and Habib Bank Limited are secured on leasehold right of land & commercial plot, buildings, plant, machineries and equipment's at fisheries complex and vessels of MIFCO.

13.1.4

Borrowings of Maldivian Gas from Hongkong & Shanghai Banking Corporation are secured on Maldivian Gas properties and facilities.

13.1.5 In 2020, the Group has capitalized borrowing costs amounting to MVR 851,326/- (2019: Nil) on qualifying assets. Borrowing costs were capitalized at the rate of 6.1% + LIBOR.

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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 31/12/2020 MVR	Total 31/12/2019 MVR
Cost											
As at 1st January	774,186,753	502,856,548	216,942,436	458,164,335	153,157,596	17,398,099	82,864,073	7,377,581	32,574,298	2,245,521,719	2,207,017,245
Additions during the year	-	4,204,449	5,203,043	-	2,330,268	1,239,131	5,946,734	343,320	4,368,952	23,635,896	41,810,707
Disposal during the year	-	-	(90,134)	(79,550,247)	-	(15,110)	(121,001)	(9)	(60,556)	(79,837,057)	(4,349,895)
Transferred from capital work in progress	-	16,454,380	4,054,882	-	-	-	4,151,019	14,283	-	24,674,564	1,043,662
As at 31st December	<u>774,186,753</u>	<u>523,515,377</u>	<u>226,110,226</u>	<u>378,614,088</u>	<u>155,487,864</u>	<u>18,622,120</u>	<u>92,840,825</u>	<u>7,735,175</u>	<u>36,882,694</u>	<u>2,213,995,122</u>	<u>2,245,521,719</u>
Accumulated depreciation											
As at 1st January	-	353,195,103	85,782,081	221,282,267	106,350,392	11,884,410	71,696,989	6,954,585	21,843,848	878,989,676	757,834,985
Charge for the year	-	28,944,365	16,654,897	37,120,438	16,962,965	2,564,577	5,532,753	321,832	7,571,200	115,673,027	122,446,007
Disposals during the year	-	-	(90,134)	(79,550,247)	-	(15,110)	(77,000)	(9)	(60,556)	(79,793,056)	(1,291,316)
As at 31st December	-	<u>382,139,468</u>	<u>102,346,843</u>	<u>178,852,458</u>	<u>123,313,357</u>	<u>14,433,878</u>	<u>77,152,742</u>	<u>7,276,408</u>	<u>29,354,492</u>	<u>914,869,647</u>	<u>878,989,676</u>
Net carrying value											
As at 31st December 2020	<u>774,186,753</u>	<u>141,375,909</u>	<u>123,763,383</u>	<u>199,761,630</u>	<u>32,174,507</u>	<u>4,188,242</u>	<u>15,688,083</u>	<u>458,768</u>	<u>7,528,202</u>	<u>1,299,125,475</u>	
As at 31st December 2019	<u>774,186,753</u>	<u>149,661,445</u>	<u>131,160,355</u>	<u>236,882,068</u>	<u>46,807,204</u>	<u>5,513,689</u>	<u>11,167,084</u>	<u>422,996</u>	<u>10,730,450</u>		<u>1,366,532,043</u>
Capital work in progress (Note 13.2.1)										<u>106,149,001</u>	<u>109,010,120</u>
Total										<u><u>1,405,274,477</u></u>	<u><u>1,475,542,163</u></u>
13.2.1 Capital work in progress											
As at 1st January										109,010,120	16,972,406
Additions during the year										24,094,415	93,081,376
Transferred to property, plant and equipment										(24,674,564)	(1,043,662)
Write-off during the year										(1,047,370)	-
Transferred to intangible assets (CWIP) (Note 15.3)										(1,233,600)	-
As at 31st December										<u><u>106,149,001</u></u>	<u><u>109,010,120</u></u>

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.

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14 INVESTMENT PROPERTY	Group		Company	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Cost				
As at 1st January	154,516,271	154,516,271	154,516,271	154,516,271
Transferred from capital work in progress	-	-	-	-
As at 31st December	<u>154,516,271</u>	<u>154,516,271</u>	<u>154,516,271</u>	<u>154,516,271</u>
Accumulated depreciation				
As at 1st January	65,446,121	59,281,756	65,446,121	59,281,756
Depreciation for the year	6,155,939	6,164,365	6,155,939	6,164,365
As at 31st December	<u>71,602,060</u>	<u>65,446,121</u>	<u>71,602,060</u>	<u>65,446,121</u>
Net carrying amount	82,914,211	89,070,150	82,914,211	89,070,150
Capital work in progress (Note 14.1)	287,559,138	258,434,484	287,559,138	258,434,484
Total	<u><u>370,473,349</u></u>	<u><u>347,504,634</u></u>	<u><u>370,473,349</u></u>	<u><u>347,504,634</u></u>
14.1 Capital work in progress				
As at 1st January	627,539,155	624,305,624	627,539,155	624,305,624
Additions during the year	-	3,233,531	-	3,233,531
Transfers from prepaid lease rent (Note 16)	29,124,654	-	29,124,654	-
Waive off of lease rent payable	-	-	-	-
	<u>656,663,809</u>	<u>627,539,155</u>	<u>656,663,809</u>	<u>627,539,155</u>
Provision for impairment of investment in hulhumale hotel (Note 14.2)	(369,104,671)	(369,104,671)	(369,104,671)	(369,104,671)
As at 31st December	<u><u>287,559,138</u></u>	<u><u>258,434,484</u></u>	<u><u>287,559,138</u></u>	<u><u>258,434,484</u></u>

14.2 Provision for impairment of investment in hulhumale hotel

As at 1st January	369,104,671	209,894,959	369,104,671	209,894,959
Provision for the year	-	159,209,712	-	159,209,712
As at 31st December	<u><u>369,104,671</u></u>	<u><u>369,104,671</u></u>	<u><u>369,104,671</u></u>	<u><u>369,104,671</u></u>

Due to continuous delay in completing the construction of the hotel in Hulhumale, the Board of Directors of the Company has decided to recognize an impairment loss of MVR 159,209,712/- for the year ended 31st December 2019. No impairment charge was recognized during the current year since the recoverable value is higher than the carrying amount.

The fair value of the investment property is MVR. 193,754,838 /- as at 31st December 2020 (2019: MVR 206,597,118/-). The fair value of investment property was determined by the management. The management will carry out the exercise to determine the fair value of the investment property on annual basis.

The fair value measurement of investment property have been categories as a Level 3 fair value based on the inputs to the valuation technique used. Since current price in an active market is not available the directors consider information from rent agreements with lessees and construction costs incurred.

The fair value of the investment properties which are classified under capital work in progress is MVR.287,559,138/- as at 31st December 2020 (2019: MVR 258,434,484/-). The fair value of investment property was determined by the management. The management will carry out the exercise to determine the fair value of the investment property on annual basis. The fair value measurements of investment properties have been categories as a Level 3 fair value based on the inputs to the valuation technique used. Since current price in an active market is not available the directors consider information from sales agreement with Housing Development Cooperation (HDC) wherein HDC will try to sell the hotel building and STO will receive at the minimum USD 20 million from the sale proceeds.

14.3 In 2019, Hulhumale Development Corporation Limited waived off a lease rental payable amounting to MVR 66,831,915/- on the land used to construct the hotel in Hulhumale.

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14.4 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.

14.5 Capital work in progress includes the construction of a tourist hotel in Hulhumale Island.

14.6 Income earned from investment property

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

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
Rent income	26,579,880	37,624,415	31,817,750	46,302,985
Direct expenses	(17,160,766)	(21,374,141)	(17,160,766)	(21,374,141)

14.7 Income receivable from investment property

Investment properties are leased to tenants under operating leases with rentals payable monthly.

Minimum lease payments receivable on leases of investment properties are as follows:

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
Within 1 year	27,703,253	31,568,905	29,856,415	36,936,988
Between 1 - 2 years	22,742,350	27,703,253	23,170,687	29,856,415
Between 2 - 3 years	12,768,535	22,742,350	12,768,535	23,170,687
Between 3 - 4 years	-	12,768,535	-	12,768,535
	63,214,139	82,014,509	65,795,637	89,964,089

14.8 Sensitivity of assumption to FV

Hotel in Hulhumale - capital work in progress

	Change in cost of capital		
	1%	No change	-1%
Fair value	285,585,737	287,559,138	289,561,854
	Change in date of sale from 3 months		
	3 month delay	No change	3 month in advance
Fair value	284,245,385	287,559,138	294,294,224
	Change in sales price		
	1%	No change	-1%
Fair value	290,432,385	287,559,138	284,685,891
	Change in cost to sell		
	1%	No change	-1%
Fair value	287,543,718	287,559,138	287,574,558
Investment property			
	Change in cost to sell		
	1%	No change	-1%
Fair value	193,818,702	193,754,838	193,690,974

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15 INTANGIBLE ASSETS

15.1 GROUP	Goodwill on Consolidation	Computer software	Total 2020	Total 2019
	MVR	MVR	MVR	MVR
Cost				
As at 1st January	3,155,217	101,267,246	104,422,463	95,834,625
Additions during the year	-	-	-	-
Transferred from capital work-in-progress (Note 15.3)	-	4,738,466	4,738,466	10,417,415
Retirement during the year	-	-	-	(1,829,577)
As at 31st December	3,155,217	106,005,712	109,160,929	104,422,463
Accumulated amortization				
As at 1st January	-	88,173,609	88,173,609	84,355,385
Amortization for the year	-	5,623,572	5,623,572	5,557,801
Retirement during the year	-	-	-	(1,739,577)
As at 31st December	-	93,797,181	93,797,181	88,173,609
Net carrying value	3,155,217	12,208,531	15,363,748	16,248,854
Capital work-in-progress (Note 15.3)			6,913,283	704,944
Total			22,277,031	16,953,798

15.2 COMPANY	Computer software	
	2020	2019
Cost	MVR	MVR
As at 1st January	64,883,467	64,883,467
Transferred from capital work-in-progress (Note 15.3)	1,233,600	-
As at 31st December	66,117,067	64,883,467
Accumulated amortization		
As at 1st January	64,883,467	64,883,467
As at 31st December	64,883,467	64,883,467
Net carrying value	1,233,600	-

15.3 Capital work-in-progress	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
As at 1st January	704,944	5,643,197	-	-
Additions during the year	9,850,055	5,479,162	-	-
Transferred from property, plant and equipment (CWIP) (Note 13.2.1)	1,233,600	-	1,233,600	-
Transfers during the year	(4,738,466)	(10,417,415)	(1,233,600)	-
Write-off during the year	(136,850)	-	-	-
As at 31st December	6,913,283	704,944	-	-

15.4 Impairment test of goodwill

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

	2020	2019
Business growth	17%	13%
Inflation	-1.4%	0.2%
Discount rate	10%	10%
Margin	8%	8%

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16 PREPAID LEASE RENT	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
As at 1st January	29,124,654	31,439,196	29,124,654	31,439,196
Transferred to investment property (Note 14.1)	(29,124,654)	-	(29,124,654)	-
Amortization for the year	-	(2,314,542)	-	(2,314,542)
As at 31st December	<u>-</u>	<u>29,124,654</u>	<u>-</u>	<u>29,124,654</u>
Analysis of lease rent				
Current	-	2,314,542	-	2,314,542
Non-current	-	26,810,112	-	26,810,112
	<u>-</u>	<u>29,124,654</u>	<u>-</u>	<u>29,124,654</u>

The Group / the Company has entered into an agreement on 31 July, 2007 with Housing 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.

The Company has entered into a settlement agreement with Hulhumale' development corporation Ltd on 22nd July 2020 to halt the land lease agreement and all future lease payments with the purpose of finding a new buyer to develop the property. Accordingly, the company has discontinued the amortization of advance lease rent and it was transferred to capital work in progress of investment property during the year 2020 (Note 14).

17 INVESTMENT IN SUBSIDIARIES	Company	
	2020	2019
	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	60,478,185	42,783,185
Maldives National Oil Company Limited	10,000,000	10,000,000
STO Hotels & Resorts Private Limited	999,900	999,900
Maldives State Shipping Company Private Limited (Note 17.3)	34,468,045	-
Maldives Industrial Fisheries Company Limited (MIFCO) (Note 17.2)	-	-
Provision for impairment of investment in subsidiaries (Note 17.1)	(12,305,455)	(12,305,455)
	<u>157,107,425</u>	<u>104,944,380</u>

The impairment loss is included in administrative expenses in the statement of profit or loss.

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17.1 Provision for impairment of investment in subsidiaries

	Company	
	2020 MVR	2019 MVR
As at 1st January	12,305,455	4,961,754
Provision for the year	-	7,343,701
As at 31st December	<u>12,305,455</u>	<u>12,305,455</u>

Due to the continuous losses incurred by the subsidiaries, Maldives National Oil Company Private Limited ("MNOC"), STO Maldives (Singapore) Private Limited and STO Hotels and Resorts Private Limited ("STOHR"), the Board of Directors of the Company has assessed the recoverable value of the investment in those subsidiary Companies and recognized an impairment of MVR7,343,701/- in 2019. No additional provision was provided for the subsidiaries in 2020.

Recoverable amount of the subsidiary is based on fair value less cost to sell. The fair value measurement have been categories as a Level 3 fair value based on the inputs to the valuation technique used. since current price in an active market is not available the directors consider net assets values from the audited financial statements to measure the recoverable amounts.

	SINGAPORE MVR	STOHR MVR	MNOC MVR	Total MVR
Estimated recoverable value	-	-	154,195	154,195
Cost of the investment in subsidiary	1,459,750	999,900	10,000,000	12,459,650
Provision for impairment	<u>(1,459,750)</u>	<u>(999,900)</u>	<u>(9,845,805)</u>	<u>(12,305,455)</u>

The recoverable value of these investments have been derived by calculating the estimated recovery of the investment without considering an improvement in the business of the subsidiaries.

17.2 The Government transferred the control of assets and management of Maldives Industrial Fisheries Company Limited (MIFCO) to the Group on 30th September 2016 without group paying a purchase consideration and with a commitment from the Government of Maldives to inject a capital of MVR 333,632,560/- in cash to MIFCO.

17.3 During the year 2020, the Group ventured into shipping business by commencing the operations of a fully owned subsidiary, Maldives State Shipping Company Private Limited by investing MVR 34,468,045/-.

18 EQUITY - ACCOUNTED INVESTEEES

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
Interest in associates (Note 18.1)	9,786,600	8,907,818	10,567,267	10,567,267
Interest in joint venture (Note 18.3)	24,708,840	23,891,094	4,700,000	4,700,000
	<u>34,495,440</u>	<u>32,798,912</u>	<u>15,267,267</u>	<u>15,267,267</u>

18.1 Investment in Associates

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
As at 1st January	8,907,818	9,438,027	10,567,267	10,567,267
Share of profit for the year (net of tax)	878,782	(530,209)	-	-
As at 31st December	<u>9,786,600</u>	<u>8,907,818</u>	<u>10,567,267</u>	<u>10,567,267</u>

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18 EQUITY - ACCOUNTED INVESTEES (continued)

Raysut Maldives Cement Private Limited

Lafarge Maldives Cement Private Limited has changed its ownership structure on 21st July 2020 and accordingly the name of the company was changed from Lafarge Maldives Cement Private Limited to Raysut Maldives Private Limited ("Associate") on 12th August 2020. The principal activity of the associate is trading of cement.

Raysut Maldives Cement Private Limited is a limited liability company incorporated in the Republic of Maldives. State Trading Organization PLC has acquired 10,567,267/- shares, at the price of MVR 1/- each on 8 of January 2002 in Raysut Maldives Cement Private Limited which represents 25% of the shareholding of that company.

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

	Raysut Maldives Cement Private Limited	
	2020 MVR	2019 MVR
Percentage of ownership	25%	25%
Non current assets	45,235,819	46,548,755
Current assets	34,347,171	42,294,593
Non current liabilities	(34,126,357)	(24,050,235)
Current liabilities	(6,310,219)	(29,161,841)
Net assets (100%)	39,146,415	35,631,272
Group's share of net assets	9,786,600	8,907,818
Carrying amount of interest in associates	9,786,600	8,907,818
Revenue	72,805,114	96,599,777
Profit and other comprehensive income	3,515,128	(2,120,836)
Group's share of profit and other comprehensive income	878,782	(530,209)

18.3 Investment in joint venture

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
As at 1st January	23,891,094	21,861,138	4,700,000	4,700,000
Share of profit for the year (net of tax)	8,817,746	10,029,956	-	-
Dividend received	(8,000,000)	(8,000,000)	-	-
As at 31st December	<u>24,708,840</u>	<u>23,891,094</u>	<u>4,700,000</u>	<u>4,700,000</u>

Maldives Structural Products Private Limited

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

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

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Percentage of ownership

Non current assets

Cash and cash equivalents

Other Current assets

Non current financial liabilities

Current financial liabilities

Other Current liabilities

Net assets (100%)

Group's share of net assets

Carrying amount of interest in joint venture

Revenue

Depreciation and amortization

Interest expense

Income tax expense

Profit and other comprehensive income

Group's share of profit and other comprehensive income

Dividend received by the Group

	Maldives Structural Products Private Limited	
	2020	2019
	MVR	MVR
Percentage of ownership	50%	50%
Non current assets	8,791,219	10,030,132
Cash and cash equivalents	4,162,616	1,574,614
Other Current assets	52,638,205	59,167,805
Non current financial liabilities	(8,986,243)	(9,530,334)
Current financial liabilities	(544,089)	(332,178)
Other Current liabilities	(6,644,028)	(13,127,852)
Net assets (100%)	49,417,680	47,782,187
Group's share of net assets	24,708,840	23,891,094
Carrying amount of interest in joint venture	24,708,840	23,891,094
Revenue	83,137,548	94,983,318
Depreciation and amortization	(1,095,298)	(1,081,743)
Interest expense	(5,056,695)	(2,443,322)
Income tax expense	(4,028,853)	(4,362,494)
Profit and other comprehensive income	17,635,492	20,059,913
Group's share of profit and other comprehensive income	8,817,746	10,029,956
Dividend received by the Group	(8,000,000)	(8,000,000)

19 INVESTMENT IN EQUITY INSTRUMENTS

As at 1st January

Net change in fair value during the year

As at 31st December

Determining the fair value

Marketable equity securities are measured at fair value annually at the close of business on 31st December. For investments traded in active markets, the 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. Equity investments 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.

19.1 Movement in investment in equity instruments

Maldives Stock Exchange Company Private Limited

Dhivehi Raajjeyge Gulhun PLC

Ooredoo Maldives PLC

Addu International Airport Private Limited

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
As at 1st January	51,365,800	49,820,026	2,240,800	4,820,026
Net change in fair value during the year	4,875,000	1,545,774	-	(2,579,226)
As at 31st December	56,240,800	51,365,800	2,240,800	2,240,800
Group	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Maldives Stock Exchange Company Private Limited	2,240,800	2,240,800	2,240,800	2,240,800
Dhivehi Raajjeyge Gulhun PLC	12,000,000	13,125,000	-	-
Ooredoo Maldives PLC	42,000,000	36,000,000	-	-
Addu International Airport Private Limited	-	-	-	-
	56,240,800	51,365,800	2,240,800	2,240,800

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19.2 Cost and fair value reconciliation

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Maldives Stock Exchange Company Private Limited	3,840,800	3,840,800	3,840,800	3,840,800
Madivaru Holdings Private Limited	709,148	709,148	709,148	709,148
Maldives Security Depository	500,000	500,000	500,000	500,000
Dhivehi Raajjeyge Gulhun PLC	10,000,000	10,000,000	-	-
Ooredoo Maldives PLC	30,000,000	30,000,000	-	-
Addu International Airport Private Limited (Note 19.3)	-	-	-	10,000,000
	<u>49,549,948</u>	<u>49,549,948</u>	<u>9,549,948</u>	<u>19,549,948</u>
Net change in fair value				
As at 1st January	(8,184,148)	(9,729,922)	(17,309,148)	(14,729,922)
Disposal of investment	10,000,000	-	10,000,000	-
Net change in fair value for the year	<u>4,875,000</u>	<u>1,545,774</u>	<u>-</u>	<u>(2,579,226)</u>
As at 31st December	<u>6,690,852</u>	<u>(8,184,148)</u>	<u>(7,309,148)</u>	<u>(17,309,148)</u>
Net fair value	<u>56,240,800</u>	<u>41,365,800</u>	<u>2,240,800</u>	<u>2,240,800</u>

19.3 During the year, the company has transferred its shares at Addu International Airport Private Limited to Government of Maldives.

20 RIGHT-OF-USE ASSET

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Cost				
As at 1st January	557,426,649	-	170,678,355	-
Adjustment due to initial application of IFRS 16 (Note 4 (c))	-	537,662,374	-	154,482,710
Adjustment in opening balance due to changes in variables	(25,379,598)	-	(10,638,254)	-
Addition during the year	58,532,531	19,764,275	45,445,765	16,195,645
Modifications during the year	(2,526,467)	-	(375,332)	-
As at 31st December	<u>588,053,116</u>	<u>557,426,649</u>	<u>205,110,534</u>	<u>170,678,355</u>
Accumulated depreciation				
As at 1st January	33,118,002	-	16,445,854	-
Charge for the year	38,382,244	33,118,002	23,784,745	16,445,854
As at 31st December	<u>71,500,246</u>	<u>33,118,002</u>	<u>40,230,599</u>	<u>16,445,854</u>
Net carrying value	<u>516,552,870</u>	<u>524,308,647</u>	<u>164,879,935</u>	<u>154,232,501</u>

The Company and the Group has recognized right of use asset in relation to the leasehold right of the Ekuhivaru island in Noonu Atoll pursuant to the settlement and lease agreement entered with Government of Maldives on 10th January 2017. As per the agreement, any extensions to the lease period has to be mutually agreed. Previously, this lease was classified as operating leases under IAS 17.

In addition to that the Company and the Group has recognized right of use assets relating to the leasehold right of retail outlets, offices and warehouses. Previously, these leases were classified as operating leases under IAS 17.

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21 INVENTORIES	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Food stock	111,126,784	79,425,566	111,126,784	79,425,566
Fuel and lubricants	189,913,840	292,998,776	134,078,550	232,695,524
Home improvement and electronics	32,973,882	48,474,365	28,279,954	46,762,361
Construction materials	61,378,575	48,778,492	61,378,575	48,778,492
Pharmaceuticals	396,963,290	252,348,173	396,963,290	252,348,173
Fish and processed fish products	223,498,790	168,323,371	-	-
Spare parts	110,179,018	106,894,879	10,366,718	11,997,044
Retail shops	52,343,394	70,034,113	47,236,675	65,504,528
Others	50,258,971	35,672,617	44,456,488	33,820,305
Goods in transit	233,258,454	184,132,818	199,145,158	184,016,876
Less: provision for slow and non-moving inventories (Note - 21.1)	(147,490,668)	(86,716,789)	(97,500,298)	(43,971,064)
	<u>1,314,404,330</u>	<u>1,200,366,381</u>	<u>935,531,894</u>	<u>911,377,805</u>

21.1 Provision for slow moving and non-moving inventories

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
As at 1st January	86,716,789	78,935,378	43,971,064	40,020,598
Provision made during the year	60,773,879	7,781,411	53,529,234	3,950,466
As at 31st December	<u>147,490,668</u>	<u>86,716,789</u>	<u>97,500,298</u>	<u>43,971,064</u>

In 2020, inventories of MVR.5,776,949,650/- (2019: MVR.7,969,558,333/-) were recognized as an expense and included in 'cost of sales' of the Company.

In 2020, inventories of MVR 6,459,580,352/- (2019: MVR.8,735,383,530/-) were recognized as an expense and included in 'cost of sales' of the Group.

The Group recognized inventory provision of MVR.60,773,879/- during the year 2020. The Company recognized inventory provision of MVR. 53,529,234/- during the year 2020. These amounts have been included in 'Cost of sales' in the statement of profit or loss.

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

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22 TRADE AND OTHER RECEIVABLES	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Trade receivables	757,516,386	740,095,827	201,461,311	211,586,959
Due from policyholders	107,160,287	84,807,478	-	-
Less : provision for impairment loss (Note 22.1)	(463,905,730)	(448,989,497)	(131,510,353)	(103,850,036)
	<u>400,770,943</u>	<u>375,913,809</u>	<u>69,950,958</u>	<u>107,736,923</u>
Advances, prepayments and deposits	188,148,647	206,284,525	140,543,688	137,220,904
Government employee credit scheme	40,181,049	45,130,049	40,181,049	45,130,049
Staff advances and other loans	1,014,937	7,161,764	1,014,937	7,161,764
Advances paid for custom duty	6,366,045	9,648,493	6,366,045	9,648,493
Miscellaneous receivable	133,083,680	123,032,760	38,631,391	40,126,872
Less : unmaturred interest	(1,586,882)	(1,655,323)	(1,586,882)	(1,655,323)
Less : provision for impairment loss (Note 22.2)	(84,266,943)	(60,039,856)	(47,095,866)	(42,986,975)
	<u>282,940,534</u>	<u>329,562,412</u>	<u>178,054,362</u>	<u>194,645,784</u>
Total trade and other receivable	<u>683,711,477</u>	<u>705,476,221</u>	<u>248,005,320</u>	<u>302,382,707</u>
22.1 Provision for impairment of trade receivables				
As at 1st January	448,989,497	426,157,307	103,850,036	102,396,183
Written off during the year	(147,460)	-	-	-
Provision made during the year	15,063,694	22,832,189	27,660,317	1,453,853
As at 31st December	<u>463,905,731</u>	<u>448,989,497</u>	<u>131,510,353</u>	<u>103,850,036</u>
22.2 Provision for impairment of other receivables				
As at 1st January	60,039,856	51,222,693	42,986,975	40,969,276
Provision made during the year	24,227,086	8,817,163	4,108,891	2,017,699
As at 31st December	<u>84,266,942</u>	<u>60,039,856</u>	<u>47,095,866</u>	<u>42,986,975</u>

23 AMOUNTS DUE FROM RELATED PARTIES	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
STO Maldives (Singapore) Private Limited	-	-	28,101,955	27,831,385
Maldivian Gas Private Limited	-	-	2,940	4,815,445
Fuel Supplies Maldives Private Limited	-	-	1,344,746,251	1,328,733,666
Allied Insurance Company of the Maldives Private Limited	-	-	21,621,746	13,834,355
Maldives National Oil Company Limited	-	-	14,224	10,224
Maldives Industrials Fisheries Company Limited	-	-	155,385,457	115,609,191
STO Hotels & Resorts Private Limited	-	-	205,684,029	205,684,029
Maldives State Shipping Company Private Limited	-	-	19,455,386	-
Raysut Maldives Cement Private Limited	-	67,618	-	63,222
Maldives Structural Product Private Limited	1,097,747	-	1,100,372	-
Ministry of Health	357,375,701	175,898,515	357,362,209	175,885,023
Ministry of Finance and Treasury	70,735,459	112,153,748	70,735,459	112,153,748
State Electric Company Limited (STELCO)	87,053,081	113,470,693	87,048,381	113,430,087
Fenaka Corporation	795,000,621	732,995,224	44,473,890	55,260,341
Indira Gandhi Memorial Hospital	199,865,026	207,997,206	199,221,460	207,363,990
Maldives Road Development Corporation	37,969,676	38,571,571	37,969,676	37,969,674
Addu International Airport Private Limited	14,887,153	1,593,971	14,887,153	-
Aasandha Private Limited	125,136,526	132,491,417	125,136,526	132,491,417
Hulhumale Hospital	12,632,578	17,797,378	12,291,771	17,397,067
Maldives Airport Company Limited	59,213,705	121,906,666	59,206,275	121,837,346
Ministry of Housing and Infrastructure	102,656,450	103,108,258	102,653,800	103,105,608
Rainbow Enterprises Private Limited	1,724,515	1,893,743	1,724,515	1,893,743
Other Government entities	340,170,140	219,188,878	282,629,827	175,820,433
	<u>2,205,518,378</u>	<u>1,979,134,886</u>	<u>3,171,453,302</u>	<u>2,951,189,994</u>
Less : provision for impairment loss (Note 23.1)	(172,148,977)	(104,696,981)	(310,977,995)	(226,180,464)
Total amount due from related parties	<u>2,033,369,401</u>	<u>1,874,437,905</u>	<u>2,860,475,307</u>	<u>2,725,009,530</u>
Current	<u>2,033,369,401</u>	<u>1,874,437,905</u>	<u>2,860,475,306</u>	<u>2,725,009,530</u>
	<u>2,033,369,401</u>	<u>1,874,437,905</u>	<u>2,860,475,306</u>	<u>2,725,009,530</u>

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23 AMOUNTS DUE FROM RELATED PARTIES (CONTINUED)

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
23.1 Provision for Impairment of amounts due from related parties				
As at 1st January	104,696,981	242,115,618	226,180,464	362,512,957
Provision made / (reversed) during the year	67,451,996	(137,418,637)	84,797,531	(136,332,493)
As at 31st December	172,148,977	104,696,981	310,977,995	226,180,464

Receivables from Maldives Industrials Fisheries Company Limited include loan receivable of MVR 34,460,148/- granted at an interest rate of 7.5% per annum and an accrued interest of MVR 7,929,186/- as at 31st December 2020.

24 REINSURANCE CONTRACTS

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Reinsurers' share of insurance liabilities	269,726,640	166,240,467	-	-
Reinsurance share of paid claim and prepaid reinsurance	37,247,539	55,488,289	-	-
Reinsurance share of incurred but not reported claims	15,062,730	6,474,024	-	-
Unearned premium	63,171,022	89,263,711	-	-
Gross receivables from reinsurance	385,207,931	317,466,491	-	-
Less : provision for re-insurance receivables (Note 24.1)	(9,642,213)	(8,981,677)	-	-
Net receivables from reinsurance	375,565,718	308,484,814	-	-

24.1 Provision for re-insurance receivables

As at 1st January	8,981,677	8,981,677	-	-
Provision made during the year	660,536	-	-	-
As at 31st December	9,642,213	8,981,677	-	-

25 OTHER FINANCIAL INVESTMENTS

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Investment in treasury bills	168,810,799	81,818,443	-	-
Corporate bonds	84,803,349	110,646,794	-	-
Investment in term deposit	27,815,503	16,282,579	-	-
	281,429,651	208,747,816	-	-
As at 1st January	208,747,816	197,713,454	-	-
Purchased during the year	176,051,489	364,488,290	-	-
Matured during the year	(103,369,654)	(353,453,928)	-	-
As at 31st December	281,429,651	208,747,816	-	-

The Group has invested MVR 167,702,415/- (2019: MVR 80,129,305/-) in treasury bills issued by the Maldives Monetary Authority for a maturity value of MVR 170,096,111/- (2019: MVR 83,420,000/-) at the rate of interest ranging from 3.4% to 4.6% per annum (2019: 4.23% to 4.6% per annum) with the maturity period of 28 days to 364 days (2019: 182 days to 364 days).

During the year, the Group has made an investment of MVR 79,857,496/- (2019: MVR 105,932,000/-) in the short term and long term corporate bonds / sukuk by Housing Development Finance Corporation PLC at the interest rate of 6.5% to 7.0% (2019: 6.5% to 7.0% per annum) with a maturity period of two to ten years (2019: 2 to 10 years).

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Favorable balances				
Cash in hand	14,712,249	22,492,477	8,549,878	6,662,140
Balances at banks	570,558,698	338,146,964	357,781,605	109,489,479
	585,270,947	360,639,441	366,331,483	116,151,619
Unfavorable balances				
Bank overdrafts	(574,345,629)	(277,897,649)	(342,890,234)	(215,383,259)
Cash and cash equivalents for the purpose of cash flow statement	10,925,318	82,741,792	23,441,249	(99,231,640)

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27 SHARE CAPITAL AND RESERVES

A. SHARE CAPITAL AND SHARE PREMIUM

27.1 Authorized

The authorized share capital comprises 2,000,000 (2019: 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 (2019: 1,126,910) ordinary shares at a par value of MVR 50 per share (2019: 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.

27.2 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.

27.3 Dividends per share

At the Annual General Meeting held on 30th August 2020, a dividend of MVR 58/- per share in respect of 2019 (2019: declared dividend MVR 58/- per share in respect of 2018) amounting to a total of MVR.65,360,780/- (2019: declared MVR.65,360,780/-) was declared and approved by the shareholders and accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31st December 2020.

B. RESERVES

27.4 General reserve

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

27.5 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments until the assets are derecognized.

27.6 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 future claims.

27.7 Currency translation reserve

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

28 NON CONTROLLING INTEREST

	Group	
	31/12/2020	31/12/2019
	MVR	MVR
As at 1st January	23,222,548	19,713,146
Share of profit of subsidiary	3,317,863	4,514,875
Share of profit of other comprehensive income of subsidiary	(70,209)	105,637
Dividend paid to non controlling interest	(1,100,000)	(1,111,111)
As at 31st December	25,370,202	23,222,548

29 LOANS AND BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	MVR	MVR	MVR	MVR
As at 1st January	2,649,885,685	2,327,569,935	2,132,257,382	1,793,736,867
Loans obtained during the year	3,697,618,025	6,359,049,560	3,682,190,315	6,357,216,122
Repayments during the year	(4,115,312,555)	(6,036,733,810)	(4,124,794,766)	(6,018,695,607)
As at 31st December	2,232,191,155	2,649,885,685	1,689,652,932	2,132,257,382

29.1 Sources of Finance

Secured loans	1,590,851,896	1,918,713,760	1,143,156,508	1,497,327,511
Unsecured loans	372,962,446	374,361,664	278,119,610	278,119,610
Corporate bond (Note 29.7)	268,376,813	356,810,261	268,376,813	356,810,261
	2,232,191,155	2,649,885,685	1,689,652,932	2,132,257,382

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29 LOANS AND BORROWINGS (continued)

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
29.2 Non - Current				
Bank borrowings	20,016,405	11,564,170	-	-
Other borrowings	13,482,705	108,723,872	6,704,148	15,956,148
Corporate bond	175,208,406	268,376,816	175,208,406	268,376,816
	<u>208,707,516</u>	<u>388,664,858</u>	<u>181,912,554</u>	<u>284,332,964</u>
29.3 Current				
Bank borrowings	1,118,265,324	1,480,364,861	1,108,696,258	1,462,867,261
Other borrowings	812,049,905	692,422,518	305,875,710	296,623,710
Corporate bond	93,168,410	88,433,448	93,168,410	88,433,447
	<u>2,023,483,639</u>	<u>2,261,220,827</u>	<u>1,507,740,378</u>	<u>1,847,924,418</u>

29 LOANS AND BORROWINGS
29.4 Terms and repayment schedule

Source of finance	Nominal interest rate	Year of maturity	Security	Group Carrying value		Company Carrying value	
				31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Nation Trust Bank PLC	7.50%	Revolving	Trade center building	136,680,260	68,938,797	136,680,260	68,938,797
Hongkong & Shanghai Banking Corporation	5.25% + LIBOR	Revolving	Government guarantee	140,023,726	-	140,023,726	-
Allied Insurance	5.00%	Revolving	Un-secured.	-	-	48,119,710	48,119,710
Habib Bank Limited	7.00%	2021	Backed by STO's assets	81,178,401	15,787,266	81,178,401	15,787,266
Ministry of Finance and treasury	Profit Share 65 : 35	2021	Un-secured.	130,000,000	130,000,000	130,000,000	130,000,000
Ministry of Finance and treasury	Profit Share 60 : 40	2021	Un-secured.	100,000,000	100,000,000	100,000,000	100,000,000
Ministry of Finance and treasury	7.50%	2022	MIFCO assets procured / constructed under the facility	34,460,148	38,863,014	34,460,148	38,863,014
International Islamic Trade finance corporation	4.55%	2021	Government guarantee	519,513,874	1,373,738,333	519,513,874	1,373,738,333
International Islamic Trade finance corporation	4.30%	2021	Government guarantee	231,300,000		231,300,000	-
Listed corporate bond	5.25%	2023	Government guarantee	268,376,813	356,810,263	268,376,813	356,810,263

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29.4 Terms and repayment schedule (continued.)

Source of finance	Nominal interest rate	Year of maturity	Security	Group Carrying value		Company Carrying value	
				31/12/2020	31/12/2019	31/12/2020	31/12/2019
				MVR	MVR	MVR	MVR
Ministry of Finance and treasury (IDB Tsunami)	8.00%	No fixed Repayment	Un-secured.	72,529,380	66,057,362	-	-
Ministry of Finance and treasury	6.00%	2013	Government guarantee	71,894,744	53,975,959	-	-
Ministry of Finance and treasury	6.00%	2023	Government guarantee	35,520,003	34,007,404	-	-
Ministry of Finance and treasury	6.00%	N/A	Government guarantee	251,368,604	243,617,218	-	-
Ministry of Finance and treasury	4.00%	2022	Government guarantee	56,320,852	52,792,569	-	-
Ministry of Finance and treasury	4.60%	Revolving	Un-secured.	32,454,432	31,176,647	-	-
Ministry of Finance and treasury	Interest free	Revolving	Un-secured.	32,155,792	32,155,792	-	-
Ministry of Fisheries and agriculture	Interest free	2028	Un-secured.	4,907,268	5,353,030	-	-
Ministry of Fisheries and agriculture	Interest free	2024	Government guarantee	3,005,813	3,528,563	-	-
Bank of Maldives PLC	8.50%	No fixed repayment	USD lien, leasehold rights of commercial plots & MIFCO assets	-	11,474,704	-	-
Bank of Maldives PLC	8.00%	2023	Leasehold rights of commercial plots & MIFCO assets	7,349,977	8,408,180	-	-
Bank of Maldives PLC	9.75%	2021	MIFCO vessels and government guarantee	6,807,784	9,510,950	-	-
Habib Bank Limited	10.00%	No fixed repayment	MIFCO vessels	-	4,070,803	-	-
Loan received from World Wise	Interest free	3 years from shipment BL	Un-secured.	915,574	9,618,832	-	-
Hongkong & Shanghai Banking Corporation	61% + LIBOR	2025	Backed by Maldives Gas properties and facilities in Thilafushi	15,427,710	-	-	-
				<u>2,232,191,155</u>	<u>2,645,482,820</u>	<u>1,689,652,932</u>	<u>2,127,854,517</u>

29.5 Bank borrowings of the Group / Company will mature by September 2028 and bear an average interest rate of 5.83% annually (2019: 6.00% annually).

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

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

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30 LEASE LIABILITY

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
As at 1st January	464,127,710	448,138,837	159,087,802	-
Adjustment due to initial application of IFRS 16 (Note 4(c))	-	-	-	154,482,710
Additions during the year	58,532,529	20,604,528	45,445,765	16,195,645
Interest charge for the year	40,328,406	35,182,949	16,657,559	12,642,010
Adjustments due to changes in variables	(21,202,218)	-	(6,273,703)	-
Modifications during the year	(812,060)	-	(386,029)	-
Interest payment	(40,328,406)	(35,182,949)	(16,657,559)	(12,642,010)
Principal payment	(9,030,603)	(4,615,655)	(18,500,531)	(11,590,553)
As at 31st December	<u>491,615,358</u>	<u>464,127,710</u>	<u>179,373,305</u>	<u>159,087,802</u>
Non - Current Liabilities	<u>424,254,006</u>	<u>420,184,235</u>	<u>160,227,981</u>	<u>137,490,910</u>
Current Liabilities	<u>67,361,350</u>	<u>43,943,474</u>	<u>19,145,324</u>	<u>21,596,892</u>

The total cash outflow for leases in 2020 for the Group was MVR 49,359 Mn (2019 : MVR 39,799 Mn) and Company MVR 35,158 Mn (2019 : MVR 24,233 Mn).

Lease modification represents deferment of rent relating to quarter 2 and 3 of 2020.

Adjustments due to changes in variables represents impact on lease liability due to change in incremental borrowing rates (IBR). On adoption of IFRS 16 the Group has applied a single discount rate of 7% as incremental borrowing rate. However, it was noted that leases are not with similar characteristics particularly considering the maturity risk related to assets & lease terms. The error has been rectified by reassessing lease liability as of 1 January 2019 by considering maturity risk & security risk and difference of MVR 21,202,218/- for the Group and MVR 6,273,703 for the Company have been adjusted during the current financial year. Error correction made prospectively as adjustment is not material to the financial statements.

The Company does not face a significant liquidity risk with regard to its lease liabilities.
Maturity analysis of non-current lease liabilities is as follows:

Later than 1 year and not later than 5 years
Later than 5 years

	Group		Company	
	2020	2019	2020	2019
Later than 1 year and not later than 5 years	176,383,140	151,431,347	109,947,984	86,890,436
Later than 5 years	404,710,420	439,935,964	196,527,485	239,377,101
	<u>581,093,559</u>	<u>591,367,311</u>	<u>306,475,469</u>	<u>326,267,537</u>

Sensitivity of incremental borrowing rate to lease

As of 31 December 2020
(Decrease) / increase in net carrying amount of right-of-use assets

(Decrease) / increase in lease liability

(Decrease) / increase in depreciation
Increase / (decrease) in interest expense
Increase / (decrease) in total expense

	Group		Company	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
As of 31 December 2020 (Decrease) / increase in net carrying amount of right-of-use assets	(4,224,411)	4,230,485	(653,971)	661,466
(Decrease) / increase in lease liability	(4,570,703)	4,481,877	(639,566)	646,768
(Decrease) / increase in depreciation	(160,007)	268,062	(52,203)	52,563
Increase / (decrease) in interest expense	922,656	(744,608)	62,252	(62,783)
Increase / (decrease) in total expense	<u>762,650</u>	<u>(476,546)</u>	<u>10,050</u>	<u>(10,220)</u>

31 DEFINED BENEFIT OBLIGATION

As at 1st January
Current service cost
Past service cost
Interest cost

Deficit for the year

Less: Payments during the year
As at 31st December

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
As at 1st January	66,670,383	45,900,671	41,897,966	32,462,393
Current service cost	5,660,700	15,545,751	2,105,048	3,146,834
Past service cost	52,228,046	-	-	-
Interest cost	3,066,838	2,074,459	1,927,306	1,493,270
Deficit for the year	(13,790,211)	7,200,941	(5,964,428)	6,583,891
	<u>113,835,756</u>	<u>70,721,822</u>	<u>39,965,892</u>	<u>43,686,388</u>
Less: Payments during the year	(3,265,883)	(4,051,439)	(2,645,300)	(1,788,422)
As at 31st December	<u>110,569,873</u>	<u>66,670,383</u>	<u>37,320,592</u>	<u>41,897,966</u>

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31 DEFINED BENEFIT OBLIGATION (continued)

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

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
<i>Amount recognized in profit or loss</i>				
Current service cost	5,660,700	15,545,751	2,105,048	3,146,834
Past service cost	52,228,046	-	-	-
Interest cost	3,066,838	2,074,459	1,927,306	1,493,270
	<u>60,955,584</u>	<u>17,620,210</u>	<u>4,032,354</u>	<u>4,640,104</u>
<i>Amount recognized in other comprehensive income</i>				
Deficit for the year	(13,790,211)	7,200,941	(5,964,428)	6,583,891
	<u>(13,790,211)</u>	<u>7,200,941</u>	<u>(5,964,428)</u>	<u>6,583,891</u>

31.2 The Group / Company have engaged a qualified actuary to estimate the retirement benefit obligation. 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	
	2020	2019	2020	2019
Expected salary increment	3% - 5%	1.88% - 8%	3.29%	4.22%
Discount rate	4.60%	4% - 4.6%	4.60%	4.60%
Staff turnover factor	7% - 23%	1% - 24.09%	12.00%	13.73%

31.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate, expected salary increment rate and staff turnover rate to total comprehensive income and defined benefit obligation for the year.

As at 31st December 2020

	Sensitivity effect on			
	Total comprehensive income Increase / (reduction)	Defined benefit Increase / (reduction) in the liability	Total comprehensive income Increase / (reduction)	Defined benefit Increase / (reduction) in the liability
	MVR	MVR	MVR	MVR
	Group		Company	
Increase in discount rate (1%)	4,486,241	(4,486,241)	2,187,393	(2,187,393)
Decrease in discount rate (1%)	(5,002,060)	5,002,060	(2,477,312)	2,477,312
	<u>(4,427,922)</u>	<u>4,427,922</u>	<u>(2,142,389)</u>	<u>2,142,389</u>
Increase in expected salary increment rate (1%)	4,032,274	(4,032,274)	1,920,181	(1,920,181)
Decrease in expected salary increment rate (1%)				
	<u>610,859</u>	<u>(610,859)</u>	<u>216,516</u>	<u>(216,516)</u>
Increase in staff turnover rate (1%)	(144,131)	144,131	(220,883)	220,883
Decrease in staff turnover rate (1%)				

As at 31st December 2019

	Sensitivity effect on			
	Total comprehensive income Increase / (reduction)	Defined benefit Increase / (reduction) in the liability	Total comprehensive income Increase / (reduction)	Defined benefit Increase / (reduction) in the liability
	MVR	MVR	MVR	MVR
	Group		Company	
Increase in discount rate (1%)	3,916,837	(3,916,837)	2,472,334	(2,472,334)
Decrease in discount rate (1%)	(4,338,212)	4,338,212	(2,793,361)	2,793,361
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase in expected salary increment rate (1%)	(4,070,645)	4,070,645	(2,490,321)	2,490,321
Decrease in expected salary increment rate (1%)	3,737,183	(3,737,183)	2,239,312	(2,239,312)
	<u>-</u>	<u>(516,575)</u>	<u>-</u>	<u>(39,122)</u>
Increase in staff turnover rate (1%)	516,575	(516,575)	39,122	(39,122)
Decrease in staff turnover rate (1%)	(526,095)	526,095	(35,950)	35,950

Maturity analysis of the defined benefit obligation payments

As at 31st December 2020

Future Expected Working Life	No of employees	Group Average future expected working life	Defined Benefit Obligation	No of employees	Company Average future expected working life	Defined Benefit Obligation
	Within the next 12 months	20	0.51 - 9	820,841	6	0.51
Between 1-2years	11	1.44-1.6	1,949,077	2	1.6	395,987
Between 2-5 years	1415	3.97 - 4.8	70,012,159	40	3.97	3,759,835
Between 5-10 years	2172	6.54 - 9.17	36,993,891	1,983	7.9	32,979,472
Beyond 10 years	135	12.64	793,904	-	-	-
Total	<u>3,753</u>		<u>110,569,872</u>	<u>2,031</u>		<u>37,320,593</u>

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31.3 Sensitivity analysis (continued)

As at 31 st December 2019 Future Expected Working Life	No of employees	Group Average future expected working life	Defined Benefit Obligation	No of employees	Company Average future expected working life	Defined Benefit Obligation
Within the next 12 months	23	0.22 - 0.5	1,460,965	8	0.46	586,570
Between 1-2 years	11	1.36 - 1.8	719,724	4	1.46	474,892
Between 2-5 years	911	3.59 - 4.92	17,417,127	43	4.08	3,706,553
Between 5-10 years	2648	5.06 - 7.02	47,072,567	2,039	7.02	37,129,951
Beyond 10 years	-	-	-	-	-	-
Total	<u>3,593</u>		<u>66,670,383</u>	<u>2,094</u>		<u>41,897,966</u>

32 TRADE AND OTHER PAYABLES

	Group		Company	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Trade payables	1,168,293,195	1,029,511,897	999,599,130	925,616,825
Accrued expenses	60,626,142	46,938,061	48,473,507	35,221,918
Lease rent accrual	-	4,805,097	-	4,805,097
Dividend payable	180,484,938	125,924,874	177,834,938	123,274,874
Other payable	439,245,226	182,800,271	309,030,483	132,089,687
	<u>1,848,649,500</u>	<u>1,389,980,201</u>	<u>1,534,938,058</u>	<u>1,221,008,401</u>

32.1 Other payables of the Company mainly includes advances received from customers amounting to MVR 171,146,551 (2019- MVR 3,763,814) and deposits received from customers amounting to MVR 90,511,329 (2019 - MVR 9,792,927).

32.2 LEASE RENT ACCRUAL

	Group		Company	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
As at 1st January	4,805,097	46,875,155	4,805,097	2,465,556
Adjustment due to initial application of IFRS 16	-	(29,606,400)	-	-
Reversal during the year	-	(14,803,199)	-	-
Accrual for the year	-	2,339,541	-	2,339,541
Transferred to right of use assets	(4,805,097)	-	(4,805,097)	-
As at 31st December	<u>-</u>	<u>4,805,097</u>	<u>-</u>	<u>4,805,097</u>

33 DEFERRED INCOME

	Group		Company	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
As at 1st January	47,151,420	47,204,440	51,668,360	53,599,214
Received during the year	9,487,471	9,122,147	-	-
Recognized during the year	(9,327,835)	(9,175,167)	(1,930,854)	(1,930,854)
	<u>47,311,056</u>	<u>47,151,420</u>	<u>49,737,506</u>	<u>51,668,360</u>
Analysis of deferred income				
Realize within one year	8,951,011	8,503,607	1,930,854	1,930,854
Realize after one year	38,360,046	38,647,813	47,806,652	49,737,506
	<u>47,311,056</u>	<u>47,151,420</u>	<u>49,737,506</u>	<u>51,668,360</u>

33.1 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.

34 INSURANCE CONTRACTS

	Group		Company	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Claims reported and loss adjustment	361,446,064	259,313,535	-	-
Claim incurred but not reported (IBNR)	20,332,154	9,061,077	-	-
Provision for unearned premiums	122,843,341	161,015,892	-	-
Unappropriated policyholders fund	40,837,147	26,287,302	-	-
Provision for unearned reinsurance commission	17,224,250	22,228,475	-	-
Total insurance liabilities, gross	<u>562,682,956</u>	<u>477,906,281</u>	<u>-</u>	<u>-</u>

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35 CURRENT TAX LIABILITIES

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
As at 1st January	64,752,039	29,403,793	43,075,864	22,653,351
Provision for the year (Note 11)	105,527,744	102,310,934	80,556,422	63,079,298
Tax paid during the year	(117,225,999)	(67,606,067)	(76,058,790)	(43,401,048)
Adjustment in respect of prior years (Note 11)	2,724,627	643,379	1,470,405	744,263
As at 31st December	<u>55,778,411</u>	<u>64,752,039</u>	<u>49,043,901</u>	<u>43,075,864</u>

36 AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Maldiv Gas Private Limited	-	-	1,887,342	-
Fuel Supplies Maldives Private Limited	-	-	852,405	3,588,819
Allied Insurance Company of the Maldives Private Limited	-	-	70,422,732	65,498,804
Raysut Maldives Cement Private Limited	10,910,799	9,295,742	10,900,850	9,295,742
Maldives State Shipping Company Private Limited	-	-	6,424,393	-
Maldives Structural Product Private Limited	26,921,941	18,800,942	26,921,941	18,800,942
Ministry of Housing and Infrastructure	7,406,882	4,541,932	7,406,882	4,541,932
Maldives Pension Administration Office	1,236,678	1,246,739	1,236,678	1,246,739
Fenaka Corporation Limited	200,125	2,838,110	-	2,838,110
Ministry of Finance and Treasury	58,350,027	44,000,000	58,350,027	44,000,000
Housing Development Corporation Limited	12,930,719	14,472,718	12,930,719	14,472,718
Rainbow Enterprises Private Limited	5,883	29,669	5,883	29,669
Champa Oil and Gas Company Private Limited	-	1,111,111	-	-
Other Government entities	17,315,817	15,689,993	16,731,164	15,280,635
	<u>135,278,871</u>	<u>112,026,956</u>	<u>214,071,016</u>	<u>179,594,110</u>

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

37 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	
	31/12/2020 MVR	31/12/2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Loans and borrowings (Note 29)	2,232,191,155	2,649,885,685	1,689,652,932	2,132,257,382
Lease liabilities (Note 30)	491,615,357	464,127,709	179,373,305	159,087,802
Less: Cash and cash equivalent (Note 26)	(585,270,947)	(360,639,441)	(366,331,483)	(116,151,619)
Net debt	<u>2,138,535,565</u>	<u>2,753,373,953</u>	<u>1,502,694,754</u>	<u>2,175,193,565</u>
Total equity	<u>2,422,982,567</u>	<u>2,347,070,736</u>	<u>2,517,519,460</u>	<u>2,220,012,158</u>
Total capital employed	<u>4,561,518,132</u>	<u>5,100,444,689</u>	<u>4,020,214,215</u>	<u>4,395,205,723</u>
Gearing	46.88%	53.98%	37.38%	49.49%

The decrease in gearing ratio of the Group and the Company during 2020 is primarily due to decrease in loans & borrowings from the repayments made, increase in cash position as result of net increase in operating cashflow and increase in equity by virtue of profit generated in 2020.

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38 COMMITMENTS

	Group		Company	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
38.1 Capital commitments				
Capital expenditure contracted as of the reporting date but not yet incurred	219,239,109	195,436,523	166,893,844	106,000,523
Shares subscribed as of the reporting date but not yet paid	-	10,000,000	-	10,000,000
	<u>219,239,109</u>	<u>205,436,523</u>	<u>166,893,844</u>	<u>116,000,523</u>

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

39 CONTINGENT LIABILITY

(i) State Trading Organization PLC has issued following corporate guarantees for the facilities obtained by its subsidiaries.

In favor of	Purpose	Issued to	31/12/2020 MVR	31/12/2019 MVR
Maldives Structural Products Private Limited	Overdraft	Bank of Maldives	3,855,000	3,855,000
Maldives Structural Products Private Limited	Letter of credit	Bank of Maldives	15,420,000	15,420,000
Maldives Structural Products Private Limited	Loan facility	Bank of Maldives	19,275,000	-
Fuel Supplies Maldives Private Limited	Loan facility	Allied Insurance	49,442,688	-
Maldivian Gas Private Limited	Loan facility	HSBC	71,548,800	-
			<u>159,541,488</u>	<u>19,275,000</u>

(ii) A customer named Ibrahim Yoosuf filed a suit in Civil Court claiming compensation for of MVR 3,149,792/- as damages, which was not accepted by State Trading Organization PLC. This case has been dismissed by Civil Court as Claimant failed to appear the Court on time repeatedly. The Claimant appealed the decision of Civil Court at High Court. In the event the High Court decides in favor of the Claimant, the Group and the Company may need to recognize a liability in respect of this claim.

(iii) A Company named Vesus Private Limited filed a suit at Civil Court claiming the invoice amount of MVR 6,962.05 and penalty charges of MVR 6,241,962.05, which was not accepted by State Trading Organization PLC. This case is ongoing at Civil Court. In the event the Court decides in favor of the Claimant, the Group and the Company may need to recognize a liability in respect of this claim.

(iv) On 19 July 2020 Civil Court delivered a verdict in favour of Yacht Tours Maldives Private Limited in the case filed by Yacht Tours Maldives Private Limited against Allied Insurance Company of the Maldives Pvt Ltd, a subsidiary of STO Group and awarded the claimed amount of US\$ 22,784,838.59/- as insurance compensation for the damages suffered by Alidhoo Resort (owned by Yacht Tours Maldives Private Limited). Yacht Tours Maldives Private Limited claimed US\$ 22,784,838.59/- under the Insurance policy No. 101/2014/617 issued by Allied Insurance Company, a subsidiary of STO Group. Allied Insurance Company and Group lawyers are in the opinion that the insurance claim is not a covered peril under the insurance policy and is preparing to appeal the case at High Court of Maldives. In the event the High Court decides in favor of the Claimant, Allied Insurance may appeal the decision at Supreme Court of Maldives. In the event, Supreme Court decides against Allied Insurance Company, the Group and the Company may need to recognize a liability in respect of this claim. In compliance with internal procedures, the subject insurance policy was reinsured by Allied Insurance Company of the Maldives.

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

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**FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK
40 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 2020

Group	Carrying amount				Total	Fair value		
	FVTPL	FVOCI	Amortized Cost	Other financial liabilities		Level 1	Level 2	Level 3
	MVR	MVR	MVR	MVR		MVR	MVR	MVR
Financial assets measured at fair value								
Investment in Equity Instruments	-	56,240,800	-	-	56,240,800	54,000,000	-	2,240,800
	-	56,240,800	-	-	56,240,800	54,000,000	-	2,240,800
Financial assets not measured at fair value								
Other financial investments	-	-	281,429,651	-	281,429,651	-	-	-
Trade and other receivables	-	-	683,711,477	-	683,711,477	-	-	-
Amounts due from related parties	-	-	2,033,369,401	-	2,033,369,401	-	-	-
Reinsurance contracts	-	-	375,565,718	-	375,565,718	-	-	-
Cash and cash equivalents	-	-	585,270,947	-	585,270,947	-	-	-
	-	-	3,959,347,193	-	3,959,347,193	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	574,345,629	574,345,629	-	-	-
Loans and borrowings	-	-	-	2,232,191,155	2,232,191,155	-	-	-
Lease liabilities	-	-	-	491,615,357	491,615,357	-	-	-
Amounts due to related parties	-	-	-	135,278,871	135,278,871	-	-	-
Insurance contracts	-	-	-	562,682,956	562,682,956	-	-	-
Trade and other payables	-	-	-	1,623,735,544	1,623,735,544	-	-	-
	-	-	-	5,619,849,512	5,619,849,512	-	-	-

AS AT 31ST DECEMBER 2019

Group	Carrying amount				Total	Fair value		
	FVTPL	FVOCI	Amortized Cost	Other financial liabilities		Level 1	Level 2	Level 3
	MVR	MVR	MVR	MVR		MVR	MVR	MVR
Financial assets measured at fair value								
Investment in Equity Instruments	-	51,365,800	-	-	51,365,800	49,125,000	-	2,240,800
	-	51,365,800	-	-	51,365,800	49,125,000	-	2,240,800
Financial assets not measured at fair value								
Other financial investments	-	-	208,747,816	-	208,747,816	-	-	-
Trade and other receivable	-	-	705,476,221	-	705,476,221	-	-	-
Amounts due from related parties	-	-	1,874,437,905	-	1,874,437,905	-	-	-
Reinsurance contracts	-	-	308,484,814	-	308,484,814	-	-	-
Cash and cash equivalents	-	-	360,639,441	-	360,639,441	-	-	-
	-	-	3,457,786,197	-	3,457,786,197	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	277,897,649	277,897,649	-	-	-
Loans and borrowings	-	-	-	2,649,885,685	2,649,885,685	-	-	-
Lease liabilities	-	-	-	464,127,709	464,127,709	-	-	-
Amounts due to related parties	-	-	-	112,026,956	112,026,956	-	-	-
Insurance contracts	-	-	-	477,906,281	477,906,281	-	-	-
Trade and other payables	-	-	-	1,341,042,420	1,341,042,420	-	-	-
	-	-	-	5,322,886,700	5,322,886,700	-	-	-

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

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40 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 2020

Company	Carrying amount				Total	Fair value		
	FVTPL	FVOCI	Amortized Cost	Other financial liabilities		Level 1	Level 2	Level 3
Financial assets measured at fair value	MVR	MVR	MVR	MVR	MVR	MVR	MVR	
Investment in equity instruments	-	2240,800	-	-	2240,800	-	-	2240,800
	-	2240,800	-	-	2240,800	-	-	2240,800
Financial assets not measured at fair value								
Trade and other receivables	-	-	248,005,320	-	248,005,320	-	-	-
Amounts due from related parties	-	-	2,860,475,306	-	2,860,475,306	-	-	-
Cash and cash equivalents	-	-	366,331,483	-	366,331,483	-	-	-
	-	-	3,474,812,109	-	3,474,812,109	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	342,890,234	342,890,234	-	-	-
Loans and borrowings	-	-	-	1,689,652,932	1,689,652,932	-	-	-
Lease liabilities	-	-	-	179,373,305	179,373,305	-	-	-
Amounts due to related parties	-	-	-	214,071,016	214,071,016	-	-	-
Trade and other payables	-	-	-	1,310,024,103	1,310,024,103	-	-	-
	-	-	-	3,736,011,589	3,736,011,589	-	-	-

AS AT 31ST DECEMBER 2019

Company	Carrying amount				Total	Fair value		
	FVTPL	FVOCI	Amortized Cost	Other financial liabilities		Level 1	Level 2	Level 3
Financial assets measured at fair value	MVR	MVR	MVR	MVR	MVR	MVR	MVR	
Investment in equity instruments	-	2240,800	-	-	2240,800	-	-	2240,800
	-	2240,800	-	-	2240,800	-	-	2240,800
Financial assets not measured at fair value								
Trade and other receivables	-	-	302,382,707	-	302,382,707	-	-	-
Amounts due from related parties	-	-	2,725,009,530	-	2,725,009,530	-	-	-
Cash and cash equivalents	-	-	116,151,619	-	116,151,619	-	-	-
	-	-	3,143,543,856	-	3,143,543,856	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	215,383,259	215,383,259	-	-	-
Loans and borrowings	-	-	-	2,132,257,382	2,132,257,382	-	-	-
Lease liabilities	-	-	-	159,087,802	159,087,802	-	-	-
Amounts due to related parties	-	-	-	179,594,110	179,594,110	-	-	-
Trade and other payables	-	-	-	1,172,070,620	1,172,070,620	-	-	-
	-	-	-	3,858,393,173	3,858,393,173	-	-	-

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

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40 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 inputs and fair value measurement
Equity Investments	Adjusted net asset method	Investees financial data	N/A

C. Financial risk management

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk management framework

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

(iii) Credit risk

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

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

	Group		Company	
	Carrying amount		Carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR
Trade and other receivables (Net)	495,562,830	499,191,696	107,461,632	165,161,803
Amounts due from related party (Net)	2,033,369,401	1,874,437,905	2,860,475,306	2,725,009,530
Reinsurance contracts	375,565,718	308,484,814	-	-
Other financial investments	281,429,651	208,747,816	-	-
Balances with banks and short-term deposits	570,558,698	338,146,964	357,781,605	109,489,479
	<u>3,756,486,298</u>	<u>3,229,009,195</u>	<u>3,325,718,543</u>	<u>2,999,660,812</u>

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

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

(iii) Credit risk (Continued)

Trade and other receivables

Expected credit loss assessment under IFRS 9

The Group/ Company uses an allowance matrix to measure the ECLs of trade, other receivables and related party receivables. Loss rates are based on actual credit loss experience over past years. These rates are multiplied by scalar factors to reflect difference between economic condition during the period over which historical data has been collected, current condition and company's view of economic condition of expected lives of the receivables.

Scalar factors are based on actual and forecast GDP growth rates and normalized average GDP use for ECL assessment.

Forecasts of the economic variables (the "base economic scenario") are obtained by STO PLC from the report available in the IMF website "World Economic Outlook Database, October 2020". Government of Maldives has established economic support programs for impacted businesses and industries to mitigate the impact of COVID 19.

Economic variable assumptions

Forecasted GDP growth rates

The forecasted GDP growth rates considered to determine the weightages along with weightages for each case are as follows :

Cases	GDP rate	Weightages
Best case	11.7%	16%
Base case	12.7%	64%
Worst case	10.7%	20%

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Corporation considers these forecasts to represent its best estimate of the possible outcomes.

Other forward-looking considerations not otherwise incorporated, such as the impact of any regulatory or legislative, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

Set out below are the changes to the ECL as at 31 December 2020 that would result from reasonably possible changes in the parameter from the actual assumption used in group's / company's economic variable assumption.

	Group		Company	
	-1% MVR	+1% MVR	-1% MVR	+1% MVR
Increase / (decrease) in expected credit loss allowance for trade receivables, other receivables and amounts due from related parties	182,198	(156,896)	137,966	(116,830)

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a member to engage in a repayment plan with the Corporation, and failure to make contractual payments.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

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

(iii) Credit risk (Continued)

The following table provides information about the exposure to credit risk and ECLs for trade, other receivables and related party receivables as at 31st December 2020.

31 st December 2020	Group			Company		
	Weighted average loss rate	Gross carrying amount	Loss allowance	Weighted average loss rate	Gross carrying amount	Loss allowance
		MVR	MVR		MVR	MVR
Not past due	0.2%	825,958,271	1,344,535	0.1%	964,593,258	561,610
1-30 days past due	0.8%	457,292,096	3,484,538	0.2%	365,440,020	584,483
31-90 days past due	1.9%	367,765,451	7,127,278	0.4%	560,201,147	2,356,684
91 - 180 days past due	6.1%	299,698,228	18,178,797	1.1%	520,059,582	5,811,030
181-365 days past due	9.3%	365,066,521	33,801,150	19.4%	158,617,099	30,769,322
Above 365 days past due	58.5%	1,121,621,961	656,385,352	43.7%	1,029,153,732	449,501,085
		<u>3,437,402,527</u>	<u>720,321,650</u>		<u>3,598,064,839</u>	<u>489,584,213</u>

31 st December 2019	Group			Company		
	Weighted average loss rate	Gross carrying amount	Loss allowance	Weighted average loss rate	Gross carrying amount	Loss allowance
		MVR	MVR		MVR	MVR
Not past due	0.3%	801,386,197	2,735,906	0.1%	1,054,109,447	929,695
1-30 days past due	2.6%	312,578,587	8,121,639	0.1%	396,512,389	422,936
31-90 days past due	2.3%	333,287,613	7,745,451	0.1%	757,680,375	615,215
91 - 180 days past due	3.6%	262,743,120	9,427,318	2.1%	104,574,545	2,191,423
181-365 days past due	3.0%	410,310,565	12,508,838	3.6%	112,081,268	4,030,314
Above 365 days past due	53.3%	1,073,334,379	573,187,182	37.4%	975,451,686	364,827,891
		<u>3,193,640,461</u>	<u>613,726,334</u>		<u>3,400,409,710</u>	<u>373,017,475</u>

Gross carrying amount and loss allowance comprise the trade, other receivables and related party receivables.

The Company believes that the unimpaired amounts are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that, apart from the above, no provision for impairment is necessary in respect of trade, other and related party receivables.

Other financial investments

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 31st December 2020, the Company has issued corporate guarantees to Bank of Maldives PLC for the facilities obtained by Maldives Structural Products Private Limited and to Habib Bank Limited for the facility obtained by Maldivian Gas Private Limited. In addition, the company has issued corporate guarantee to Allied Insurance Company of the Maldives for the facility obtained by Fuel Supplies Maldives Private Limited. The details of corporate guarantees are disclosed in note 39.

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40 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 2020	Carrying amount	Contractual Cashflow	0-12 months	1-5 years	More than 5 years
Group	MVR	MVR	MVR	MVR	MVR
Financial liabilities (Non- derivative)					
Trade and other payables	1,848,649,500	1,848,649,500	1,848,649,500	-	-
Loans and borrowings	2,232,191,155	2,487,111,556	2,266,174,992	220,936,564	-
Amounts due to related parties	135,278,871	135,278,871	135,278,871	-	-
Lease Liabilities	491,615,357	655,512,096	74,418,537	176,383,140	404,710,420
Insurance contracts	562,682,956	562,682,956	562,682,956	-	-
Bank overdrafts	574,345,629	574,345,629	574,345,629	-	-
Total	5,844,763,468	6,263,580,607	5,461,550,484	397,319,704	404,710,420

31st December 2019	Carrying amount	Contractual Cashflow	0-12 months	1-5 years	More than 5 years
Group	MVR	MVR	MVR	MVR	MVR
Financial liabilities (Non- derivative)					
Trade and other payables	1,389,980,201	1,389,980,201	1,389,980,201	-	-
Loans and borrowings	2,649,885,685	2,701,821,400	2,282,274,055	419,547,345	-
Amounts due to related parties	112,026,956	112,026,956	112,026,956	-	-
Lease liabilities	464,127,709	641,329,944	49,962,633	151,431,347	439,935,964
Insurance contracts	477,906,281	477,906,281	477,906,281	-	-
Bank overdrafts	277,897,649	277,897,649	277,897,649	-	-
Total	5,371,824,481	5,600,962,431	4,590,047,775	570,978,692	439,935,964

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

31st December 2020	Carrying amount	Contractual Cashflow	0-12 months	1-5 years	More than 5 years
Company	MVR	MVR	MVR	MVR	MVR
Financial liabilities (Non- derivative)					
Trade and other payables	1,534,938,058	1,534,938,058	1,534,938,058	-	-
Loans and borrowings	1,689,652,932	1,713,831,272	1,522,600,349	191,230,922	-
Lease liabilities	179,373,305	340,683,776	34,208,307	109,947,984	196,527,485
Amounts due to related parties	214,071,016	214,071,016	214,071,016	-	-
Bank overdrafts	342,890,234	342,890,234	342,890,234	-	-
Total	3,960,925,545	4,146,414,356	3,648,707,964	301,178,906	196,527,485

31st December 2019	Carrying amount	Contractual Cashflow	0-12 months	1-5 years	More than 5 years
Company	MVR	MVR	MVR	MVR	MVR
Financial liabilities (Non- Derivative)					
Trade and other payables	1,221,008,401	1,221,008,401	1,221,008,401	-	-
Loans and borrowings	2,132,257,382	2,177,488,949	1,868,977,646	308,511,303	-
Lease liabilities	159,087,802	355,384,573	29,117,036	86,890,436	239,377,101
Amounts due to related parties	179,594,110	179,594,110	179,594,110	-	-
Bank overdrafts	215,383,259	215,383,259	215,383,259	-	-
Total	3,907,330,954	4,148,859,292	3,514,080,452	395,401,739	239,377,101

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40 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 were:

	Group Carrying amount		Company Carrying amount	
	2020 MVR	2019 MVR	2020 MVR	2019 MVR
Variable rate instruments				
Financial assets	43,333,333	46,666,667	43,333,333	46,666,667
Financial liabilities	<u>(413,896,403)</u>	<u>(312,689,184)</u>	<u>(370,023,726)</u>	<u>(230,000,000)</u>
	<u>(370,563,069)</u>	<u>(266,022,517)</u>	<u>(326,690,392)</u>	<u>(183,333,333)</u>
Fixed rate Instruments				
Financial assets	320,023,818	252,222,542	73,054,315	82,337,740
Financial liabilities	<u>(2,706,463,019)</u>	<u>(2,958,713,391)</u>	<u>(2,008,736,283)</u>	<u>(2,460,403,564)</u>
	<u>(2,386,439,201)</u>	<u>(2,706,490,849)</u>	<u>(1,935,681,967)</u>	<u>(2,378,065,824)</u>

Cash flow sensitivity analysis for variable - rate instruments

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

GROUP

31 st December 2020

Variable rate instruments

	Profit or loss		Equity net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease

	<u>(3,705,631)</u>	<u>3,705,631</u>	<u>(3,149,786)</u>	<u>3,149,786</u>
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31 st December 2019

Variable rate instruments

	<u>(2,660,225)</u>	<u>2,660,225</u>	<u>(2,261,191)</u>	<u>2,261,191</u>
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COMPANY

31 st December 2020

Variable rate instruments

	Profit or loss		Equity net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease

	<u>(3,266,904)</u>	<u>3,266,904</u>	<u>(2,776,868)</u>	<u>2,776,868</u>
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31 st December 2019

Variable rate instruments

	<u>(1,833,333)</u>	<u>1,833,333</u>	<u>(1,558,333)</u>	<u>1,558,333</u>
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(b) Currency risk

Exposure to currency risk

Group

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

	31/12/2020		
	US\$	Euro	SGD
Cash and cash equivalents	2,825,094	12,031	-
Trade, amount due from related parties and other receivables	72,601,904	316,574	121,279
Reinsurance contracts	24,981,059	-	-
Trade, amount due to related parties and other payables	(62,440,537)	(420,787)	(407,806)
Loans and borrowings	(89,244,974)	-	-
Bank overdrafts	<u>(20,364,749)</u>	-	-
Net currency exposure	<u>(71,642,202)</u>	<u>(92,182)</u>	<u>(286,527)</u>

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

(v) Market risk (Continued)

**Exposure to currency risk
(Continued)**

Group	31/12/2019		
	US\$	Euro	SGD
The Group's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	8,651,131	5,037	-
Trade, amount due from related parties and other receivables	35,650,300	14,181	12,008
Reinsurance contracts	20,587,970	-	-
Trade, amount due to related parties and other payables	(82,558,100)	(142,227)	(478,584)
Loans and borrowings	(119,706,819)	-	-
Bank overdrafts	(16,981,392)	-	-
Net currency exposure	<u>(154,356,910)</u>	<u>(123,009)</u>	<u>(466,576)</u>

Company	31/12/2020		
	US\$	Euro	SGD
The Company's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	1,413,903	3,624	-
Trade, amount due from related parties and other receivables	26,769,972	316,574	121,279
Trade, amount due to related parties and other payables	(64,962,570)	(420,787)	(407,806)
Loans and borrowings	(89,304,350)	-	-
Bank overdrafts	(22,236,721)	-	-
Net currency exposure	<u>(148,319,765)</u>	<u>(100,589)</u>	<u>(286,527)</u>

Company	31/12/2019		
	US\$	Euro	SGD
The Company's exposure to foreign currency risk was as follows based on notional amounts:			
Cash and cash equivalents	1,413,903	3,774	-
Trade, amount due from related parties and other receivables	22,317,303	232,480	71,171
Trade, amount due to related parties and other payables	(52,386,825)	(143,265)	(480,550)
Loans and borrowings	(117,722,092)	-	-
Bank overdrafts	(13,967,786)	-	-
Net currency exposure	<u>(160,345,497)</u>	<u>92,989</u>	<u>(409,379)</u>

The following significant exchange rate were applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	31/12/2020	31/12/2019
1 US\$: MVR	15.42	15.42	15.42	15.42
1 Euro : MVR	18.22	17.49	18.95	17.34
1 SGD : MVR	<u>1150</u>	<u>1137</u>	<u>1164</u>	<u>1145</u>

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

31 st December 2020

USD 5% movement
EURO 5% movement
SGD 5% movement

31 st December 2019

USD 5% movement
EURO 5% movement
SGD 5% movement

COMPANY

31 st December 2020

USD 5% movement
EURO 5% movement
SGD 5% movement

31 st December 2019

USD 5% movement
EURO 5% movement
SGD 5% movement

	Profit or loss	
	Strengthening	Weakening
GROUP		
31 st December 2020		
USD 5% movement	(55,236,138)	55,236,138
EURO 5% movement	(87,343)	87,343
SGD 5% movement	(166,759)	166,759
	<u>(55,490,239)</u>	<u>55,490,239</u>
31 st December 2019		
USD 5% movement	(119,009,178)	119,009,178
EURO 5% movement	(106,649)	106,649
SGD 5% movement	(267,115)	267,115
	<u>(119,382,942)</u>	<u>119,382,942</u>
COMPANY		
31 st December 2020		
USD 5% movement	(114,354,539)	114,354,539
EURO 5% movement	(95,308)	95,308
SGD 5% movement	(166,759)	166,759
	<u>(114,616,606)</u>	<u>114,616,606</u>
31 st December 2019		
USD 5% movement	(123,626,378)	123,626,378
EURO 5% movement	80,622	(80,622)
SGD 5% movement	(234,369)	234,369
	<u>(123,780,126)</u>	<u>123,780,126</u>

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

40 Insurance risk management

Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims and severity of claims as the actual number and amount of claims will vary from year to year. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk management strategy of the Group includes among other things regular review of adequacy of re-insurance contracts with appropriate parties, establishing limits for underwriting authority, establishing clear guidelines for pricing and maintaining a proper product mix.

a) Risk management of non-life insurance

Non-life insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims.

COVID-19 pandemic caused severe disruption to businesses in the Maldives and worldwide as well leading to economic uncertainty and increasing the risks. The Group's operations and performance were also impacted by the COVID-19 pandemic due to the precautionary actions taken by the government, non-government organizations and private entities. However, the Group has remained resilient and has not identified material uncertainty due to COVID-19 that may cast significant doubt on the entity's ability to continue as a going concern.

The Group has following main lines of non-life insurance businesses:

- Fire insurance
- Accident insurance
- Marine cargo insurance
- Marine hull insurance
- Health insurance

Concentration risk

For non-life insurance contracts, the most significant risks arise from climate changes, and natural disasters. For health insurance contracts, the most significant risks arise from occupation type and consumption habits. For longer tail claims that take some years to settle, there is also inflation risk.

Class	2020			2019		
	Gross Written Premium	Reinsurance Premium	Net Written Premium	Gross Written Premium	Reinsurance Premium	Net Written Premium
Fire	143,891,197	(139,574,291)	4,316,906	129,012,285	(121,108,884)	7,903,401
Accident	67,695,485	(47,037,954)	20,657,531	88,352,150	(61,936,297)	26,415,853
Cargo	10,068,237	(8,289,719)	1,778,518	15,295,156	(12,126,502)	3,168,654
Marine Hull	32,835,825	(26,506,232)	6,329,593	43,339,804	(34,524,865)	8,814,939
Health	99,065,521	(18,973,313)	80,092,208	143,161,780	(42,993,843)	100,167,937
Total	353,556,265	(240,381,509)	113,174,756	419,161,175	(272,690,391)	146,470,784

The Concentration risk exposure is mitigated by diversifying across a portfolio of insurance contracts into different classes as shown above. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

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

40 Insurance risk management (contd)

Uncertainty in claim payments (Reserving risk)

Group is liable for all insured events that occurred during the term of the contracts, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a large element of the claims provision relates to incurred but not reported (IBNR) claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopt.

The triangulation method / Bornhuetter-Ferguson method are generally used to estimate the IBNR reserve.

The Group has adapted Bornhuetter- Ferguson method and below table presents the IBNR results based on the method.

IBNR Provision

Class	Allied	Ayady	Total	
			12/31/2020	12/31/2019
Accident	507,553	242,257	749,810	7,857,900
Cargo	864,514	-	864,514	18,165
Fire	2,803,417	90,475	2,893,892	638,217
Health	4,086,849	315,755	4,402,604	-
Hull	10,466,700	954,634	11,421,334	546,796
Total	18,729,033	1,603,121	20,332,154	9,061,078

The Group has used following claim development table to determined above IBNR factor as at reporting date.

Conventional (Allied) loss triangle with incurred losses

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
2015	179,026,846	179,792,523	179,792,523	179,792,523	179,797,149	179,797,149
2016	52,674,618	53,142,336	53,344,338	53,421,438	53,421,438	-
2017	78,827,046	79,624,193	79,647,323	81,001,966	-	-
2018	177,550,669	191,711,617	192,069,719	-	-	-
2019	112,115,000	112,186,984	-	-	-	-
2020	204,291,869	-	-	-	-	-

Islamic (Ayady) loss triangle with incurred losses

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
2015	1,579,703	1,579,703	1,579,703	1,579,703	1,579,703	1,579,703
2016	2,465,602	2,465,602	2,465,602	2,465,602	2,465,602	-
2017	4,343,801	4,343,801	4,343,801	4,343,801	-	-
2018	6,649,465	6,649,465	6,649,465	-	-	-
2019	3,348,702	3,348,702	-	-	-	-
2020	8,839,305	-	-	-	-	-

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

40 Insurance risk management (contd)

Uncertainty in claim payments (Reserving risk)

Further the above table shows the development of claims over a period of time on a gross basis (Claim Development Table).

Reinsurance risk

The Group enters into reinsurance contracts with reinsurers in order to manage / mitigate underwriting risk. The reinsurers will contribute to a part of the claim as per the reinsurance agreement.

The Group is exposed to the risk of non recoverability of reinsurance receivables and this is discussed in the Financial risk management note in detail.

b) Risk management of life insurance

Life insurance products include protection and annuity covers. The risk especially relates to the mortality, life expectancy, morbidity and occupational disability.

Covid-19 has had limited impact on mortality experience due to proactive containment measures limiting the spread and lowering the case fatality rate for insurable ages. Mortality experience in 2020 remained favourable against expected assumptions.

The Group is exposed to the following risks in relation to life Insurance contracts:

- Mortality Risk - policyholder death experience being different than expected
- Morbidity Risk - policyholder health experience being different than expected
- Longevity Risk - due to the annuitant living different than expected
- Investment return risk - actual returns being different than expected
- Expense Risk - expense experience being different than expected
- Policyholder decision risk - policyholder experiences (lapses and surrenders) being different than expected

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

In order to manage above risks the Group adopts the following strategies:

- Proper defining of policy terms and conditions
- Regular review of actual claim experience and product pricing
- Regular expense analysis
- Assumptions in determining life insurance contract liabilities

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41 Insurance risk management (contd)

b) Risk management of life insurance (continued)

The following table shows the concentration of life insurance contract liabilities by type of contract.

	2020			2019		
	Gross Written Premium	Reinsurance Premium	Net Written Premium	Gross Written Premium	Reinsurance Premium	Net Written Premium
Endowments	910,097	(252,000)	658,097	(5,185)	(184,809)	(189,994)
Child education	4,159,831	-	4,159,831	4,379,272	-	4,379,272
Group term policy	3,361,217	(486,733)	2,874,484	2,698,298	(586,511)	2,111,787
Mortgage protection policy	427,940	-	427,940	584,446	-	584,446
Cash back policy	174,275	-	174,275	269,193	-	269,193
Expatriate insurance Secondary school expenses	3,662,700	-	3,662,700	6,055,600	-	6,055,600
Other	113,370	-	113,370	102,074	-	102,074
Total life insurance	13,629,628	(738,733)	12,890,895	14,872,792	(771,320)	14,101,472

Assumptions

Estimates are developed at each reporting date to determine whether life insurance liabilities are adequate based on assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

The major assumptions used in estimating life insurance liabilities are as follows:

▪ **Mortality**

Assumptions are based on standard industry tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. Assumptions are differentiated by underwriting class and contract type.

▪ **Longevity**

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An increase in longevity rates will lead to an increase in the number of annuity payments made and thereby increase the expenditure and reduce profits for the shareholders.

▪ **Discount rate**

Discount rates are determined based on current industry risk rates, adjusted for the Group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders for the period.

The key assumptions used in estimating life insurance liability are listed below:

	2020	2019
Mortality	125% of IALM (2006-08) Table	LIC (1970 -73)
Lapse and surrender rates	NIL	NIL
Discount rate	3%	3%

The Group is exposed to risk arising from changes in key assumptions used in arriving at life insurance liabilities.

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41 EVENTS AFTER THE REPORTING DATE

41.1 Dividend

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommends a First and Final dividend of MVR60/- per ordinary share for the year ended 31st December 2020. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting

41.2 Lease hold Land - Ekuhivaru Island

STO Hotels & Resorts Private Limited, a subsidiary of the group has recognized right of use asset of MVR 265,320,138/- and Lease liability of MVR 221,178,462/- in relation to the Ekuhivaru Island as at 31st December 2020. However, the Government of Maldives (GOM) has decided to acquire this lease hold land and offer a free hold land located in Male' city through the letter dated 15th August 2020. Subsequent to this letter, STO Hotels & Resorts Private Limited and GOM have negotiated and agreed to carryout a valuation for the leasehold right of Ekuhivaru Island and the proposed freehold land in Male', which is valued at MVR 105,164,400 by an independent professional valuer. Currently, the parties to the land swap arrangement are negotiating to enter into a settlement agreement.

42 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.

43 INVESTMENT IN SUBSIDIARIES

The Company is the parent company for the following subsidiary companies

	Country of Incorporation	No of shares		Shareholding	
		2020	2019	2020	2019
Maldiv Gas Private Limited (Note 43.1)	Republic of Maldives	61,200	61,200	90.00%	90.00%
Allied Insurance Company of the Maldives Private Limited (43.2)	Republic of Maldives	299,998	299,998	99.99%	99.99%
STO Maldives (Singapore) Private Limited (Note 43.3)	Singapore	200,000	200,000	100.00%	100.00%
Fuel Supplies Maldives Private Limited (Note 43.4)	Republic of Maldives	15,299	15,299	99.99%	99.99%
Maldives National Oil Company Limited (Note 43.5)	Republic of Maldives	99,999	99,999	99.99%	99.99%
STO Hotels & Resorts Private Limited (Note 43.6)	Republic of Maldives	9,999	9,999	99.99%	99.99%
Maldives Industrial Fisheries Company Limited (MIFCO) (Note 43.7)	Republic of Maldives	1,439,725	1,439,725	99.99%	99.99%
Maldives State Shipping Company Private Limited (Note 43.8)	Republic of Maldives	999.90	-	99.99%	-

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43.1 Maldive Gas Private Limited

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

43.2 Allied Insurance Company of the Maldives Private Limited

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

43.3 STO Maldives (Singapore) Private Limited

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

43.4 Fuel Supplies Maldives Private Limited

The main business activity of the company is engaged in supplying and distribution of fuel and lubricants which are imported by STO.

43.5 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.

43.6 STO Hotels & Resorts Private Limited

The company was engaged in the operation of an airport.

43.7 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.

43.8 Maldives State Shipping Company Private Limited

The main business activity of the business is offering an extensive international liner shipping service.

43.9 Principal subsidiaries with material non-controlling interests

Summarized financial information in respect of STO PLC's subsidiary Maldive Gas Private Limited that have material non-controlling interest.

Maldive Gas Private Limited (the 'Company') is a Company incorporated and domiciled in the Republic of Maldives as a private limited liability Company under the Companies Act No. 10 of 1996, with its registered office H. Maizan, Sosun Magu, Male', Republic of Maldives.

Summarized financial details before inter-company eliminations, is set out below.

As at 31 December

	2020 MVR	2019 MVR
Non-controlling interest in %	10%	10%
Non-current assets	219,507,739	199,799,301
Current assets	<u>146,939,074</u>	<u>122,865,679</u>
Total assets	<u>366,446,813</u>	<u>322,664,980</u>
Equity	<u>253,702,021</u>	<u>232,225,472</u>
Non-current liabilities	78,364,095	60,511,573
Current liabilities	<u>34,380,697</u>	<u>29,927,934</u>
Total liabilities	<u>112,744,792</u>	<u>90,439,507</u>

For the year ended 31 December

Revenue from contracts with customers	214,406,437	239,584,636
Profit after tax	33,178,634	45,148,751
Total comprehensive income	(702,086)	1,056,373
Net cash generated from operating activities	43,198,317	55,732,106
Net cash used in investing activities	(36,535,290)	(27,777,174)
Net cash used in financing activities	3,493,388	(2,490,106)
Cash and cash equivalents at the end of the year	77,678,388	67,521,973

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44 RELATED PARTY TRANSACTIONS

44.1 GROUP

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Maldives Structural Product Private Limited	Joint venture	Sale of goods	70,462	64,830	(25,824,194)	(18,800,942)
		Purchase of goods	(57,806,117)	(63,395,647)		
		Dividend received	8,000,000	8,000,000		
		Payment received	(6,972,715)	(12,064,830)		
		Payment made	49,685,118	71,412,807		
Raysut Maldives Cement Private Limited	Associate	Purchase of goods	(54,821,520)	(71,209,524)	(10,910,799)	(9,228,124)
		Payment made	55,336,804	95,787,014		
		Transportation charges paid	(2,131,248)	(2,685,189)		
		Rebate received	-	-		
		Sales of fuel	24,067	-		
		Expense reimbursement	-	63,222		
		Sales of goods	197,537	370,864		
		Payment received	(546,836)	(607,376)		
		Rent received	258,520	238,111		
Ministry of Finance and Treasury	Majority shareholder	Food subsidy income	398,275,525	352,583,491	12,385,432	68,153,748
		Fuel subsidy	72,790,547	489,032,352		
		Interest receivable	5,595,825	-		
		Interest payable	(14,350,027)	-		
		Sale of goods	15,989,932	2,570,894		
		Advance received	-	(44,000,000)		
		Security deposit	-	15,000		
		Payment received	(534,070,117)	(826,388,192)		
Ministry of Health	Affiliate company	Sale of goods	472,131,207	301,991,971	357,375,701	175,898,515
		Payment received	(290,654,021)	(268,269,430)		
State Electric Company (STELCO)	Affiliate company	Service obtained	(16,132,280)	(17,605,565)	87,053,081	113,470,693
		Payment made	14,276,477	17,682,763		
		Payment received	(937,980,620)	(1,113,261,980)		
		Sale of goods and fuel	913,418,811	1,111,369,724		
Indira Gandhi Memorial Hospital	Affiliate company	Sale of goods	357,269,450	326,596,981	199,865,026	207,997,206
		Payment received	(365,411,980)	(387,709,900)		

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Rainbow Enterprises Private Limited	Affiliate company	Purchase of goods	(599,702)	(156,274)	1,718,632	1,864,074
		Sale of goods	1,195,380	3,373,280		
		Payment made	623,488	193,236		
		Interest	88,217	(607,670)		
		Payment received	(1,452,826)	(1,488,277)		
Maldives Road Development Corporation	Affiliate company	Sale of goods	0	-	37,969,676	38,571,571
		Fine charged	-	725,000		
		Payment received	(601,897)	(25,003,952)		
Hulhumale Hospital	Affiliate company	Sale of goods	39,942,222	138,997	12,632,578	17,797,378
		Payment received	(45,107,023)	(9,888,224)		
Ministry of Housing and Infrastructure	Affiliate company	Sale of goods	-	-	95,249,568	98,566,326
		Service obtained	(2,903,900)	(4,212,000)		
		Payment made	38,950	-		
		Payment received	(451,808)	(60,951)		
Fenaka Corporation Limited	Affiliate company	Sale of goods and fuel	789,806,763	703,938,029	794,800,496	730,157,114
		Service obtained	(9,625,095)	(7,032,712)		
		Interest received	4,373,379	5,102,189		
		Payment made	95,509	8,498,086		
		Payment received	(720,007,174)	(724,070,272)		
Maldives Airport Company Limited	Affiliate company	Sale of goods	1,691,354	12,948,699	59,213,705	121,906,666
		Sale of fuel	634,466,174	1,719,855,184		
		Payment received	(698,788,599)	(1,665,200,166)		
Addu International Airport Private Limited	Affiliate company	Sale of goods	38,966,434	24,048,743	14,887,153	1,593,971
		Payment received	(25,673,252)	(240,204,569)		
Aasandha Private Limited	Affiliate company	Sale of goods	308,645,701	331,471,753	125,136,526	132,491,417
		Services provided	-	-		
		Payment received	(316,000,592)	(391,396,361)		

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44 RELATED PARTY TRANSACTIONS (CONTINUED)

44.11 Transactions with Key Management Personnel

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

	2020 MVR	2019 MVR
Short term employee benefits	6,259,574	8,310,085

44.12 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.

44.2 COMPANY

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Allied Insurance Company of the Maldives Private Limited	Subsidiary	Sale of goods	979,233	2,591,073	(48,800,986)	(51,664,449)
		Service obtained	(31,004,824)	(33,768,362)		
		Interest paid	(2,412,577)	(2,415,878)		
		Payment made	28,493,474	156,119,250		
		Claims received	177,400	1,477,998		
		Payment received	(33,994,055)	(37,754,101)		
		Rent received	605,350	1,059,616		
		Service Provided	17,730	89,795		
		Dollar Purchase	-	(66,306,000)		
		Dollar Sales	-	(62,682,300)		
		Dividend received	40,001,733	46,859,688		
Maldivian National Oil Company Limited	Subsidiary	Expense reimbursement	4,000	29,787	14,224	10,224
Maldivian Gas Private Limited	Subsidiary	Sale of goods	604,361	550,575	(1,884,402)	4,815,445
		Purchase of goods	(6,839,417)	(10,681,324)		
		Dividend received	9,900,000	10,000,000		
		Rent received	2,453,090	1,683,626		
		Payment made	18,830,075	21,473,824		
		Service provided	283,660	350,176		
		Dollar purchase	(13,878,000)	-		
		Payment received	(18,053,616)	(21,617,946)		

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Fuel Supplies Maldives Private Limited	Subsidiary	Sale of fuel	2,399,293,322	3,451,652,647	1,343,893,846	1,325,144,847
		Purchases of fuel	(331,717,002)	(465,987,315)		
		Payment made	404,085,949	663,034,772		
		Service obtained	(2,753,774)	-		
		Rent Income	7,603,562	6,379,768		
		Service provided	561,712	479,255		
		Rebate paid on fuel sales	(13,805,733)	(4,343,376)		
		Payment received	(2,409,140,461)	(3,374,487,951)		
		Investment	(17,695,000)	-		
		Sale of fixed Assets	17,694,450	-		
		Advance rent	(161,672)	-		
		Government subsidy payable/claim	(29,305,209)	(190,020,203)		
		Transportation charges paid	(5,911,145)	(5,581,963)		
STO Maldives (Singapore)	Subsidiary	Purchases of goods	(1,696)	(1,145,872)	28,101,955	27,831,385
		Service provided	-	1,423,041		
		Payment made	1,497,950	742,403		
		Interest	-	(2,718,546)		
		Payments received	(1,225,684)	-		
Maldivian Industrial Fisheries Company Limited	Subsidiary	Sale of goods	3,473,725	5,338,116	155,385,457	115,609,191
		Government grant given	-	223,202,072		
		Purchase of goods	(4,989,900)	(8,319,316)		
		Capital commitment payable	-	(218,799,206)		
		Advance given	34,000,000	44,000,000		
		Service provided	204,149	265,787.31		
		Payment made	553,572,355	432,571,087		
		Interest	3,526,320	-		
		Payment received	(1,371,890)	(5,723,097)		
		Purchase of foreign currency	(548,638,493)	(460,295,100)		
STO Hotels & Resorts Private Limited	Subsidiary	Expense Reimbursement	-	2,682,818	205,684,029	205,684,029

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44 RELATED PARTY
TRANSACTIONS (CONTINUED)

44.2 COMPANY (CONTINUED)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Maldives Structural	Joint venture	Purchase of goods	(57,806,117)	(63,395,647)	(25,821,569)	(18,800,942)
Product Private Limited		Dividend received	8,000,000	8,000,000		
		Payment received	(6,899,628)	(12,000,000)		
		Payment made	49,685,118	71,412,807		
Raysut Maldives Cement Private Limited	Associate	Purchase of goods	(54,796,770)	(71,209,524)	(10,900,850)	(9,232,520)
		Payment made	55,322,910	95,787,014		
		Transportation charges paid	(2,131,248)	(2,685,189)		
		Expense reimbursement	-	63,222		
		Sales of goods	12,614	116,390		
		Payment received	(334,357)	(354,501)		
		Rent received	258,520	238,111		
Maldives State Shipping Company Pvt. Ltd.	Subsidiary	Investment	(34,468,045)	-	13,030,993	-
		Rent Income	1,428,933	-		
		Expense reimbursement	23,613,115	-		
		Payments received	(5,586,661)	-		
		Dollar sales	(1,542,000)	-		
		Service obtained	(20,934,923)	-		
		Payments made	50,520,574	-		
Ministry of Finance and Treasury	Majority Shareholder	Food subsidy income	398,275,525	352,583,491	12,385,432	68,153,748
		Fuel subsidy	72,790,547	489,032,352		
		Interest Receivable	5,595,825	-		
		Interest Payable	(14,350,027)	-		
		Sale of goods	15,989,932	2,570,894		
		Advance received	-	(44,000,000)		
		Security deposit	-	15,000		
		Payment received	(534,070,117)	(826,388,192)		

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Ministry of Health	Affiliate company	Sale of goods	472,131,207	301,991,971	357,362,209	175,885,023
		Payment received	(290,654,021)	(268,269,430)		
State Electric Company (STELCO)	Affiliate company	Service obtained	(16,132,280)	(17,605,565)	87,048,381	113,430,087
		Payment made	14,276,477	17,682,763		
		Payment received	(937,904,296)	(1,111,466,460)		
		Sale of goods and fuel	913,378,393	1,109,622,695		
Indira Gandhi Memorial Hospital	Affiliate company	Sale of goods	357,269,450	326,596,981	199,221,460	207,363,990
		Payment received	(365,411,980)	(387,709,900)		
		Service obtained (utility bills)	-	-		
		Payment made	-	-		
Rainbow Enterprises Private Limited	Affiliate company	Purchase of goods	(599,702)	(156,274)	1,718,632	1,864,074
		Sale of goods	1,195,380	3,373,280		
		Payment made	623,488	193,236		
		Interest	88,217	(607,670)		
		Payment received	(1,452,826)	(1,488,277)		
Maldives Road Development Corporation	Affiliate company	Sale of goods	2	-	37,969,676	37,969,674
		Bid security	-	725,000		
		Payment received	-	(25,003,952)		
Hulhumale Hospital	Affiliate company	Sale of goods	39,348,162	138,997	12,291,771	17,397,067
		Payment received	(44,453,459)	(9,888,224)		
Fenaka Corporation Limited	Affiliate company	Sale of foreign currency	-	-	44,473,890	52,422,231
		Sale of goods	1,060,782	3,226,059		
		Service obtained	(9,329,461)	(7,032,712)		
		Interest received	4,373,379	5,102,189		
		Payment made	-	8,498,086		
		Payment received	(4,053,040)	(42,507,129)		

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44 RELATED PARTY TRANSACTIONS (CONTINUED)

44.2 COMPANY (CONTINUED)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
Maldives Airport Company Limited	Affiliate company	Sale of goods	1,691,354	12,948,699	59,206,275	121,837,346
		Sale of fuel	634,466,174	1,719,855,184		
		Payment received	(698,788,599)	(1,665,200,166)		
Addu International Airport Private Limited	Affiliate company	Sale of goods	38,966,434	23,700,517	14,887,153	-
		Payment received	(24,079,281)	(239,856,343)		
Ministry of Housing and Infrastructure	Affiliate company	Sale of goods	-	-	95,246,918	98,563,676
		Service obtained	(2,903,900)	(4,212,000)		
		Payment made	38,950	-		
		Payment received	(451,808)	(60,951)		
Aasandha Private Limited	Affiliate company	Sale of goods	308,645,701	331,471,753	125,136,526	132,491,417
		Payment received	(316,000,592)	(391,396,361)		

44.2.1 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.

	2020 MVR	2019 MVR
Short term employee benefits	2,829,662	1,910,044

44.2.2 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.

45 Impact of Covid -19

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of staff, connectivity of stakeholders, compliance with guidelines issued by government authorities and continuity of critical business operations. The outbreak and the associated developments impacted across business segments due to the procurement and logistical constraints in sourcing and supplying the materials and inventory required, isolation measures implemented by the authorities.

However, business activity recovered across the Maldives once the country was reopened for tourism and other activities and consequently the Group saw a gradual recovery in all business segments.

The current exceptional situation is yet evolving and the future impact will heavily depend on the complete recovery from the virus and time taken for economic activity to rebound to pre COVID-19 levels. The recovery of the country's enterprises will also be key determinants of future impact.

46 Prior period reclassifications

During the year ended 31 December 2020, the Group / Company has made reclassification to the prior year financial statement due to the following reason:

- The Company has recognized loan received from Allied Insurance company of MVR 48,119,710 under payables to related parties. Based on the nature of transaction and as this loan has to be repaid to Allied Insurance Company on demand, the Company has decided to reclassify the amount to loans and borrowings.

- Previously inventory provision amount of MVR 6,694,535 was classified under accrued expenses and this was reclassified under inventory, reducing inventory value by the same.

- Previously clearing accounts amount of MVR 1,219,058 was classified under cash and cash equivalents and this was reclassified under trade and other receivables.

- Previously related party due balance of MVR 2,324,502 was classified under trade and other receivables and this was reclassified under amounts due from related parties.

- Previously balance of MVR 31,542,090 on impairment provision for amounts due from related parties was classified under trade and other receivables and this was reclassified under amounts due from related parties.

- The Company has made an intercompany transaction elimination in prior year incorrectly from administration and selling and marketing expenses. This has been corrected by reclassifying the intercompany transaction elimination from cost of sales to administration and selling and marketing expenses.

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46 Prior period reclassifications (continued)

The amounts have been reclassified for each financial statement line items for the prior period as follows:

Management believes that a third balance sheet is not necessary since the reclassification has no effect on the earliest statement of financial position because there are no impact to the net assets or the retained earnings and other regulatory interpretations. Also, the management believe that not presenting the third balance sheet would not obscure the users of financial statements.

	Group 2019 MVR	Company 2019 MVR
Inventories	1,207,060,916	918,072,341
As previously stated as at 31st December	(6,694,535)	(6,694,536)
Reclassification of inventory provision from trade and other payables	1,200,366,381	911,377,805

	Group 2019 MVR	Company 2019 MVR
Trade and other receivables		
As previously stated as at 31st December	677,477,691	303,601,765
Reclassification to amounts due to related parties	(2,324,502)	-
Reclassification of impairment provision amounts due to related parties	31,542,090	-
Reclassification of clearance accounts from cash and cash equivalent	(1,219,058)	(1,219,058)
As restated as at 31st December	705,476,221	302,382,707
Amounts due from related parties		
As previously stated as at 31st December	1,903,655,493	2,725,009,530
Reclassification from trade and other receivables	2,324,502	-
Reclassification of impairment provision amount from trade and other receivables	(31,542,090)	-
As restated as at 31st December	1,874,437,905	2,725,009,530
Cash and cash equivalents		
As previously stated as at 31st December	359,420,383	114,932,560
Reclassification of clearance accounts to other receivables	1,219,058	1,219,059
As restated as at 31st December	360,639,441	116,151,619
Loans and borrowings		
As previously stated as at 31st December	2,649,885,683	2,084,137,672
Reclassification of loan taken from Allied Insurance from amounts due to related parties	-	48,119,710
As restated as at 31st December	2,649,885,683	2,132,257,382
Trade and other payables		
As previously stated as at 31st December	1,396,674,742	1,227,702,937
Reclassification of inventory related provision to inventories	(6,694,541)	(6,694,536)
As restated as at 31st December	1,389,980,201	1,221,008,401
Amounts due to related parties		
As previously stated as at 31st December	112,026,956	227,713,820
Reclassification of loan taken from Allied Insurance to loans and borrowings	-	(48,119,710)
As restated as at 31st December	112,026,956	179,594,110
Cost of sales		
As previously stated for the year ended 31st December	(8,955,671,615)	-
Classified to administrative expenses	11,713,768	-
Classified to selling and marketing expenses	6,604,045	-
As restated for the year ended 31st December	(8,937,353,802)	-
Administrative expenses		
As previously stated for the year ended 31st December	(696,591,828)	-
Classified from cost of sales	(11,713,768)	-
As restated for the year ended 31st December	(708,305,596)	-
Selling and marketing expenses		
As previously stated for the year ended 31st December	(592,601,707)	-
Classified from cost of sales	(6,604,045)	-
As restated for the year ended 31st December	(599,205,752)	-

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46 Prior period reclassifications (continued)

As at 31st December 2019

	Group			Company		
	As previously reported	Reclassification	Reclassified balance	As previously reported	Reclassification	Reclassified balance
	2019		2019	2019		2019
	MVR	MVR	MVR	MVR	MVR	MVR
Inventories	1,207,060,916	(6,694,535)	1,200,366,381	918,072,341	(6,694,536)	911,377,805
Trade and other receivables	677,477,691	27,998,530	705,476,221	303,601,765	(1,219,058)	302,382,707
Amounts due from related parties	1,903,655,493	(29,217,588)	1,874,437,905	2,725,009,530	-	2,725,009,530
Cash and cash equivalents	359,420,383	1,219,058	360,639,441	114,932,560	1,219,059	116,151,619
Other assets	3,757,646,648	-	3,757,646,648	2,209,063,641	-	2,209,063,641
Total assets	7,905,261,131	(6,694,535)	7,898,566,593	6,270,679,837	(6,694,535)	6,263,985,302
Retained earnings	1,443,576,164	-	1,443,576,164	1,408,822,122	-	1,408,822,122
Others	903,494,571	-	903,494,571	811,190,036	-	811,190,036
Total equity	2,347,070,736	-	2,347,070,736	2,220,012,158	-	2,220,012,158
Loans and borrowings	2,649,885,683	-	2,649,885,683	2,084,137,672	48,119,710	2,132,257,382
Trade and other payables	1,396,674,742	(6,694,541)	1,389,980,201	1,227,702,937	(6,694,536)	1,221,008,401
Amounts due to related parties	112,026,956	-	112,026,956	227,713,820	(48,119,710)	179,594,110
Other liabilities	1,399,603,015	-	1,399,603,015	511,113,251	-	511,113,251
Total liabilities	5,558,190,395	(6,694,541)	5,551,495,855	4,050,667,680	(6,694,536)	4,043,973,144

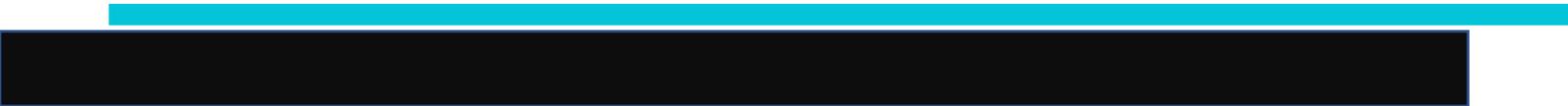
Consolidated and separate statements of profit or loss and other comprehensive income

For the year ended 31st December 2019

	Group			Company		
	As previously reported	Reclassification	Reclassified balance	As previously reported	Reclassification	Reclassified balance
	2019		2019	2019		2019
	MVR	MVR	MVR	MVR	MVR	MVR
Revenue	10,905,884,282	-	10,905,884,282	9,319,256,401	-	9,319,256,401
Cost of sales	(8,955,671,615)	18,317,813	(8,937,353,802)	(7,974,146,698)	-	(7,974,146,698)
Other income	95,016,762	-	95,016,762	70,712,195	-	70,712,195
Administrative expenses	(696,591,828)	(11,713,768)	(708,305,596)	(365,062,487)	-	(365,062,487)
Selling and marketing expenses	(592,601,707)	(6,604,045)	(599,205,752)	(498,259,043)	-	(498,259,043)
Impairment (loss)/ reversal on trade & other receivables and related party receivable	105,769,284	-	105,769,284	132,860,941	-	132,860,941
Other operating expenses	(20,112,580)	-	(20,112,580)	(1,946,349)	-	(1,946,349)
Finance income	24,667,725	-	24,667,725	69,132,043	-	69,132,043
Finance costs	(240,663,736)	-	(240,663,736)	(189,389,339)	-	(189,389,339)
Share of profit of equity accounted investees - net of tax	9,499,747	-	9,499,747	-	-	-
Impairment of investment in hulhumale hotel	(159,209,712)	-	(159,209,712)	(159,209,712)	-	(159,209,712)
Tax expense	(92,525,548)	-	(92,525,548)	(100,919,508)	-	(100,919,508)
Profit	383,461,075	-	383,461,075	303,028,444	-	303,028,444
Other comprehensive income	(5,350,768)	-	(5,350,768)	(7,788,649)	-	(7,788,649)
Total comprehensive income	378,110,306	-	378,110,306	295,239,795	-	295,239,795



Executive Team Profiles





Husen Amr Mohamed Rashad
CEO & MD

Husen Amru Mohamed Rashad took on the roles of Chief Executive Officer and Managing Director, on 30th November 2018.

He holds a Master of Business Administration from International Islamic University, Malaysia and has a Bachelor of Science in Computer Science from University of Sunderland, through Binary College Malaysia.

Amru has previously held the position of Chief Executive Officer of MTCC, from September 2010 till February 2012. He has also served as Deputy Under-Secretary heading the Economic Development Unit at the President's Office and was a member of the Privatization Committee formed by the President's Decree in 2009. He serves as the Chairman of Maldives Industrial Fisheries Company Ltd, Maldives National Oil Company Ltd and Lafarge Maldives Cement Pvt Ltd.

Amru has also played an active role in the political sphere as a National Council member of the Maldivian Democratic Party. He has been instrumental in formulating manifestos of the party and current government as Chairperson of the Policy Committee, member of the Economic Committee. Furthermore, he has been a successful entrepreneur engaged in the private sector for several years.



Mohamed Nizam
Chief Financial Officer
Executive, Non-Independent Director

Mohamed Nizam joined STO in the year 2010 and is currently Chief Financial Officer. Prior to this, he has worked in key positions of the Company that include the Procurement HOD, the Finance Manager, the Chief Risk Officer and as a Senior Information System Manager of the ICT department.

He is presently the Chairman of the Board of Directors of Allied Insurance Company of the Maldives Pvt Ltd and a Board Director at Maldives Industrial Fisheries Company Ltd and Maldives State Shipping Company Pvt Ltd. Nizam was also a former Director of Fuel Supplies Maldives Ltd and represented STO in the Board of the Maldives Stock Exchange and the Maldives Securities Depository.

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

Nizam is a serene and helpful character. He is known for his crucial ability of critical thinking and problem solving. He is extremely qualified in analyzing and visualizing data in MS Excel. Nizam has an interest in astrophysics and technology.



Hawwa Nafia
Chief Audit Executive

Hawwa Nafia joined STO in the year 2014 as an Accountant and was appointed as the chief Internal Auditor in 2021. Currently, she oversees the Internal Audit and Risk Management Department of the company.

Nafia has over 10 years of experience in the field of Accounting and Auditing. Prior to joining STO she has worked as a Junior Assistant Auditor in Auditor General's Office (S.Hithadhoo Branch), Internal Auditor in Capital Market Development Authority and as an Investigation Officer in Anti-Corruption Commission.

She has also served as a Board Director of Allied Insurance Company of the Maldives and also served as a member of both Audit and Risk Management Committee and Corporate Governance and Compliance Committee of the Board.

Nafia is a member of the Association of Chartered Certified Accountants (ACCA-UK) and holds a Bachelor of Science with first class honours in Applied Accounting awarded by Oxford Brookes University.

She is a hardworking and responsible individual who has a passion for reading, music, and movies.



Ahmed Shifan

General Manager
Peoples' Choice and Food Security

After serving the nation in the Maldives National Defense Force for almost 5 years, Shifan joined STO in 2003 as an Assistant Manager. His dedication and hard work have resulted in him being positioned as a General Manager of the Company today. Currently, he is in-charge of STO People's Choice and Food Security. His mandate is to oversee STO people's Choice Supermarket, Home Improvement, Regional Sales, Service Centre and staple foods. Previously, he has also served STO, as the head of Medicals Department, Information Technology and Human Resources.

He represents STO in Fuel Supplies Maldives as a Board Director. Furthermore, he has served as a member of the Board of Advisors for the SAP Asia Pacific Japan Regional Services Board and represented STO in the Boards of Maldives Gas as its Chairman, in STO Hotel and Resorts as its Managing Director and as a Board Director of Maldives Structural Products Pvt Ltd.

With over 15 years of knowledge and experience in various fields such as management, strategic planning, human resources, sustainability, technology and sales, he 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 Global Academy of Finance and Management® (GAFM)®.

He has an open, down to earth personality. His socializing attitude allows him to engage well with people. He is a good sportsman, actively participating in sports such as futsal, volley, table tennis, badminton and cricket. Apart from sports, he is a Certified PADI Advanced Open Water Diver.



Ismail Mifrah

Chief Information Officer
Information Technology

Ismail Mifrah joined STO in 2006 as a Technical Support Engineer. He later worked his way up to a Senior Information Systems Manager where he was responsible for creating organizational level ICT policies and best practices while also being in charge of business continuity & development. Mifrah resigned in October 2017 but later rejoined in May 2019 as the Chief Information Officer.

Mifrah also serves as a Board Director for Maldives Industrial Fisheries Company Limited and has previously served in the Board of Fuel Supplies Maldives Pvt Ltd.

Mifrah holds a master's degree in Technology Management from Asia Pacific Institute for Information Technology (APIIT), Malaysia and a Bachelor of Science in Information Technology from Edith Cowan University, Australia. He is also a Microsoft Certified Professional and SAP MM Associate Consultant.

Mifrah has a passion to read and dive. He is a calm character, initiative and innovative. He loves every kind of technology and is a huge fan of Arsenal Sports Club.



Aishath Shaffana Rasheed

General Manager / Company Secretary
Corporate Affairs

Aishath Shaffana Rasheed joined STO in 2004. She serves as the Company Secretary of the Company since 2007. Shaffana is also the Head of Department for Corporate Affairs, which includes of the Company Secretariat, Legal Section and the Managing Directors Bureau.

She has previously worked in STO Supermart and Marketing Department.

She holds a Master of Business from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from the Edith Cowan University of Australia.

Shaffana is a member of the Corporate Governance Institute of Ireland and has completed a Diploma in Corporate Governance from the institute.



Abdul Wahid Moosa

General Manager
Procurement

Abdul Wahid Moosa joined STO at the age of 25, just after completing his bachelor's degree in Business (specialized in Management and Marketing), a degree awarded by the Edith Cowan University, Australia.

He started off at STO with the transport team, working on managing company's fleet. His interests have always been to work in shipping, particularly in the field of technical & operational management of foreign-going ships.

He learned his field by working in one of successful ship management companies in Singapore called Thome Ship Management. He is the Company Security Officer and has been qualified to conduct industry related ship audits and inspections under ISM, ISPS and ISO 9001-2015.

Today, he serves as the head of procurement and has previously served as the head of fuel, logistics and construction department.

Wahid, being the Chairman of Maldives State Shipping Company Ltd, a Company envisioned to play a huge role in cargo and logistics management, linking Maldives with the rest of the world. He is also the Chairman of Fuel Supplies Maldives Pvt Ltd and previously served as a board director of Raysut Maldives Cement Ltd.

With a passion for football, fishing and travelling, he is a joyful and friendly character with a rational mind.



Mariyam Nuzla

General Manager
Peoples Operations

Mariyam Nuzla has served STO since 1999. She worked her way from a Sales Officer to becoming the Head of Department for Peoples Operations today.

Nuzla has previously served as the Head of Corporate and Legal Affairs, the Head of Department of Procurement (General), Head of administration Department and also as the Personal Assistant to the Managing Director

She is a Board Director of Allied Insurance Company of the Maldives Pvt Ltd and Maldives Industrial Fisheries Company Ltd. She had previously served as a Board Member at Maldives Gas Pvt Ltd as well.

Nuzla holds a master's in business from Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University, Australia.

She is a friendly and approachable character whom people look up to for advice often. She enjoys travelling and cooking.



Mariyam Paruveen Abdul Faththah

General Manager
Marketing Communications

Mariyam Paruveen Abdul Faththah is the Head of Department for Marketing Communications. She oversees the public relations and media of the Company.

She joined STO in the year 1998 after working in the Ministry of Construction and Public Works from 1995 till 1997. She started her career at STO as an Officer, and during her 20 years of service, she went on to Managerial level, and later worked as the Head of Department of STO Supermart, Head of Department of PR and Media, and Head of Department for Managing Directors Bureau.

Paruveen holds a Master's in Business Administration from the University of Wales Trinity Saint David and a BA (Hons) in Business Administration from the University of Hertfordshire, UK.

Paruveen is admired for her fun and open personality. She has a creative mind and loves to draw. She enjoys playing games such as billiard, carrom, and scrabble; where the latter seems to be her favourite.



Mohamed Eman

General Manager
Energy and Construction Solutions

Mohamed Eman joined STO in 2005 and is currently in charge of Energy and Construction Solutions Department. Eman previously held other positions including Senior Manager of Construction Materials Department, Manager of Logistics Department, Enterprise Information System Department & Fuel Department.

He serves as a Board Director of Raysut Maldives Cement Ltd and Maldives Gas Pvt Ltd and had previously served in the and Maldives Structural Products Pvt Ltd.

He holds BA in Economics from JSS College of Arts Commerce & Science, India. Moreover, he is certified as an Associate Consultant in SAP Materials Management.

He is a joyful, friendly and approachable character.



Hussain Raaidh Mohamed

General Manager
Medical Services & Pharmacy Management

Hussain Raaidh Mohamed is the head of Department of Medicals Services and Pharmacy Management.

He joined STO in the year 2010 as an officer to Medicals department and later served as a Manager of Medicals Department.

He represents STO in Allied Insurance Company of the Maldives as a Board Director.

Raaidh holds a bachelor's degree in Business Management awarded by University of Bedfordshire, UK.

He is a cheerful and sociable character and has interest in reading and aqua scaping.



Ali Nabeeh

General Manager
Logistics

Ali Nabeeh joined STO right after his higher secondary education in 2005. Initially worked in Transport Department as an officer and later he has been working in different senior posts of Transport Department. Today he is the Head of Logistics Department, where he oversees Marine Transport, Distribution Services, and Engineering Services.

Nabeeh is a Board Director of Maldives Gas Pvt Ltd and had previously served in the Board of Fuel Supplies Maldives Pvt Ltd. He holds a Degree in Bachelor of Arts with first class honors in Logistics Management. And also, he has obtained various trainings in the field of international trade and maritime.

He is a keen learner who is always on the verge of learning something new in the field. He is calm and friendly and knows how to manage the work area and gets along well with his co-workers easily and has interest in Football and Swimming.



Mohamed Ihsan Waheed

General Manager
Business Research & Property Management

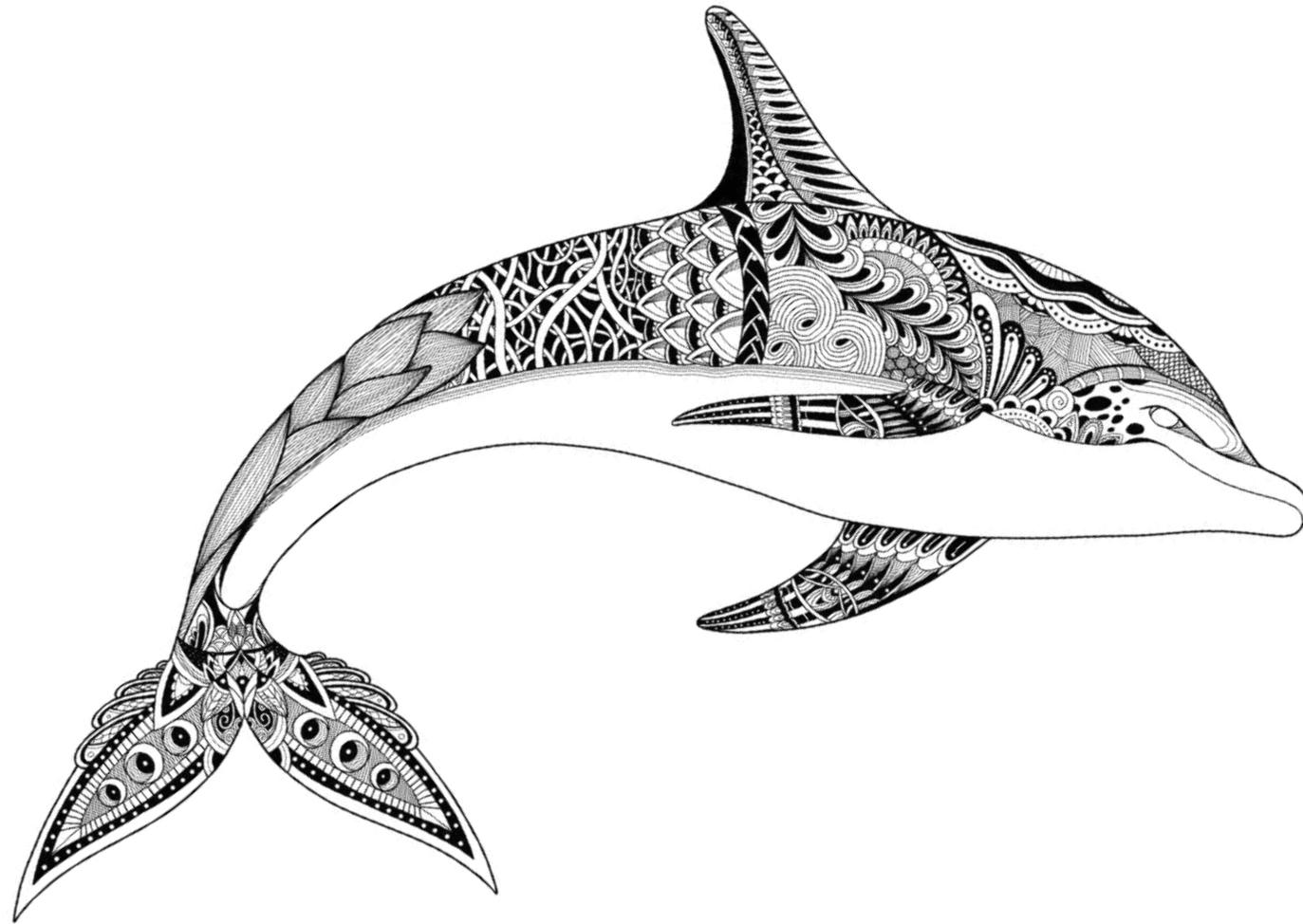
Mohamed Ihsan is the Head of Department of Business Research and Property Management. He oversees Research & Infrastructure projects, Property Management, and Administration sections of the company.

Prior to joining STO in the year 2008, he worked in IT administration at Male' Aerated Water Company. He has over 13 years of experience in STO and has worked previously as an officer in Asset Management Department, Contracting Officer in Procurement Department, Delivery Manager in Logistics Department and Senior Manager at Projects Section in Human Resources & Administration Department.

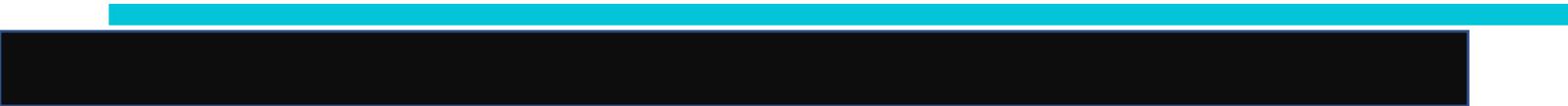
Ihsan represents STO in the Board of Maldives Structural Products Pvt Ltd as its Chairman and he is a Board Director of STO Hotels and Resorts.

He holds a master's degree in business administration from Anglia Ruskin University, UK and a degree in logistics management from USCI University, Malaysia.

Ihsan is fun and ambitious character and enjoys distance running & indoor recreational activities.



General Information



Name of Company

State Trading Organization plc
Company Registration Number C-186/2001

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.



/stoplc



sto.mv

Registered address

State Trading Organization plc.
Kan'baa Aisa Rani Hingun,
Maafannu,
Malé 20345
Republic of Maldives
Call Centre: 1422
Email: info@stomaldives.net
Website: sto.mv

Bankers

Bank of Ceylon, Malé
Bank of Maldives plc, Malé
Habib Bank Limited, Malé
HSBC, Hong Kong
International Islamic Trade Finance Corporation
Maldives Islamic Bank, Malé
Nations Trust Bank, Colombo
State Bank of India, Malé
The Mauritius Commercial Bank (Maldives) Private Limited

Auditors

PWC,
H Thandiraiymaage
Roashanee Magu
Malé
Maldives

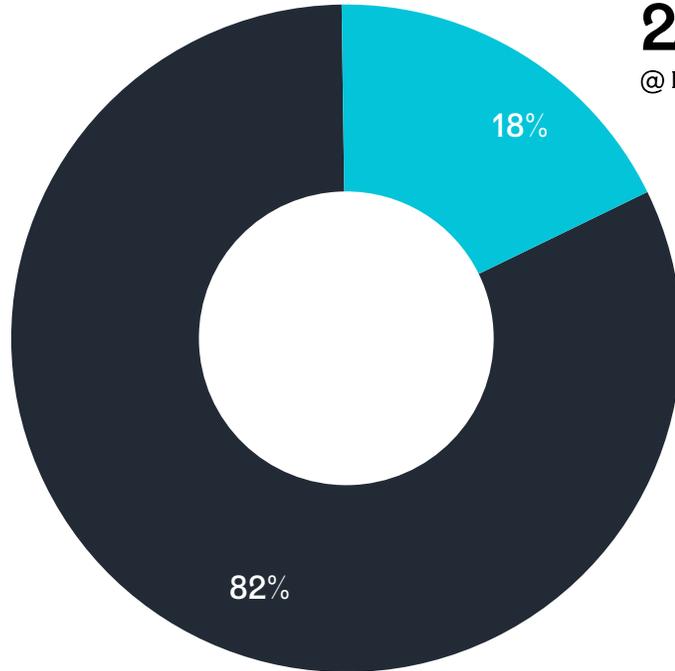


We thank all our employees, customers, shareholders, suppliers, bankers and other stakeholders.

We are proud to be working with you to support and build a more sustainable Community.

Together, lets continue to enhance our lives.

Shareholding Details



Public
207,041 shares
@ MVR50.00 each, amounts to MVR10,352,050

Government
919,869 shares
@ MVR50.00 each, amounts to MVR45,993,450

Authorized Capital	Paid up Capital	Premium
100,000,000	56,345,000	27,814,500

Group of Companies as at 31.12.2020



Allied Insurance Company of Maldives Pvt Ltd

Incorporated date: 01st November 1984
Area of business: Insurance
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99% & MGPL 0.01%

Registered Address:

City Square, 3rd floor Chaandhane Magu,
Malé 20156
Maldives
T: +960 3341001
E: 1600@allied.mv
Website: www.allied.mv

Maldivian Structural Products Pvt. Ltd.

Incorporated date: 23rd October 2000
Area of business: Roofing materials manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 50% & Rainbow Investment 50%

Registered Address:

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

Maldives Industrial Fisheries Company Ltd

Incorporated date: 01st November 1993
Area of business: Fish canning and its by-product manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99% & Allied 0.01%

Registered Address:

MIFCO Head Office Building Hilaalee Magu,
Malé 389
Maldives
T: +960 332 3932
E: info@mifco.mv
Website: www.mifco.com.mv

Fuel Supplies Maldives Pvt. Ltd.

Incorporated date: 18th December 2000
Area of business: Fuel distribution
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99% & MNOC 0.01%

Registered Address:

STO Aifaanu Building, Block A, 4th Floor,
Boduthakurufaanu Magu, Malé 20026, Maldives
T: +(960) 3313881
E: hr@fuelmaldives.net, admin@fuelmaldives.net
Website: www.fuelmaldives.com

STO Maldives (Singapore) Pte. Ltd.

Incorporated date: 30th November 1997
Area of business: Trading
Incorporated in: Singapore
Operated in: Singapore
Shareholders: STO 100%

Registered Address:

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

Raysut Maldives Cement Pvt. Ltd.

Area of business: Cement manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 25% & Lafarge(Zurich) 75%

Registered Address:

Faamudheyryge, 2nd Floor, 2A
Male' 20209
Maldives
T: +960 3315314
E: info@raysutmaldives.com

Maldivian Gas Pvt. Ltd.

Incorporated date: 03rd October 1999
Area of business: Gas distribution
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 90% & Champa Oil and Gas 10%

Registered Address:

Address: #02-21 STO Trade Centre, 2nd Floor,
Orchid Magu, Male' 20188
Maldives
T: +960 3335614
E: info@maldivesgas.com

STO Hotels & Resorts Pvt. Ltd.

Incorporated date: 6th November 2003
Area of business: Tourism sector
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99% & FSM 0.01%

Registered Address:

STO Head office building, 6th Floor,
Kan'baa Aisa Rani Hingun, Male' 20345, Maldives
Maldives
T: +960 3344209
E: hotels@sto.mv
Website: www.allied.mv

5 Year Group Financial Review



	2016	2017	2018	2019	2020
(MVR, in millions)					
Earnings					
Revenue	6,939	9,100	10,873	10,906	8,501
Gross Profit	1,375	1,435	1,509	1,969	1,784
Operating Profit	578	315	247	842	401
Profit before tax	490	211	(130)	476	223
Profit for the year	429	159	(180)	383	127
Share Data					
Price per share, at year end, MVR	500	350	400	500	455
Earnings per share, MVR	377	137	(162)	336	109
Dividend per share, MVR*	51	55	58	58	60
Net assets per share, MVR	2,145	2,234	1,806	2,083	2,150
No. of shares	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
Key Ratios					
Return on equity, %	18.6%	6.4%	-7.9%	17.5%	5.3%
Return on capital employed (ROCE)	16.9%	8.2%	6.1%	16.5%	8.8%
Equity/asset ratio, %	34.3%	32.5%	26.4%	29.7%	28.6%
Net debt/equity ratio	0.41	0.53	0.98	1.17	0.88
Interest coverage ratio	5.11	2.30	1.23	3.52	1.91
Dividend yield, at year end, %	10.2%	15.7%	14.5%	11.6%	13.2%
Financial Position and Cash Flow					
Total assets	7,053	7,738	7,697	7,899	8,482
Equity	2,417	2,518	2,035	2,347	2,423
Non-current liabilities	993	717	623	915	783
Trade and other receivables	2,388	2,918	2,840	2,580	2,717
Inventories	1,034	983	1,084	1,200	1,314
Trade and other payables	2,237	2,668	2,512	1,502	1,984
Net Operating cash flow	616	290	(218)	96	588

* Proposed dividend for 2020



The ideal trade leader in Maldives, contributing to the Health Industry, Consumer Market, Construction Materials Industry, Fuel and logistics Industry, Insurance Industry, Cooking and Medical Gas Industry, Shipping and the manufacturing of Fish and its by-products Industry. Present across the Country with more than 4,000 employees and serving over 250,000 customers, the Company is standing strong, since 1964.