



ISTO



THE COMPANY

The roots of State Trading Organization PLC, dates back to 1964 when it was opened to finance the purchasing and importation of essential food items needed for the Maldivian community in bulk. Today STO has sustained this important responsibility to oversee the food security concerns of the nation and diversified into many other areas of importance such as energy needs of the country which has now become part and parcel of STO's mandate.

Within the framework that includes these two areas STO has diversified and is also competitively engaged in trading in other areas including Consumer Electronics, Home appliances, Medicals, Canned foods, Health foods and a range of other high quality products.

This has been achieved by direct procurement and distribution as well as forming subsidiary and joint venture companies to effectively trade in areas which STO might have been at disadvantage had STO not been able to do so, and maintaining a strong hold with the Government and private sector as the primary trading partner of choice.

State Trading Organization PLC with its subsidiaries, joint ventures and associates is a nation wide leader in the business sector. It has significant and focused interests in petroleum, construction materials, electronic items, cooking gas, home appliances, super markets and insurance.

The company is geographically diverse, with operations and developments in Maldives and Singapore.



"To become the most successful and the most efficiently managed multinational company that would make every individual of the nation proud by the year 2014."

Vision

To become the most successful and the most efficiently managed multinational company that would make every individual of the nation proud by the year 2014.

By the year 2014 STO will become the most successful and the most efficient parent company (of a diversified group of subsidiaries) in the Maldives. By then, we will be a diverse multinational company listed in an internationally recognized stock exchange. We will never stop diversifying and would reach a stage where we will be manufacturing our own brands in our own manufacturing facilities. We will be renowned in the region as one of the most innovative companies in South Asia. We will make every Maldivian associate themselves with STO and will make them proud of the association with us. We will become one of the best companies to work for where one will have room to excel and grow. We will never lose sight of our core purpose and our contributions to society will come in many forms. Last but not least, investing in our shares will make you a happy investor. Year 2014 will not be a means to an end. It will be merely a beginning

Mission

Our corporate mission is to make STO one the most innovative and efficiently managed multinational companies in the region.

Core Purpose

To preserve and improve life

Core Values

- Respect and delight every stakeholder
- Responsibility toward social well being and development
- Encourage individual ability, discipline and teamwork with adherence to ethical behaviors
- Improvement is a way of life

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CORPORATE INFORMATION

Name of the Company

State Trading Organization PLC

Company Registration Number

C186/2001

Legal Form

A public listed company with limited liability. Incorporated as a government company, Athireemaafannu Trading Account, on 20th December 1964 and was renamed as State Trading Organization on 09th June 1979. On 09th August 2001, State Trading Organization became a public limited company.

Stock Exchange Listing

Ordinary shares of the company is listed in the Maldives Stock Exchange.

Board of Directors

- Mr. Ahmed Mohamed
- Mr. Mohamed Hussein Maniku
- Mr. Ali Naseer Mohamed
- Ms. Aminath Ali Manik
- Mr. Ali Mohamed
- Mr. Yoosuf Naeem
- Mr. Abdulla Saleem Abdul Sattar

Audit Committee

- Mr. Ahmed Mohamed (CEO/Board Director)
- Ms. Aminath Ali Manik (Board Director)
- Mr. Ali Mohamed (Board Director)
- Mr. Abdulla Saleem Abdul Sattar (Board Director)
- Mr. Yoosuf Naeem (Board Director)

Nomination and Remuneration Committee

- Mr. Ahmed Mohamed (CEO/Board Director)
- Ms. Aminath Ali Manik (Board Director)
- Mr. Ali Mohamed (Board Director)
- Mr. Abdulla Saleem Abdul Sattar (Board Director)

Company Secretary

Ms. Aishath Shaffana Rasheed

Auditors

KPMG Ford, Rhodes, Thornton & Co. - Maldives
2nd Floor,
H. Mialani
Sosun Magu, P.O.Box 2033
Male'
Republic of Maldives.

Bankers

- Bank of Maldives Plc, Male'
- BNP Paribas, Singapore
- Habib Bank Limited, Male'
- HSBC, Male'
- Nations Trust Bank, Colombo
- Seylan Bank, Colombo
- Societe Generale Bank, Singapore
- State Bank of India, Male'

Shareholding Structure

	No. of shares	@ Rf. 50/-	%
Government	1,040,000	52,000,000	92.29
Public	86,910	4,345,500	7.71
Total	1,126,910	56,345,500	100
Authorized Capital (Rf)		57,777,750	
Paid-up capital (Rf)		56,345,500	
Premium		27,814,500	

Registered Address

State Trading Organization PLC,
Boduthakurufaanu Magu,
Maafannu,
Male'
Republic of Maldives.

Contact Details

Telephone: (960) 33 44 333
Fax : (960) 33 44 334
e-mail : info@stomaldives.net

CORPORATE DIRECTORY

STO's main business outlets

STO People's Choice Construction Materials

Ameenee Magu,
Maafannu,
Male', Republic of Maldives
Telephone: 3344177
Fax: +960 3344181, 3344182
Email: construction@stomaldives.net

STO People's Choice Electronics

Ground Floor,
Umar Shopping Arcade,
Chaandhane Magu,
Male', Republic of Maldives
Telephone: +960 3317140
Fax: +960 3333183
Email: electronics@stomaldives.net

STO People's Choice Fuel & Lubricants

Funadhoo Island,
Kaafu Atoll, Republic of Maldives
Telephone: +960 6645900
Fax: +960 6645901
Email: fuel@stomaldives.net

STO People's Choice Home Improvement

Haveeree Hingun,
Maafannu,
Male', Republic of Maldives
Telephone: +960 3318451
Fax: +960 3331656
Email: home_imp@stomaldives.net

STO People's Choice Medicals

Handhuvaree Hingun,
Maafannu,
Male', Republic of Maldives
Telephone: +960 3313261
Fax: +960 3313261
Email: medical@stomaldives.net

STO People's Choice Medical Pharmacy

Indhira Gandhi Memorial Hospital,
Maafannu,
Male', Republic of Maldives
Telephone: +960 3344138
Fax: +960 3344142
Email: pharmacy@stomaldives.net

STO Peoples Choice Staple Foods.

Block No. 393
Handhuvaree Hingun,
Maafannu,
Male', Republic of Maldives
Telephone: +960 3344 159
Fax: +960 3344 154
Email: staple@stomaldives.net

STO People's Choice Supermart

STO Trade Centre,
Orchid Magu,
Maafannu,
Male', Republic of Maldives
Telephone: +960 3324373
Fax: +960 3313182
Email: supermart@stomaldives.net

Retail Outlets Outside Male'

Ha. Atoll STO Trade Centre (Hoarafushi)

Ghaazee Hingun, Hoarafushi, Haa Alif Atoll,
Republic of Maldives
Tel: +960 6500015
Fax: +960 6500583
Email: sto122@stomaldives.net

STO Shop No. 132, (B.Eydhafushi)

Nolhi Magu, Medhu Avah, Eydhafushi, Baa Atoll,
Republic of Maldives
Tel: +960 660 8315
Fax: +960 6508445
Email: sto132@stomaldives.net

STO Shop No. 162, (K.Hulhumale')

Hulhumale' Commercial Unit, Bageechaa Hingun,
Hulhumale', Kaafu Atoll,
Republic of Maldives
Tel: +960 3350051
Fax: +960 3350052
Email: islandsales@stomaldives.net

STO Shop No. 134, (L.Fonadhoo)

Block No. 32, Medhu Avah, Fonadhoo, Laamu Atoll
Republic of Maldives
Tel: +960 6800048
Email: sto134@stomaldives.net

GA. Atoll STO Trade Centre, (GA.Villingili)

Haveeree Hingun, Villingili, Gaafu Alifu Atoll
Republic of Maldives
Tel: +960 6820110
Fax: +960 6820098
Email: sto163@stomaldives.net

G.Dh. Atoll Rayyithunge Cooperative Society

No. 59, Dhaan'naa Magu, Thinadhoo,
Gaafu Dhaal Atoll,
Republic of Maldives
Tel: +960 6841013
Fax : + 960 6842013
Email: sto138@stomaldives.net

STO Shop No. 136 (Gn. Fuahmualh)

Velifaanu Magu, Maadhan'dhu,
Fuvahmulah, Gnaviyani Atoll,
Republic of Maldives
Tel: +960 6860038
Fax: +960 6862032
Email: sto136@stomaldives.net

STO Shop No. 141(S. Gan Oil)

Gan, Seenu Atoll,
Republic of Maldives
Tel: +960 6898034
Email: sto141@stomaldives.net

STO Shop No. 123 (S. Feydhoo)

Orchid Magu, Feydhoo, Seenu Atoll,
Republic of Maldives
Tel: +960 6892098
Email: sto123@stomaldives.net

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

Shaafee Hingun, Maradhoo Feydhoo, Seenu Atoll
Republic of Maldives
Tel: +960 6891831
Email: sto159@stomaldives.net

STO Shop No. 137, (S. Hithadhoo)

Ziyaaraiyth Faanu Magu, Hithadhoo, Seenu Atoll,
Republic of Maldives
Tel: +960 6885954
Email: sto137@stomaldives.net

Subsidiary Companies

Allied Insurance Company of the Maldives Pvt. Ltd.

04 - 06, S.T.O. Trade Center
Orchid Magu, Malé 20-02,
Republic of Maldives.
Tel: +960 334 1001, + 960 332 4612
Fax: + 960 332 5035
Email: info@alliedmaldives.net
Website: www.alliedmaldives.com

Maldives National Oil Company Pvt Ltd

Boduthakurufaanu Magu,
Maafannu, Male' 20345,
Republic of Maldives
Tel: +960 325635 Fax: +960 315337
Email: info@mnoc.com.mv
Website: www.mnoc.com.mv

Maldiv Gas Pvt Ltd

1st Floor, STO Trade Centre
Orchid Magu, Male',
Republic of Maldives
Tel: +960 333 5614
Fax: +960 333 5615
Email: info@maldivegas.com
Website: www.maldivegas.com

Fuel Supplies Maldives Pvt Ltd

Block A 4th Flr, STO Aifaanu Building
Boduthakurufaanu Magu, Male' 20-05
Republic of Maldives
Tel: +960 333 6655
Fax: +960 331 3881
Email: info@fuelmaldives.com
Website: www.fuelmaldives.com

STO Maldives (Singapore) Pvt Ltd

10, Anson Road,
#39-10 International Plaza,
Singapore 079903
Tel: +650 63231337
Fax: +650 63231859

Joint Venture Companies

Maldives Structural Products Pvt Ltd

2nd Floor, Marlinespike Building
2/10 Alikilegefaanu Magu
Male', Republic of Maldives
Tel: +960 3337720
Fax: +960 3337721
e-mail: msroof@dhivehinet.net.mv

Associate Companies

Lafarge Maldives Cement Pvt Ltd

01-01 STO Trade Centre, Orchid Magu
Male' 20-02, Republic of Maldives
Tel: +960 3315313, +960 3315314
Fax: +960 3315316
e-mail: mimcgm@dhivehinet.net.mv

BOARD OF DIRECTORS

MR. MOHAMED HUSSEIN MANIKU

Non-Independent, Executive Director

- Board Director from 1991 to February 2008
- Managing Director of State Trading Organization PLC from 1991 to February 2008
- Board Director of Bank of Maldives PLC from 1993 to February 2008
- Chairman of various subsidiary companies of State Trading Organization PLC during his tenure at STO as the Managing Director
- Holds a Bachelors Degree in Business Administration from the American University of Beirut
- Resigned from the Board of Directors of STO PLC on appointment as the Maldivian Ambassador to United States of America in February 2008



MR. AHMED MOHAMED

Independent, Non-Executive Director

- Board Director from September 2005 to date
- Chief Executive Officer of STO PLC from February 2008 to date
- Executive Director, Ministry of Planning and National Development up to February 2008
- Chairman of the Board of Directors of State Trading Organization PLC from September 2005 to February 2008
- Holds a Masters Degree in Economics (Public Policy) from the University of Hull, United Kingdom



MR. ALI NASEER MOHAMED

Independent, Non-Executive Director

- Board Director from August 2005 to January 2008
- Director General, Ministry of Foreign Affairs
- Holds a Masters Degree in Diplomatic Studies from the University of Leicester, UK
- Currently in Australia for further studies, hence resigned from Board on 02nd January 2008

MR. YOOSUF NAEEM**Independent, Non-Executive Director**

- Board Director from June 2007 to date
- Member of Special Majlis of Maldives representing Vaavu Atoll
- Reservation Manager, Safari Tours Pvt Ltd
- Completed various courses on Travel & Tourism

**MR. ABDULLA SALEEM ABDUL SATTAR****Independent, Non-Executive Director**

- Board Director from August 2005 to date
- Chairman of Male' Municipality
- Board Director of Maldives Gas Pvt Ltd and State Electric Company Ltd
- Completed short courses on Urban Management and Housing

**MR. ALI MOHAMED****Independent, Non-Executive Director**

- Board of Director from August 2005 to date
- Member of Parliament of Maldives representing Noonu Atoll
- Former Executive Director, Indira Gandhi Memorial Hospital
- Completed Diploma programs in Management and Medical Statistics

MS. AMINATH ALI MANIK**Independent, Non-Executive Director**

- Board Director from August 2005 to date
- Director General, Ministry of Finance and Treasury
- Completed various courses on Finance and related fields from Financial Institutes and Banks

MS. AISHATH SHAFFANA RASHEED
COMPANY SECRETARY

- Joined STO PLC in July 2006
- Company Secretary from 14th May 2007 to date
- Acting in-charge of Information Technology Department
- Holds a Bachelors Degree in Business Administration (Marketing and Management), Australian College of Business and Technology, Sri Lanka



CEO's MESSAGE

“STO will become the most successful and the most efficiently managed multinational company in the Maldives that would make every individual of the nation proud”



Ahmed Mohamed
Chief Executive Officer

To Our Shareholders,

As many of you would know, I was assigned to be in-charge of the management of STO on 27 February 2008, as CEO of the Company. I have taken up this challenging responsibility with great enthusiasm and commitment. I sincerely thank the shareholders, especially the majority shareholder of STO, the Government of Maldives, for the confidence you have in me to entrust me with this responsibility.

As the new CEO of STO, my immediate top priorities will be to sustain annual positive growth, encourage team work, and achieve Vision 2014 of STO.

Sustain annual positive growth

Since STO was established in 1964, STO has never recorded a negative net profit. Building on our achievements and the assets we have accumulated, the top business priority of STO will be to sustain annual positive growth and continuously increase shareholder value.

To achieve this STO will conscientiously improve corporate governance. STO will diversify the business portfolio into high return investments. STO will seek to strengthen its footing in international trade and walk new routes. STO will demonstrate the new Maldivian standards for corporate social responsibility through setting higher benchmarks. It is with deep satisfaction I note that STO has recorded a growth of three percent in the year 2007, despite challenging pressures we have experienced from both internal and external business environments.

Encourage team work

I firmly believe that change for the better do not necessarily must start from the top management. Therefore, building confidence of front-line employees and middle management of their ability to shape the future of STO will be an immediate top priority. As such, together with the backing of the Executive Team we will create a supportive work environment for all employees. We will train our employees to exhibit charismatic behaviors and leadership. We will reward employees on performance.

Achieve Vision 2014 of STO

I will fulfill my responsibilities as the new CEO of STO with dedication to achieve the Vision 2014 of STO. STO will become the most successful and the most efficiently managed multinational company in the Maldives that would make every individual of the nation proud. I will set the direction for STO team of employees to make STO one of the most innovative and efficiently managed multinational companies in the region. I will first and foremost adhere to the core values of STO and ensure every employee and business associate of STO adhere to the same core values. We will respect and delight every stakeholder. We will take responsibility toward social well being and development. We will encourage individual ability, discipline and teamwork. We will always adhere to ethical behavior. We will ensure improvement is a way of life.

Challenges

We foresee three key challenges for STO in our business development and delivery of essential shareholder and customer satisfaction.

First and foremost, the escalating international fuel prices.

Second, the increasing food prices in the world food market.

Third, inflationary pressure on goods and services in the Maldives.

STO will face these challenges head on. While trying to keep local fuel prices as low as possible, STO will demonstrate and invest in renewable sources of energy. STO will make strategic interventions wherever necessary in the local food market to make food prices affordable to the public.

Appreciation and acknowledgement

Over the past few years, STO has achieved milestone steps in business development, thanks to the commitment, creativity and constant effort of the employees guided by the wisdom and vision of the STO Executive Team and the Board of Directors. The shareholders of STO have always provided genuine feedback and inspiration for STO to grow and reach higher.

As the new CEO of STO, I also take this opportunity to thank Mr Mohamed Hussain Maniku who has served as the Managing Director of STO for the last 15 years. He had great business insight and contributed in an exemplary fashion to the positive growth of STO. He provided executive leadership to STO in testing times and always embraced challenges and new opportunities with confidence and commitment.

I also express gratitude to all those who make STO a success. I thank the Government of the Maldives, our shareholders, our bankers, our customers, the Board of Directors of STO, and the management and staff of STO.

With the Grace of Allah, we look forward to another successful year, Aameen.



Ahmed Mohamed

Chief Executive Officer

May 2008

SENIOR MANAGEMENT

1. AHMED MOHAMED

Chief Executive Officer

- Board Director from September 2005 to date
- Chief Executive Officer of STO PLC from February 2008 to date
- Executive Director, Ministry of Planning and National Development up to February 2008
- Chairman of the Board of Directors of State Trading Organization PLC from September 2005 to February 2008
- Holds a Masters Degree in Economics (Public Policy) from the University of Hull, UK

3. AHMED SHAHEER

Director

- 14 years at State Trading Organization PLC
- Director since 2005 to date
- In-charge of Foreign Trade Department, STO Peoples Choice Electronics, STO Peoples Choice Supermart
- Chairman of Maldives Structural Products Pvt Ltd and Lafarge Maldives Cement Pvt Ltd
- Holds a Masters Degree in Business Administration from the University of Adelaide, Australia and a Bachelors Degree in Business Administration (marketing and Management) from University of Charles Stuart, Australia

5. MOHAMED NABEEL ABDULLA

Director

- 13 years at State Trading Organization PLC
- Director since January 2008
- In-charge of Credit Sales Department, STO Peoples Choice Construction Materials, and STO Peoples Choice Staple Foods
- Board Director of Fuel Supplies Maldives Pvt Ltd
- Holds a Masters Degree in Information Technology and Business from the University of Lincolnshire and Humberside, UK and a Bachelor of Science with Honours in Software Engineering from the University of Sheffield, UK

7. SANA MANSOOR

Deputy Director

- 20 years at State Trading Organization PLC
- Deputy Director since 2007 to date
- In-charge of Accounts and Finance Department
- Board Director of Maldives Structural Products Pvt Ltd, Maldives Stock Exchange Company Pvt Ltd
- A Member of CPA, Australia
- Holds a Bachelors Degree in Commerce from Griffith University, Australia

9. MOHAMED ABDUL SATTAR

Assistant Director

- 25 years at State Trading Organization PLC
- Assistant Director since 2006 to date
- In-charge of Legal Department and STO Peoples Choice Medicals
- Holds a Masters Degree in Business Administration from the University of Northumbria, UK

11. ASHRAF ALI

Assistant Director

- 17 years at State Trading Organization PLC
- Assistant Director since 2007 to date
- In-charge of Internal Audit Department
- General Manager at Maldivian Gas Pvt Ltd from 2005 - 2007
- Holds a Masters Degree in Business Administration from the University of Ballarat and a Post Graduate Diploma from Chartered Institute of Marketing





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2. ADAM SALEEM

Assistant Managing Director

- 24 years at State Trading Organization PLC
- Assistant Managing Director since 2006 to date
- In-charge of Administration Department, Transport Service Department, and STO Peoples Choice Fuel & Lubricants
- Board Director of Maldives National Oil Company Ltd and Maldives Industrial Fisheries Company Ltd
- Holds a Masters Degree in Business Administration from the University of Adelaide, Australia



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4. IBRAHIM SHAREEF MOHAMED

Director

- 22 years at State Trading Organization PLC
- Director since 2005 to date
- In-charge of Asset Management Department, and STO Peoples Choice Home Improvement
- Chairman of the Board of Directors of Maldivian Gas Pvt Ltd , Chairman of G.Dh. Atoll Rayyithunge Cooperative Society, and Board Director of Allied Insurance Company of the Maldives Pvt Ltd
- Pg. Dip Shipping Management



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6. MUAZ AHMED

Deputy Director

- 23 years at State Trading Organization PLC
- Deputy Director since 2006 to date
- In-charge of Imports Department
- Board Director of Lafarge Maldives Cement Pvt Ltd
- Holds a Higher National Diploma in Business and Finance, UK



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8. FATHIMATH ASHAN

Deputy Director

- 14 years at State Trading Organization PLC
- Deputy Director since 2007 to date
- In-charge of Human Resource Department
- Filled the post of Company Secretary of STO from 2004 to 2006
- Holds a Masters Degree in Business Administration from University of Lincoln and a Bachelor of Arts with Honours (First Class) in Business IT from the University of Coventry



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10. AHMED SHIFAN

Assistant Director

- 03 years at State Trading Organization PLC
- Assistant Director since 2007 to date
- In-charge of Island Sales Department
- Secretary of G.Dh. Atoll Rayyithunge Cooperative Society
- Holds a Masters Degree in Business Administration with Honours from Auckland University of Technology (AUT), New Zealand and a Bachelor of Science with Joint Honours (First Class) in Business Information Systems and Business Studies from the Middlesex University, UK

DIRECTORS' REPORT

We are pleased to present the Director's Report along with the Audited Financial Statements for the financial year ended on 31st December 2007. We are also pleased to confirm that STO is able to carry out its activities and implement its proposed plans and achieve the desired results through its commitment to efficient business processes and practices and focus on human resource development.

This report is presented in accordance with the Companies Act, Memorandum and Articles of Association of STO, Listing Rules of the Maldives Stock Exchange and the Corporate Governance Code (CGC) of the Capital Market Development Authority (CMDA).

The report presents an overview of the businesses activities of STO and its subsidiary companies. It also highlights actions taken to improve the efficiency and effectiveness of STO during 2007.

1. CORPORATE GOVERNANCE

The corporate objectives of the Board of Directors are to provide leadership and guidance to the management of STO and to create long term value for the shareholders.

STO takes pride in being the first public company in the Maldives to adopt its own Corporate Governance Policies and Guidelines in January 2006, a year before the introduction of the CGC by CMDA. CGC is mandatory from 01st of January 2008 and reporting the status of compliance is required from then on. However, STO is voluntarily reporting its CGC compliance up to end of 2007 to emphasize its commitment to good corporate governance.

In line with the principles of corporate governance we have achieved more than 95 percent of the requirements of the CGC of CMDA. Below is the status of CGC compliance for the reporting period.

Board Composition

The Board of Directors of STO consists of seven members, which includes one Director elected by the public shareholders representing 7.71 percent share of the Company and six Directors nominated by the Government representing 92.29 percent share of the Company. Out of the six Directors nominated by the Government for 2006 – 2007, five were re-appointed to the Board on 28th June 2007. Mr. Yoosuf Naeem was nominated to the Board for the period 2007 to 2008, replacing Dr. Abdulla Mausoom who was in the Board for two consecutive years. We thank Dr. Mausoom for the invaluable contributions he made while performing the duties of the Board.

Mr. Abdulla Saleem Abdul Sattar, who represented the public shareholders, was re-elected for a third consecutive term by

the public shareholders at the Annual General Meeting (AGM) of 2007 held on 28th June 2007. The seven Directors consisted of one executive director and six non-executive independent directors. To comply with the CGC's requirement to have two executive directors, we need to include an executive from STO's management team in the Board.

Separation of Chairman and CEO

As required by CGC, the Chairman and CEO are separate persons and their responsibilities are clearly stated in the Memorandum and Articles of Association of STO, and this practice is followed consistently.

Training and Refresher Courses

More than half the members of the Board attended training on Corporate Governance. Refresher courses on accounting, taxation and law are planned for 2008.

Board Committees

We have established a Nomination and Remuneration Committee and an Audit Committee as required by the CGC. The technical input required for the Audit Committee is provided by the Internal Audit Department administratively under the Chief Executive Officer.

The Board sitting fees and remuneration of top management of STO was Rf. 2.9 million for 2007. Full compliance on the disclosure requirements of the Board Committees is planned to be achieved during 2008

Nomination and Remuneration Committee

1. Ahmed Mohamed
2. Ali Mohamed
3. Aminath Ali Manik
4. Abdulla Saleem Abdul Sattar

Audit Committee

1. Ahmed Mohamed
2. Ali Mohamed
3. Aminath Ali Manik
4. Abdulla Saleem Abdul Sattar
5. Yoosuf Naeem

External Auditors

KPMG Ford, Rhodes, Thornton & Co. has been the external auditor of STO for the past four years. A new auditing firm will be recruited every five years to meet the rotation period requirement of CGC.

Board Performance

A total of 26 board meetings were held between the AGM of 2007 and 2008. On average a significantly high attendance rate of 80 percent was maintained by the Board Directors. The Board's performance will be evaluated in accordance with CGC in 2008.



Internal Control Systems

Internal control systems to safeguard assets and shareholders' investments are in place and will be reviewed annually by the Internal Audit Department against the Operations Manuals of all the departments of STO to reflect the changes in the business environment.

Company Secretary

A qualified Company Secretary is appointed to perform all compliance functions of STO according to the CGC, Memorandum and Articles of Association and the Companies Act.

The Company Secretary of STO, Ms. Aminath Laila left abroad for higher studies and Ms. Aishath Shaffana Rasheed was appointed as Company Secretary on 14th March 2007.

General Meetings

Annual General Meetings are conducted with due notice as required by Companies Act and Listing Rules. Financial accounts, compliant with International Financial Reporting Standards (IFRS) and verified by two

directors (one being the CEO) and the Chief Financial Officer (CFO) are disclosed within the first five months of the financial year, according to the listing rules and CGC.

As required by CGC, voting rights and procedures are clearly laid out in the Memorandum and Articles of Association of STO and this is followed consistently.

System to Raise Concerns

Proper systems to raise concerns to the Board are in place and access to the Chairman and Board members is provided to all employees.

Investor and Media Relations

Investor and media relations are maintained through regular news conferences and the company's website as well as from impromptu news releases and interviews.

2. GENERAL BUSINESS ENVIRONMENT

In 2007, the Maldives economy recorded a GDP growth of 6.6 percent. This is a significant achievement given the downward trend in 2005 resulting from the tsunami of 2004.

The post tsunami reconstruction works provided an added impetus to an already booming national construction industry. The same was true of the tourism industry with reconstruction of tsunami affected resorts and construction of new resorts.

Expansion of the tourism sector is also supported by increased investor and visitor confidence which led to record increases in tourist arrivals, surpassing that of the previous five years. The projected future development of the industry prompted STO to venture into the hospitality and tourism industry by winning the Hulhumale' Hotel bid.

Just as in the past few years, the tremendous increase in world fuel prices proved to be the main barrier which hindered STO's effort to increase profits. The net profit margins from sale of petroleum products declined from 1.56 percent in 2006 to 1.12



Annual General Meeting 2007 - 28th June 2007

percent in 2007 as fuel prices were raised not to match world prices but just enough to sustain the business. As the price of oil has a direct effect on all industries, STO, in line with its social responsibility stance played its part to lessen the impact on the national economy.

Competition continued to intensify, especially in the construction materials, hardware, electronic goods and supermarket items, which meant that the level of customer services, especially after sales services was improved to compete effectively.

One of the main challenges that STO faced was storage space as some leasehold plots of land previously held by STO were taken back by the Government. In the face of acute scarcity of land in Male', alternative means of storage space had to be found. Thilafushi, Hulhumale' and the upcoming Gulhifalhu project are possible options

3. COMPANY PERFORMANCE

The total revenue of the Company for the year 2007 was Rf 5.2 billion compared to Rf 5.6 billion in 2006. The drop in the revenue was due to curtailing of the crude oil operations carried out in Singapore. Revenue from other products and sources increased from Rf 3.9 billion in 2006 to Rf 4.7 billion in 2007. The revenue of STO by Product groups is given in Table 1.

Directors' Report

	2007		2006	
	Rf in millions	%	Rf in millions	%
Refined Petroleum Products	3,678.26	71.32	3,009.30	54.17
Crude Oil Operation	453.13	8.79	1,676.59	30.18
Staple Foods	216.61	4.20	170.54	3.07
Construction Materials	196.3	3.81	163.52	2.94
Atoll Trade Centres	159.66	3.10	152.94	2.75
Home Improvement	151.17	2.93	150.28	2.70
Government Imports	115.72	2.24	71.73	1.29
Medical Supplies	86.22	1.67	46.43	0.84
Supermart	66.72	1.29	76.15	1.37
Electronics	33.36	0.65	38.29	0.69
Total	5,157.15	100.00	5,555.77	100.00

Table 1: Revenue by product groups

Though petroleum products continued to be the main revenue generator providing 80 percent of sales, we had to consciously and continuously accommodate the reduction in trade margin of the sale of petroleum products from 7.2 percent in 2005 to 5.2 percent in 2006 and 3.4 percent in 2007. As stated earlier, this was done to keep local fuel prices at reasonably affordable levels.

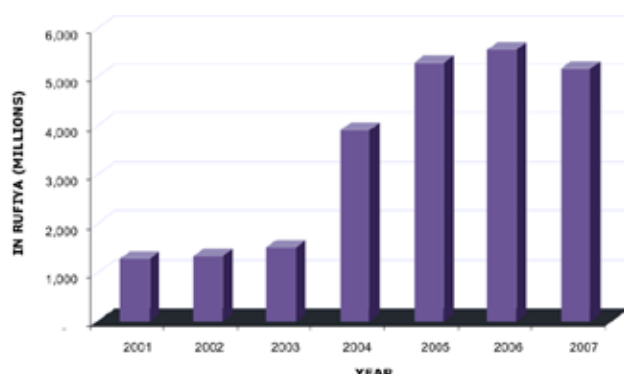


Figure 1: Revenue 2001- 2007

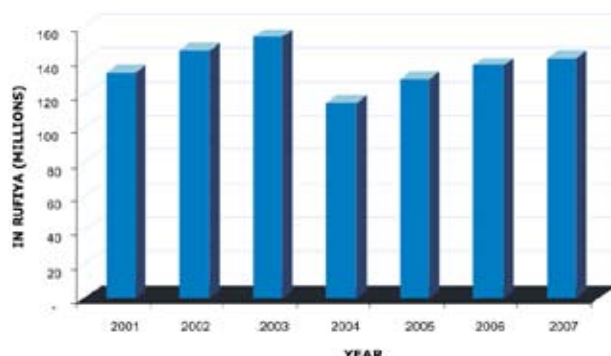


Figure 2: Net profit 2001-2007

While total revenue decreased by 7.2 percent in 2007, gross profit has increased by 1.9 percent from Rf 302 million in 2006 to Rf 308 million in 2007. Gross profit increased as a result of increase in the revenues as shown in Table 1 above.

Other operating income significantly increased from Rf 36 million in 2006 to Rf 75 million in 2007. This is due to the realization of Rf 47 million from the sale of Vakarufalhi resort.

Total operating expenses increased by 25.6 percent from Rf 196 million in 2006 to Rf 246 million in 2007. The main reasons include the impairment provision made against Maldives Industrial Fisheries Company Limited investment, increase in staff remuneration, loss and bad debts resulting from disposal of STO Lanka (Pvt) Ltd.

Net financing expense of Rf 5 million in 2006 turned out to be a net financing income of Rf 7 million in 2007 owing

to increased amount of dividends received from investments and decrease in the interest paid on borrowings.

The net profit increased by 3.3 percent from Rf 137 million in 2006 to Rf 142 million in 2007. The key financial indicators for 2006 and 2007 are given in Table 2.

Indicators	2007	2006
Earning Per Share (Rf)	125.59	121.58
Price Earning Ratio	5.28	5.54
Dividend Per Share (Rf)		82.00
Market Price Per Share		
Highest (Rf)	770.00	899.00
Lowest (Rf)	500.00	430.00
Weighted Average (Rf)	663.00	673.00
Dividend Yield		12.18%
Earning Yield	18.94%	18.07%
Return on Equity	17.98%	19.77%
Return on Total Assets	8.07%	11.27%
Current Ratio	1.44 : 1	2.03 : 1
Net Assets Value per Share (Rf)	698.36	614.92
Debt / Equity Ratio	0.04	0.16
Interest Cover	6.31	5.58

Table 2: Key financial indicators

Figure 3 below shows the appreciation of the value of investment made by the shareholders.

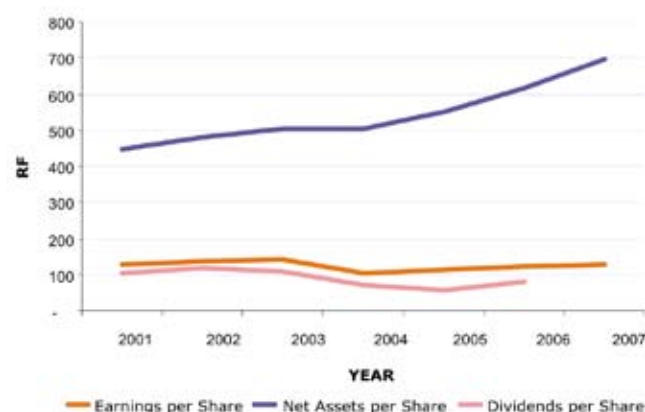


Figure 3: Value appreciation of investment

4. SHARE PERFORMANCE

In the year 2007, a total of 280 shares were traded compared to the 934 shares traded in 2006. The total value of the traded shares in 2007 amounted to Rf 0.19 million while in 2006 this amounted to Rf 0.63 million. The market capitalization of STO shares as at 31st December 2007 increased to Rf 766 million from Rf 485 million as at 31st December 2006. It is worth noting this is a 58.3 percent increase over 2006. STO shares represented 28.6 percent of the total market capitalization amount of Rf 2.7 billion as at 31st December 2007.

The highest traded price of STO shares in 2007 was Rf 770 whereas the lowest was Rf 500. The STO share price movement since 2002 is given in Figure 4.

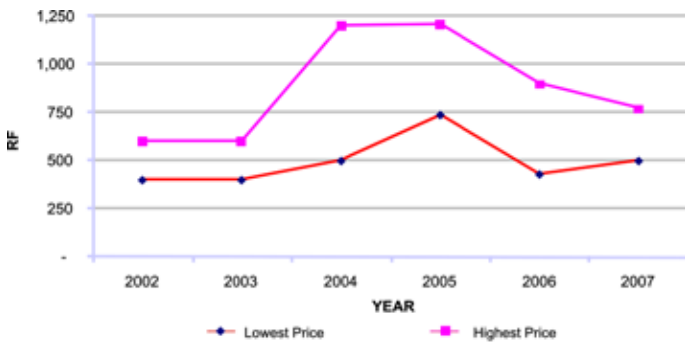


Figure 4: Share price movement

5. GROUP PERFORMANCE

The total revenue for the Group decreased from Rf 5.8 billion in 2006 to Rf 5.6 billion in 2007 owing to drop in revenue of the parent company. However, except STO Lanka (Pvt) Ltd, all other subsidiary companies achieved a revenue growth over 2006. Gross profit for the Group increased from Rf 404 million in 2006 to Rf 435 million in 2007. The net profit for the Group also increased from Rf 161 million in 2006 to Rf 170 million in 2007. This is the highest ever net profit, the Group has reported.

Group earnings per share for 2007 is Rf 142 compared to Rf 135 in 2006.

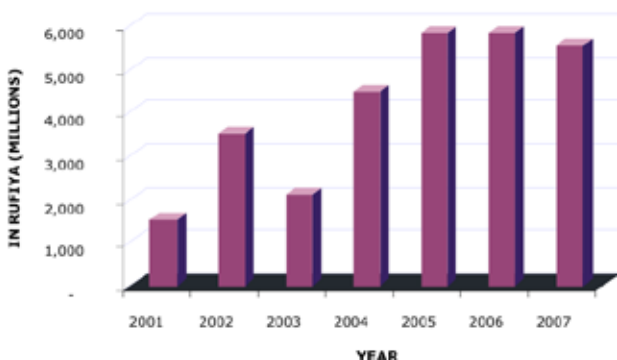


Figure 5: Group Revenue 2001-2007

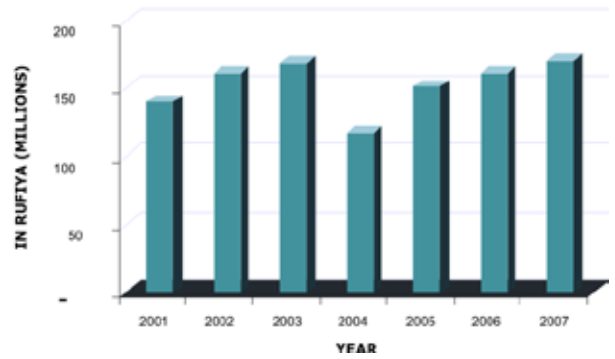


Figure 6: Group net profit 2001-2007

6. BUSINESS DIVERSIFICATION

Tourism industry is one of the most profitable and fastest growing industries in the country. It will also earn much needed foreign currency at a time the continuous hiking of oil prices in the world market is causing a huge increase in the foreign currency requirements of the company.

Vakarufalhi resort was sold based on legal advice with regard to the uncertainty of its future ownership. To re-invest proceeds of this sale in the tourism sector, STO participated in tenders to develop hotels and won the tender to develop a 250 room five star hotel at Hulhumale' with convention facilities. It will be operational in March 2010 under Radisson brand, managed by Carlson Hotel Worldwide. A multi-storey complex will be developed in the near future to house a shopping mall and a five star hotel in Male'.

Developing renewable energy sources in the country is necessary to reduce dependency on fossil fuel. STO with its subsidiary Maldivian Gas embarked on a renewable energy project using wind, solar and diesel/LPG generators. HA. Uligan, M. Raiymandhoo and GA. Kondey were chosen by the Government to implement the pilot phase of this project. If the results of the pilot project are found to be successful, a nation-wide project would be launched. STO made history with the implementation of the world's first hybrid AC Coupled Renewable Energy Micro Grid in H.A. Uligan which was inaugurated by His Excellency Maumoon Abdul Gayyoom on 7th January 2008.



Renewable Energy Pilot Project - HA. Uligan

7. BUSINESS EXPANSION

STO has expanded its current businesses during 2007, which includes expansion into other atolls and upgrading the current retail outlets in the atolls and Male'.

G.A. Atoll STO Trade Centre

The opening of G.A. Atoll STO Trade Centre established STO's presence in the southernmost four atolls comprising S, Gn, GDh. and GA. With this achievement STO introduced uniform pricing for major construction items in these atolls, which in turn reduced the prices of these items in Huvadhoo Atolls.



Warehouse in Hulhumale'

The increasing storage requirement of STO led us to build a warehouse in Hulhumale'. This 30,000 sq ft. warehouse will be operational by mid 2008.



Warehouse in S.Hithadhoo

STO's warehouses in Addu are mainly located in Gan and the cost of transporting goods from Gan to Hithadhoo is an addition cost. Building a warehouse in Hithadhoo, the island with the highest population in Addu, will enable us to cater to this market more efficiently. Construction work of the two-storey warehouse was completed in less than 7 months.

H.A. Atoll STO Trade Centre

As part of STO's plan to upgrade its retail outlets in the atolls and to provide additional products and services to the Atoll communities, the STO shop in H.A.Hoarafushi established in 1980's at the then harbor front, is to be relocated to the new harbor front on the eastern side of the island. This development will establish H.A. Atoll STO Trade Centre with additional showroom space and warehouse capacity. The new Trade Centre will be operational in mid 2008.

Investment in Maldives Stock Exchange Company Pvt Ltd (MSE)

With a long term view of seeing a matured financial market being established in the Maldives, STO took pride in investing in an 8 percent stake of the Maldives Stock Exchange Company in 2007 and is the only public listed company among its shareholders.

At present there are five listed companies in the Maldives. MSE is the main arm of the Maldivian Share Market which will regulate and control the share trading and the capital market.

Subsequent to the investment in MSE, the Board of Directors have decided to subscribe 10 percent shares in the Maldives Security Depository Company Pvt Ltd (MSD), a subsidiary of MSE.

Additional Investment in Bank of Maldives PLC (BML)

STO acquired additional shares in Bank of Maldives at the public offering in July 2007, bringing the shareholding percentage to 4.25 percent. Today STO enjoys high earnings from the investment of Rf 56 million at current market price of BML shares. STO's shareholders will also benefit from this high yield investment.

8. IMPROVING OPERATIONAL EFFICIENCY

We always strive to improve our operational efficiency to deliver better services to our customers while giving equal attention to continuously improve business operations to minimize risk and maximize profitability. During the year 2007, main focus was on three areas: to formulate a comprehensive Business Plan for the period 2007 – 2009; improving information and communications systems; and standardization of procedures through Operations Manuals.

Business Plan 2007-2009

This is a careful study of the company on redefining STO's vision, mission, values and corporate themes. The Business Plan will guide the company in delivering better services and opportunities to search for new territories to expand our core business.



Improving Information and Communications Systems

Central Payment Control System (PVS)

To strengthen internal control on payables, a new software was introduced with notable upgrades and new features that incorporate better information capture and control.

Credit Scheme System (CS)

The system used to manage the Credit Scheme was replaced with a new multi-user system with more controls to follow up and monitor the outstanding payments.

Central Retail Management System (CRMS)

Development and implementation of an enhanced centralized sales management and procurement handling system is in progress. The Point of Sales (POS) module of this system is planned to be implemented in 2008. The CRMS will enable us to serve our customers more efficiently and provide better operational efficiency and management information.

Communications Infrastructure Development

To improve data communication, our information management network in Male' has been upgraded and links to various island shops have been established during 2007. Such connectivity facilitates better and swift exchange of information.

Operations Manuals

During 2007, all departments adopted Operations Manuals to enhance efficiency and standardization of procedures. The Operations Manuals will improve accountability and transparency.



Disposal of Tea Estate – Sri Lanka

Repeated attempts to make the tea estate commercially viable did not yield the desired results. Consequently, the investment was sold off to eliminate the recurring loss on this investment.

9. MARKETING

STO is a people oriented company. While the goal of marketing is to increase revenue and profits, invariably. STO always strives to remain close to its customers, encourage a healthier life style and support worthy causes.

STO's marketing strategy is built around its brands. Brands such as Philips, Hitachi, Nippon and Makita have become household names throughout the country.

In the face of intensifying competition, STO strengthened its marketing activities throughout 2007, especially of supermarket, electronics, home improvement and construction materials.

Advertising, sales promotions, sponsorships, event marketing and personal selling were the main tools used.

Advertising

A mix of television, radio, newspaper, magazines and outdoor advertising was used to good effect.

Sales Promotions

As usual, the traditional "Ramazan Sale" which is held each year close to the Holy month of Ramazan proved to be immensely popular. While increasing sales, STO wants to make available, products in demand for Ramazan at reasonable prices. Promotions specific to brands such as "Hitachi" and "Makita" were successfully carried out. Hitachi's position as the market leader in the home appliances market was further strengthened.

Sponsorships

Sponsorships were used not only for commercial purposes but also in keeping with corporate social responsibility. In this regard events organized by Non Governmental Organizations such as Cancer and Diabetes Society, island communities and schools were sponsored among others.

Additionally STO together with associated brands and subsidiaries continued sponsorship of sports events in 2007. These include Nippon Tennis Tournament, Makita Junior Athletics Championship, Fragata Triangular Resort Cricket Tournament, Maldives Gas Open Tape Ball Cricket Tournament and various sports awards.

Event Marketing

Events such as "Chocolate Week" at Supermart were organized to attract publicity and to portray Supermart as an enjoyable place to visit and shop. "Health Week" catered to health-conscious customers which is a growing market segment. Specific days such as Children's Day were celebrated so that from young age, customers will identify themselves with STO.

Directors' Report

The world's thinnest LCD TV manufactured by "Hitachi" was launched during the "Hitachi Fair" held in December.

STO also participated in trade fairs such as the "Maldives Construction Fair 2007", organized by Artline Design in association with Maldives Association of Construction Industry.

Personal Selling

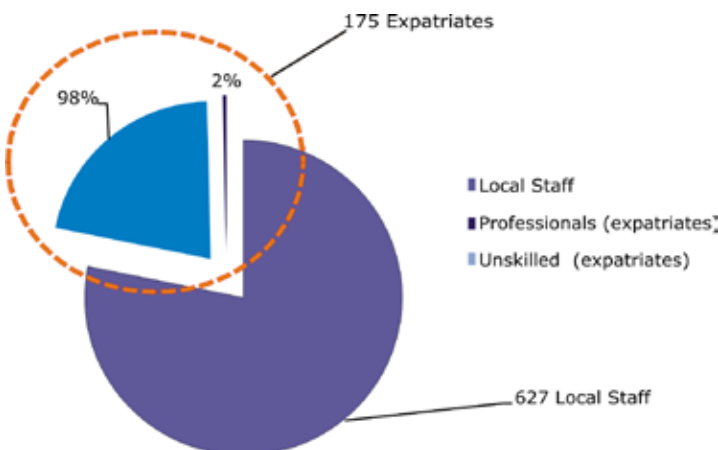
Personal selling was used to win supply contracts from corporate customers. Projects supplies contributed a reasonable amount to the annual revenue and profits.



10. HUMAN RESOURCE DEVELOPMENT

STO recognizes that human resource is the company's most valuable asset. Wherever possible, STO aims to have local professionals working for us. A concerted effort is put in to training and development. As at 31st December 2007, there were 627 local and 175 expatriate staff working for us. Ninety eight percent of the 175 expatriates are unskilled workers.

During the year 2007 a total of 15 staff were sponsored for long and short term overseas courses in business and technical subjects. A total of 136 staff were also trained locally at various local institutes and colleges while 325 (52 percent) of local staff were trained in-house on training programs especially tailored to prepare and upgrade staff to cater to STO's business needs. In addition, senior management attended refresher programs conducted locally and overseas.



STO has also contributed to staff development by providing special incentives such as paid leave of absence for the duration of the courses for staff attending long term courses abroad on private funding.

STO is also planning to introduce a loan scheme to pursue higher studies. This will further assist the development of human resource base of the company. This is in line with STO's corporate social responsibility initiative to building skilled and qualified personnel on a national level.

The staff recreation club organized sports and recreational activities. Being a diverse organization with staff working in



Heavy Vehicle Training Program



Corporate Governance Information Session for the staff



Fire Fighting Training Program conducted in association with MNDP



Stress Management conducted inhouse (Short course)

11. CORPORATE SOCIAL RESPONSIBILITY

At STO, we have always taken our corporate social responsibilities seriously, be it to our customers, our employees, our partners or the community. For us, Corporate Social Responsibility reflects the way we have always conducted business and underpins our Vision and Values. STO's Corporate Social Responsibility falls under three main areas - People, Market Stabilization and Environment.



Blood Donation Day Conducted in collaboration with Maldives Doctors Association

People

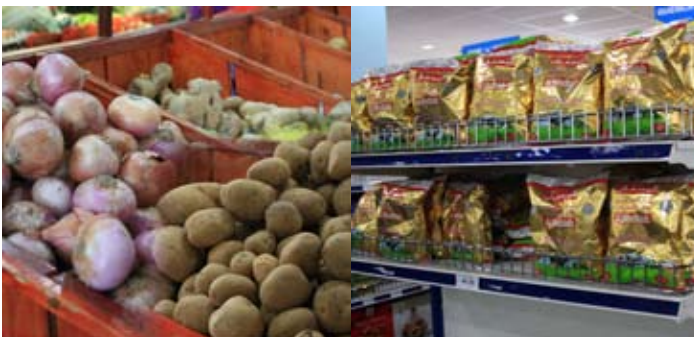
STO in collaboration with the Maldivian Doctors' Association organized a blood donation day during June 2007, where our staff donated blood to the National Blood Bank. Apart from that, STO contributed to thalassemia programs and other Non Governmental Organizations. Furthermore, STO has been widely contributing to sports activities and other social events that are beneficial to the community.

In line with Government policy on skills development, STO voluntarily conducted a heavy vehicle drivers training program in May 2007 which was open to the public. A total of 24 people participated in this program and 19 of them obtained drivers license.

In order to share the benefits of STO business operations directly with Atoll communities, the investment at GDh. Thinadhoo was transferred to establish "GDh. Atoll Rayyithunge Cooperative Society" as a trial project. This investment was further expanded with the acquisition of the GDh. Thinadhoo Ice Plant which was built by the Ministry of Fisheries, Agriculture and Marine Resources.

Market Stabilization

Every year during Ramazan, prices of products such as egg, onion and potato increase as demand increases. Traditionally, STO has been importing onions and potato for Ramazan to stabilize market prices of these commodities.



Throughout 2007, prices of food items escalated distorting market prices to a level which burdened the public. As a result, STO intervened in the import of basic food items such as eggs, onions and potatoes until the market prices normalized. As part of this process STO also introduced a new milk product "Al Mudhish" at a reasonably lower price as compared to existing milk products in the market. This intervention by STO was well received by the public.

Environment

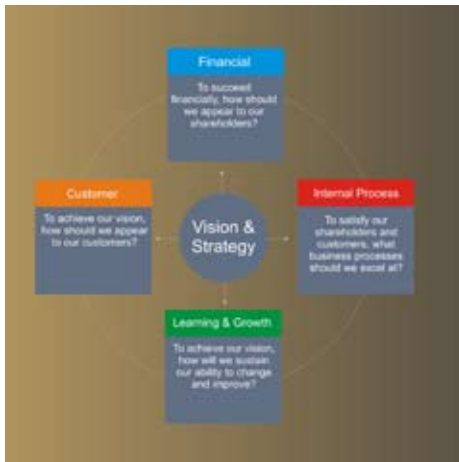
STO is determined to do what it can to protect the fragile local environment. Examples of such initiatives include the following;

- Solar, wind hybrid renewable energy project
- Lead free paint (Nippon Paint)
- Unleaded petrol and low sulphur diesel
- Energy saving and CFC free air conditioners and refrigerators (Hitachi)

12. FUTURE FOCUS

Looking ahead, we will continue to strengthen the core businesses of the company by expanding the storage capacity, improving logistics and upgrading the business units. In this regard, STO is planning to acquire land from the upcoming Gulhifalhu project to improve storage capacity and logistics.

At the same time we are studying the possibilities of diversifying into more profitable areas and further developing real estate, international trade, tourism and logistics. This would generate extra foreign currency on which STO is heavily dependent for its import requirements. In addition this would also spread the business risk over more industries as well as reduce its exposure on foreign exchange risk. We will also streamline our product portfolio by divesting less profitable products and investing in more profitable products and services.



With the intention of increasing the private sector shareholding at STO, we intend to issue more shares in the near future. Also in 2008, we are planning to extend credit scheme to corporate sector.

Balanced Score Card, a performance monitoring tool, will be implemented companywide in 2008 to improve the effectiveness and efficiency of the company. To strengthen the management processes a critical review of policies and systems in key areas of the company will be carried out in 2008 to identify areas where improvements are required.



Hulhumale' Hotel - Front View



Hulhumale' Hotel - Guest Room

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in preparation of the Annual accounts for the year ended 31st December 2007:

- International Financial Reporting Standards have been followed,
- The accounting policies were consistently applied,
- Reasonable and prudent judgments of estimates were so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the Company for the year ended 31st December 2007,
- Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws of the Maldives; and
- The accounts have been prepared on a going concern basis.

14. ACKNOWLEDGEMENTS

With a motivated workforce and a clear vision, STO's future looks bright and promising. The Board of Directors acknowledge the continued efforts of STO's Management and staff who's contribution made 2007 such a successful year. The Board also appreciates the valuable support and advice of the Maldivian Government.

Further, we acknowledge the joint support of our customers, suppliers, banks and auditors who immensely contributed to our success in 2007.

We acknowledge the contributions of Mr. Ali Naseer Mohamed to the Board and advancement of STO during his term as a member of the Board. He served as Board member from August 2005 to January 2008, up to his departure overseas to pursue higher studies.

We further acknowledge the contributions of Mr. Mohamed Hussain Maniku who was the Managing Director of STO for over 15 years. He was transferred from this post to the Ministry of Foreign Affairs on 27th February 2008 and appointed as the Maldivian Ambassador to United States of America. During his tenure as the Managing Director of STO, Mr. Maniku achieved considerable success to STO. Mr. Maniku maintained a close relationship with the employees and with our customers. We also take this opportunity to thank Mr. Maniku on behalf of the Board and the staff of STO, and wish him success on his current appointment.



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Report of the Auditors To the Shareholders of State Trading Organization Plc

We have audited the accompanying consolidated financial statements of State Trading Organization Plc ("the Company"), which comprise the consolidated balance sheet as at 31st December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes exhibited in pages 20 to 55.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Ford, Rhodes, Thornton & Co. - Maldives
Chartered Accountants

15th May 2008
Male'

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Ms. M.P. Perera FCA
C.P. Jayatilake FCA

FOR THE YEAR ENDED 31ST DECEMBER	Note	Group		Company	
		2007 MRf	2006 MRf	2007 MRf	2006 MRf
Revenue	2	5,559,676,645	5,837,605,135	5,157,152,790	5,555,771,157
Cost of Sales		(5,125,106,486)	(5,433,416,117)	(4,849,423,112)	(5,253,790,944)
Gross Profit		434,570,159	404,189,018	307,729,678	301,980,213
Other Operating Income	3	80,081,898	42,792,312	74,564,883	35,900,574
		514,652,057	446,981,330	382,294,561	337,880,787
Profit / (Loss) on Disposal of the Subsidiary	4	7,256,201	-	(1,443,472)	-
Administrative Costs		(222,217,896)	(183,347,418)	(156,357,496)	(141,124,912)
Sales and Marketing Costs		(106,095,878)	(65,225,279)	(88,530,912)	(54,023,525)
Other Operating Costs		(3,277,559)	(10,649,340)	(1,434,720)	(1,109,525)
Results from Operating Activities		190,316,925	187,759,293	134,527,961	141,622,825
Financial Income	5	12,129,287	6,962,381	34,104,565	25,827,062
Financial Expenses	5	(32,239,293)	(34,253,686)	(27,099,670)	(30,442,554)
Net Financing (Costs)/Income		(20,110,006)	(27,291,305)	7,004,895	(4,615,492)
Share of Profit / (Loss) of Associate Company		(92,307)	355,935	-	-
Profit before Tax	6	170,114,612	160,823,923	141,532,856	137,007,333
Income Tax	7	12,310	10,640	-	-
Profit for the Year		170,126,922	160,834,563	141,532,856	137,007,333
Attributable to:					
Equity holders of the Parent		160,391,881	151,709,598	141,532,856	137,007,333
Minority Interest	8	9,735,041	9,124,965	-	-
Profit for the Year		170,126,922	160,834,563	141,532,856	137,007,333
Basic Earnings Per Share - MRf	9	142	135	126	122

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Group set out on pages 25 to 55. The Report of the Auditors is given on page 19.

Balance Sheet

AS AT 31ST DECEMBER	Note	Group		Company	
		2007 MRf	2006 MRf	2007 MRf	2006 MRf
ASSETS					
Non Current Assets					
Property, Plant and Equipment	10	365,211,973	347,555,355	233,310,860	217,158,904
Intangible Assets	11	4,152,602	-	-	-
Investments in Subsidiaries	12	-	-	83,666,750	91,535,222
Investment in Associate	13	4,652,292	4,744,599	10,567,267	10,567,267
Investment in Joint Venture	14	-	-	4,700,000	4,700,000
Investments Available for Sale	15	81,706,192	53,288,976	81,706,192	53,288,976
Loans given to Related Companies	16.2	1,994,657	3,158,205	1,994,657	3,416,086
		<u>457,717,716</u>	<u>408,747,135</u>	<u>415,945,726</u>	<u>380,666,455</u>
Current Assets					
Inventories	17	528,852,573	430,438,886	492,034,478	373,290,697
Trade and Other Receivables	18	714,904,688	480,539,236	374,019,886	208,235,153
Loans given to Related Companies	16.3	664,885	664,885	8,141,704	7,556,139
Amounts due from Related Parties	19	17,116,822	5,732,911	249,325,980	185,695,088
Reinsurance Receivables	20	53,458,746	51,180,757	-	-
Cash and Cash Equivalents	21	273,769,538	129,113,584	215,050,450	59,976,724
		<u>1,588,767,252</u>	<u>1,097,670,259</u>	<u>1,338,572,498</u>	<u>834,753,801</u>
Total Assets		<u>2,046,484,968</u>	<u>1,506,417,394</u>	<u>1,754,518,224</u>	<u>1,215,420,256</u>
EQUITY AND LIABILITIES					
Equity					
Share Capital	22	56,345,500	56,345,500	56,345,500	56,345,500
Share Premium		27,814,500	27,814,500	27,814,500	27,814,500
Exchange Translation Reserve		457,125	(520,227)	-	-
Claim Equalization Reserve		5,629,447	4,279,524	-	-
General Reserve		258,202,581	229,896,010	258,202,581	229,896,010
Fair Value Reserve		52,255,158	7,348,298	52,255,158	7,348,298
Retained Earnings		479,103,852	441,611,562	392,370,835	371,551,170
Total equity attributable to equity holders of the parent		<u>879,808,163</u>	<u>766,775,167</u>	<u>786,988,574</u>	<u>692,955,478</u>
Minority Interest	8	29,781,042	26,344,501	-	-
Total Equity		<u>909,589,205</u>	<u>793,119,668</u>	<u>786,988,574</u>	<u>692,955,478</u>
Liabilities					
Non-current Liabilities					
Loans and Borrowings	23.3	40,232,010	117,076,996	35,283,336	111,322,311
Deferred Tax Liability	24	-	11,949	-	-
Grants and Subsidies	25	-	138,321	-	-
Provision for Retiring Gratuity	26	-	189,903	-	-
		<u>40,232,010</u>	<u>117,417,169</u>	<u>35,283,336</u>	<u>111,322,311</u>
Current Liabilities					
Loans and Borrowings	23.2	289,424,669	111,552,286	285,554,138	109,638,151
Trade and Other Payables	27	554,037,144	295,167,363	346,210,581	206,584,659
Amounts due to Related Parties	28	12,109,715	10,232,325	151,780,962	22,046,673
Current Tax Liability	29	1,066	33,579	-	-
Dividend Payable	30	4,301,856	3,026,579	4,301,856	3,026,579
Insurance Contracts	31	71,241,649	61,927,591	-	-
Bank Overdrafts	32	165,547,654	113,940,834	144,398,777	69,846,405
		<u>1,096,663,753</u>	<u>595,880,557</u>	<u>932,246,314</u>	<u>411,142,467</u>
Total Liabilities		<u>1,136,895,763</u>	<u>713,297,726</u>	<u>967,529,650</u>	<u>522,464,778</u>
Total Equity and Liabilities		<u>2,046,484,968</u>	<u>1,506,417,394</u>	<u>1,754,518,224</u>	<u>1,215,420,256</u>

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Group set out on pages 25 to 55. The Report of the Auditors is given on page 19.

I certify that the financial statements have been prepared in compliance with the requirements of International Financial Reporting Standards.


Ms. Sana Mansoor
 Chief Financial Officer

Approved and signed for and on behalf of the Board;


Mr. Ahmed Mohamed
 Director / Chief Executive Officer
 15th May 2008


Mr. Abdulla Saleem
 Director

FOR THE YEAR ENDED 31ST DECEMBER 2007

GROUP	Attributable to Equity Holders										Minority Interest	Total Equity
	Share Capital	Share Premium	Claim Equalization Reserve	General Reserve	Fair Value Reserve	Exchange Translation Reserve	Retained Earnings	Total	MRf	MRf		
	MRf	MRf	MRf	MRf	MRf	MRf	MRf	MRf				
As At 1st January 2006	56,345,500	27,814,500	2,622,377	202,494,543	8,565,498	(401,079)	380,940,628	678,381,967		22,305,999	700,687,966	
Translation loss during the year	-	-	-	-	-	(119,148)	-	(119,148)		-	(119,148)	
Dividends	-	-	-	-	-	-	(61,980,050)	(61,980,050)		(5,086,463)	(67,066,513)	
Profit for the Year	-	-	-	-	-	-	151,709,598	151,709,598		9,124,965	160,834,563	
Transfer to General Reserve	-	-	-	27,401,467	-	-	(27,401,467)	-		-	-	
Transfer to Claim Equalization Reserve	-	-	1,657,147	-	-	-	(1,657,147)	-		-	-	
Change in Fair Value of Investments Available for Sale	-	-	-	-	(1,217,200)	-	-	(1,217,200)		-	(1,217,200)	
As At 31st December 2006	<u>56,345,500</u>	<u>27,814,500</u>	<u>4,279,524</u>	<u>229,896,010</u>	<u>7,348,298</u>	<u>(520,227)</u>	<u>441,611,562</u>	<u>766,775,167</u>		<u>26,344,501</u>	<u>793,119,668</u>	
As At 1st January 2007	56,345,500	27,814,500	4,279,524	229,896,010	7,348,298	(520,227)	441,611,562	766,775,167		26,344,501	793,119,668	
Translation profit during the year	-	-	-	-	-	140,875	-	140,875		-	140,875	
Dividends	-	-	-	-	-	-	(92,406,620)	(92,406,620)		(6,298,500)	(98,705,120)	
Profit for the Year	-	-	-	-	-	-	160,391,881	160,391,881		9,735,041	170,126,922	
Transfer to General Reserve	-	-	-	28,306,571	-	-	(28,306,571)	-		-	-	
Transfer to Claim Equalization Reserve	-	-	1,349,923	-	-	-	(1,349,923)	-		-	-	
Change in Fair Value of Investments Available for Sale	-	-	-	-	44,906,860	-	-	44,906,860		-	44,906,860	
Transfer due to disposal of the subsidiary	-	-	-	-	-	836,477	(836,477)	-		-	-	
As At 31st December 2007	<u>56,345,500</u>	<u>27,814,500</u>	<u>5,629,447</u>	<u>258,202,581</u>	<u>52,255,158</u>	<u>457,125</u>	<u>479,103,852</u>	<u>879,808,163</u>		<u>29,781,042</u>	<u>909,589,205</u>	

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Group set out on pages 25 to 55. The Report of the Auditors is given on page 19.

FOR THE YEAR ENDED 31ST DECEMBER 2007

COMPANY	Share Capital MRF	Share Premium MRF	General Reserve MRF	Fair Value Reserve MRF	Retained Earnings MRF	Total MRF
As At 1st January 2006	56,345,500	27,814,500	202,494,543	8,565,498	323,925,354	619,145,395
Change in Fair Value of Investments Available for Sale	-	-	-	(1,217,200)	-	(1,217,200)
Profit for the Year	-	-	-	-	137,007,333	137,007,333
Transfer to General Reserve	-	-	27,401,467	-	(27,401,467)	-
Dividends	-	-	-	-	(61,980,050)	(61,980,050)
As At 31st December 2006	<u>56,345,500</u>	<u>27,814,500</u>	<u>229,896,010</u>	<u>7,348,298</u>	<u>371,551,170</u>	<u>692,955,478</u>
As At 1st January 2007	56,345,500	27,814,500	229,896,010	7,348,298	371,551,170	692,955,478
Change in Fair Value of Investments Available for Sale	-	-	-	44,906,860	-	44,906,860
Profit for the Year	-	-	-	-	141,532,856	141,532,856
Transfer to General Reserve	-	-	28,306,571	-	(28,306,571)	-
Dividends	-	-	-	-	(92,406,620)	(92,406,620)
As At 31st December 2007	<u>56,345,500</u>	<u>27,814,500</u>	<u>258,202,581</u>	<u>52,255,158</u>	<u>392,370,835</u>	<u>786,988,574</u>

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Group set out on pages 25 to 55. The Report of the Auditors is given on page 19.

FOR THE YEAR ENDED 31ST DECEMBER	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Operating Activities				
Cash Generated from Operations (Note A)	194,235,558	193,258,176	98,068,165	137,308,152
Interest Paid	(31,257,868)	(33,825,782)	(26,637,645)	(29,941,133)
Tax Paid	(32,513)	(20,138)	-	-
Net Cash Flow from Operating Activities	<u>162,945,177</u>	<u>159,412,256</u>	<u>71,430,520</u>	<u>107,367,019</u>
Investing Activities				
Purchase of Property, Plant and Equipment	(84,894,288)	(56,869,045)	(59,544,636)	(29,485,317)
Proceeds from Disposal of Property, Plant and Equipment	4,058,800	14,025,662	4,058,800	13,242,582
Purchase of Intangible Assets	(3,006,900)	-	-	-
Proceeds from Disposal of Investments	3,212,500	-	3,212,500	-
Interest Received	12,129,287	5,829,708	34,104,565	5,738,212
Loan Recoveries	1,163,548	498,683	14,427,897	1,948,275
Loan Granted During the Year	-	-	(13,592,033)	(5,336,871)
Investments in Investments Available for Sale	(7,177,782)	(451,276)	(7,177,782)	(451,276)
Dividends Received	912,900	1,058,600	24,855,854	20,014,777
Net Cash Used in Investing Activities	<u>(73,601,935)</u>	<u>(35,907,668)</u>	<u>345,165</u>	<u>5,670,382</u>
Net Cash Flow before Financing Activities	89,343,242	123,504,588	71,775,685	113,037,401
Financing Activities				
Loans Obtained During the Year	809,944,336	588,456,075	805,463,008	579,415,428
Loans Repayments during the Year	(709,070,992)	(494,964,562)	(705,585,996)	(491,941,922)
Dividends Paid	(91,131,343)	(62,320,902)	(91,131,343)	(62,320,902)
Dividends Paid to Minority Interest	(6,298,500)	(5,086,463)	-	-
Changes in Bank Overdrafts	51,836,483	(134,362,991)	74,552,372	(145,764,480)
Net Cash Flow from Financing Activities	<u>55,279,984</u>	<u>(108,278,843)</u>	<u>83,298,041</u>	<u>(120,611,876)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	144,623,226	15,225,745	155,073,726	(7,574,475)
Cash and Cash Equivalents at beginning of the Year	129,113,584	113,887,839	59,976,724	67,551,199
Cash Balance in the Subsidiary as at the date of Disposal (Note B)	32,728	-	-	-
Cash and Cash Equivalents at end of the Year (Note 21)	<u>273,769,538</u>	<u>129,113,584</u>	<u>215,050,450</u>	<u>59,976,724</u>

Note A**Cash Generated from Operations**

Profit before tax	170,114,612	160,823,923	141,532,856	137,007,333
Depreciation	58,989,161	54,863,528	43,759,516	41,243,755
Amortisation of Intangible Assets	377,510	-	-	-
Interest Expenses	31,601,346	33,825,782	26,637,645	29,941,133
Interest Income	(12,129,287)	(5,903,781)	(34,104,565)	(5,812,285)
Dividend Income	(912,900)	(1,058,600)	(24,855,854)	(20,014,777)
Share of (Loss)/Profit of Associate	92,307	(355,935)	-	-
Provision for Impairment of Trade and Other Receivables	3,688,287	9,584,913	-	5,674,251
Provision for Impairment loss on Investment available for sale	23,667,426	-	23,667,426	-
(Loss)/Profit on Disposal of Investment	(7,256,201)	-	1,443,472	-
Reversal of Deferred tax	(12,310)	-	-	-
Deferred Income on Grants and Subsidies	(138,321)	-	-	-
Provision for Gratuity	18,872	53,450	-	-
Property, Plant and Equipment written off	(1,932,605)	-	(1,932,605)	-
(Profit) / Loss on Disposal of Property, Plant and Equipment	(2,493,031)	(10,280,457)	(2,493,031)	(10,078,294)
Provision for Obsolete Inventories	3,575,448	1,232,060	3,575,448	1,232,060
Increase in Inventories	(102,060,970)	(145,014,122)	(122,319,229)	(122,473,558)
Increase in Trade and Other Receivables	(234,929,528)	(27,083,082)	(162,572,233)	(27,907,356)
Changes in Balances with Related Parties	(2,575,234)	25,362,546	66,103,397	28,335,472
Increase / (Decrease) in Trade and Other Payables	259,306,132	93,945,207	139,625,922	80,160,418
Adjustment on Gratuity Provision on Disposal	208,775	-	-	-
Change in Insurance Receivables	7,036,069	3,262,744	-	-
	<u>194,235,558</u>	<u>193,258,176</u>	<u>98,068,165</u>	<u>137,308,152</u>

Note B

During the year, The Group has disposed all the shares of subsidiary, STO Lanka Private Limited. The fair value of the assets disposed and liabilities transferred were as follows.

Monetary Items	126,070
Non Monetary Items	6,979,268
Liabilities assumed	(7,969,267)
Profit on Disposal	<u>7,256,201</u>
Total Consideration	6,392,272
Less : Cash Balance as at the date of Disposal	<u>32,728</u>
	<u>6,425,000</u>

Cash flow on disposal net of cash acquired	3,212,500
Cash receivable on disposal adjusted to Other Receivables	<u>3,212,500</u>
	<u>6,425,000</u>

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Group set out on pages 25 to 55. The Report of the Auditors is given on page 19.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES

1.1 GENERAL ACCOUNTING POLICIES

1.1.1 REPORTING ENTITY

State Trading Organization Plc. (the "Company") is a company incorporated and domiciled in the Republic of Maldives as a public limited liability company since 2001 under the Companies Act No. 10 of 1996, with its registered office at Boduthakurufaanu Magu, Maafannu, Male' 20345, Republic of Maldives. The Company is a listed Company in the Maldives Stock Exchange. The main business of the company is importing and trading of various types of consumable and industrial goods.

The consolidated financial statements of the Group for the year ended 31st December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in the associates and jointly controlled entities.

1.1.2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

1.1.3 BASIS OF PREPARATION

The financial statements are presented in Maldivian Rufiyaa, rounded to the nearest Rufiyaa. They are prepared on the historical cost basis, except assets and liabilities that are stated at fair value.

The preparation of financial statements, in conformity with IFRSs, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous years. Previous year's figures and phrases have been rearranged and reclassified wherever necessary to conform to current presentation.

1.1.4 BASIS OF CONSOLIDATION

a 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. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

b Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)**1.1 GENERAL ACCOUNTING POLICIES (CONTINUED)****1.1.4 BASIS OF CONSOLIDATION (CONTINUED)****c Joint Ventures**

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

d Transactions Eliminated on Consolidation

Intra group balances and any unrealized gains and losses or income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

1.1.5 TRANSACTIONS IN OTHER CURRENCIES**a Foreign Currency Transactions**

Transactions in foreign currencies are translated to Maldivian Rufiyaa at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Maldivian Rufiyaa at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement.

Non-monetary assets and liabilities which are measured in terms of historical cost denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the date of the transaction. 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 that the value were determined.

b Financial Statements of Foreign Operation

The assets and liabilities of foreign operation, including goodwill and fair value adjustments arising on consolidation, are translated to Maldivian Rufiyaa at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Maldivian Rufiyaa at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognized directly as a separate component of equity.

c Net Investment in Foreign Operation

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to Exchange Translation Reserve. They are released into the income statement upon disposal.

1.1.6 FINANCIAL INSTRUMENTS**a Financial Assets**

Financial assets include cash, trade and other receivables. The accounting policies for each financial asset are stated separately. Financial income is accounted for on an accrual basis.

b Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade and other payables and loan and borrowings. The accounting policies for each financial liability are stated separately. Finance costs are accounted for on an accrual basis.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.2 ASSETS AND BASES OF THEIR VALUATION

1.2.1 PROPERTY, PLANT AND EQUIPMENT

a Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer accounting policy 1.2.8). The cost of self constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads. The cost of acquisition includes purchase cost together with any incidental expenses incurred in bringing the assets to its working condition for the intended use. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

b Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer accounting policy 1.2.8).

The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Lease payments are accounted for as described in accounting policy 1.4.2. Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

c 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 capitalised only if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

d Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Leasehold Buildings	Over the lease period
Freehold Buildings	5-20 years
Plant and Machinery	3-20 years
Vessels and Fleet	5-15 years
Motor Vehicles	4-5 years
Air Conditioners	3-4 years
Office Equipment	3-5 years
Furniture and Fixtures	3-5 years
Other Assets	3-5 years

The charge for the depreciation commences from the date on which the asset is put to use and depreciation is provided up to the date of disposal.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.2 ASSETS AND BASES OF THEIR VALUATION (CONTINUED)

1.2.2 INTANGIBLE ASSETS

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (see below) and impairment losses (refer accounting policy 1.2.8).

Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the income statement when incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful life of five years.

1.2.3 INVESTMENTS IN EQUITY SECURITIES

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement. Other financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

1.2.4 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle except in Maldivé Gas Private Limited, which is on first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

Tea manufactured up to the balance sheet date and sold since then, until the time of preparation of the financial statements are valued at the since realized price. The balance stock is valued at estimated selling price. The prices are net of all attributable expenses relating to the public auction.

1.2.5 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less impairment losses (refer accounting policy 1.2.8).

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.2. ASSETS AND BASES THEIR OF VALUATION (CONTINUED)

1.2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, balances with banks and fixed deposits.

1.2.7 CASH FLOW STATEMENT

Cash flow statement is prepared using the "Indirect Method".

1.2.8 IMPAIRMENT

a Recognition

The carrying amounts of the Group's assets, other than inventories (refer accounting policy 1.2.4) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer accounting policy 1.2.8 - b).

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

b Calculation of Recoverable Amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

c Reversals of Impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.2. ASSETS AND BASES THEIR OF VALUATION (CONTINUED)

1.2.9 INSURANCE CONTRACTS

The Group issues contracts that transfer insurance risk. Insurance contracts are those that transfer insurance risk.

Contracts entered into by the Group with re-insurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement.

1.3 LIABILITIES AND PROVISIONS

1.3.1 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The materiality of the events occurring after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the financial statements where necessary.

1.3.2 PROVISIONS

A provision is recognized in the balance sheet when the Group 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.3.3 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

1.3.4 COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities of the Group are disclosed where appropriate.

1.3.5 BORROWING COSTS

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent that they are eligible for capitalization.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.3 LIABILITIES AND PROVISIONS (CONTINUED)

1.3.6 INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings. When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in the income statement.

1.3.7 DEFINED BENEFIT PLAN

The retirement benefit plan adopted by the STO Lanka (Private) Limited is as required under the Payment of Gratuity Act No 12 of 1983 of Sri Lanka which is based on half month salary for every completed year of service. The provision is not externally funded, nor has it been actuarially valued. As per Payment of Gratuity Act No 12 of 1983 of Sri Lanka, liability for payment to an employee arises only after completion of 5 years of continued service.

1.3.8 DEFINED CONTRIBUTION PLAN

Obligations for contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

1.3.9 GRANTS AND SUBSIDIES

Grants and subsidies are credited to the income statement over the periods necessary to match them with the related costs, which they are intended to be compensated on a systematic basis.

Grants related to assets, including non monetary grants at fair value is deferred in the balance sheet and credited to the income statement over the useful life of the related asset. Grants related to revenue nature are recognized in the income statement in the period in which it is received.

1.4 PROFITS AND LOSSES

1.4.1 REVENUE RECOGNITION

a Goods Sold and Services Rendered

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b Sale of Tea

In keeping with the practice of plantation industry, revenue or profit or loss on sale of tea is recognized in the financial period of harvesting. Revenue is recorded at invoice value net of brokerage, selling expenses and other levies related to the sale.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.4 PROFITS AND LOSSES (CONTINUED)

1.4.1 REVENUE RECOGNITION (CONTINUED)

c Insurance

Revenue of fire, accident, marine hull, marine cargo and health insurance businesses are recognized on the following basis:

Premium

Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

Unearned Premiums

Unearned premiums are the proportion of premiums written in the current year, which relate to risk cover provided in respect of future periods. Unearned premiums for fire, accident and marine hull policy are calculated at the rate of 40% of the total net written premium for the year, for health insurance policy at the rate of 50% of the gross written premium and at the rate of 50% of net written premium of the fourth quarter of the year for marine cargo.

Claims

Claims incurred include provisions for the estimated amount of claims and related handling expense in respect of incidents up to 31 December, including those which had not been notified. Anticipated reinsurance and other recoveries have been netted off. Any differences in the estimated claim amounts and settlements are charged to the income statement of future years.

Re-insurance commission

As it accrues unless collectibility is in doubt.

d Rental Income

Rental income from investment property is recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income.

1.4.2 EXPENDITURE

a Operating Lease Payments

Payments made under operating leases are recognized in the income statement on a straight line basis over the term of the lease.

b Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

c Net Financing Costs

The financing costs comprise interest payable on short term and long term borrowings, and foreign exchange losses that are recognized in the income statement.

Financing income comprise of interest receivable on funds invested, dividend income and foreign exchange gains that are recognized in the income statement.

Dividend income is recognized in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

1. SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

1.4 PROFITS AND LOSSES (CONTINUED)

1.4.2 EXPENDITURE (CONTINUED)

d Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

1.5 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

FOR THE YEAR ENDED 31ST DECEMBER 2007

2 REVENUE

2.1 Analysis by Product Categories

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Retail and Wholesale	1,070,059,880	877,483,707	1,025,764,150	869,881,591
Tea	578,325	1,652,375	-	-
Insurance (Note 2.3)	41,764,550	27,785,394	-	-
Gas	53,404,815	60,714,983	-	-
Structural Products	36,139,233	13,726,039	-	-
Crude Oil	453,126,286	1,676,586,376	453,126,286	1,676,586,376
Fuel and Lubricants	3,904,603,556	3,179,656,261	3,678,262,354	3,009,303,190
	<u>5,559,676,645</u>	<u>5,837,605,135</u>	<u>5,157,152,790</u>	<u>5,555,771,157</u>

2.2 Analysis by Companies

	Group	
	2007 MRf	2006 MRf
State Trading Organization Plc	5,157,152,790	5,555,771,157
Allied Insurance Company of the Maldives Private Limited (Note 2.3)	48,166,733	35,387,510
STO Maldives (Singapore) Pte Ltd	541,797,706	456,722,889
STO Lanka (Pvt) Ltd	726,850	1,929,040
Maldivian Gas Pvt Ltd	67,297,491	61,238,120
Fuel Supplies Maldives Pvt Ltd	1,842,444,247	1,488,516,414
Maldives National Oil Company Ltd	819,303,115	671,438,759
Maldives Structural Products (Pvt) Ltd	42,718,119	36,792,544
	<u>8,519,607,051</u>	<u>8,307,796,433</u>
Less : Inter-company Transactions	<u>(2,959,930,406)</u>	<u>(2,470,191,298)</u>
	<u>5,559,676,645</u>	<u>5,837,605,135</u>

2.3 Allied Insurance Company of the Maldives Private Limited

	Group	
	2007 MRf	2006 MRf
Gross Written Premium and Net Underwriting Income		
Gross Written Premium	110,878,267	75,859,058
Less : Re-insurance	<u>(82,433,531)</u>	<u>(58,562,938)</u>
Net Written Premium	28,444,736	17,296,120
Less : Unearned Premium Reserve	<u>(5,750,314)</u>	<u>(2,506,723)</u>
Net Earned Premium	22,694,422	14,789,397
Reinsurance Commission Income	<u>25,472,311</u>	<u>20,598,113</u>
Total Underwriting Income	48,166,733	35,387,510
Less : Inter-company Transactions	<u>(6,402,183)</u>	<u>(7,602,116)</u>
	<u>41,764,550</u>	<u>27,785,394</u>

3 OTHER OPERATING INCOME

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Profit on Disposal of Property, Plant and Equipment	2,493,031	10,280,457	2,471,195	10,078,294
Profit on Disposal of the Leasehold Rights of Vakarufalhi Island	46,874,746	-	46,874,746	-
Commission Income	-	1,884,587	-	1,884,587
Income from Vessels and Fleets	2,475,261	1,278,070	2,475,261	1,278,070
Fines and Claims Received	1,048,922	2,495,028	907,715	2,309,718
Rent Income	16,505,098	17,375,495	18,261,325	18,838,345
Discounts Received	6,255,138	4,682,965	-	-
Service Charge on Handling Japanese Food Aids	2,539,951	976,248	2,539,951	976,248
Miscellaneous Income	1,889,751	3,819,462	1,034,690	535,312
	<u>80,081,898</u>	<u>42,792,312</u>	<u>74,564,883</u>	<u>35,900,574</u>

FOR THE YEAR ENDED 31ST DECEMBER 2007

4 PROFIT / (LOSS) ON DISPOSAL OF THE SUBSIDIARY

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Sales Proceeds on Disposal	6,425,000	-	6,425,000	-
Value of the Net Assets / Investment at the date of Disposal	831,201	-	(7,868,472)	-
Profit / (Loss) on Disposal	7,256,201	-	(1,443,472)	-

The Group has disposed the entire investment in STO Lanka (Private) Limited to a third party on 31st July 2007 for a consideration of MRf. 6,425,000.

5 NET FINANCING (COSTS) / INCOME

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Financing Income				
Interest Income on Loans given	2,485,296	589,770	989,184	538,339
Interest Income on Government Employees Credit Scheme	4,990,488	4,824,477	4,990,488	4,784,412
Interest Income on Fixed Deposits	3,740,603	489,534	3,269,039	489,534
Dividends on Investments	912,900	1,058,600	24,855,854	20,014,777
	12,129,287	6,962,381	34,104,565	25,827,062
Financing Costs				
Interest on Bank Overdrafts	(10,897,173)	(15,756,692)	(7,361,081)	(12,192,375)
Interest Expenses on Bank Loans	(18,816,356)	(17,575,568)	(19,154,717)	(17,575,568)
Other Interest Expenses	(1,887,817)	(493,522)	(121,847)	(173,190)
Foreign Exchange Loss	(637,947)	(427,904)	(462,025)	(501,421)
	(32,239,293)	(34,253,686)	(27,099,670)	(30,442,554)
Net Financing (Costs)/Income	(20,110,006)	(27,291,305)	7,004,895	(4,615,492)

6 PROFIT BEFORE TAX

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
<i>Is stated after charging all the expenses including the followings;</i>				
Audit Fees only	390,985	432,750	218,450	199,175
Other Fees Paid to Auditors	389,480	600,779	389,480	600,779
Depreciation	58,989,161	54,863,528	43,759,516	41,243,755
Provision for Obsolete Inventories	3,575,448	1,232,060	3,575,448	1,232,060
Provision for Impairment Loss on Trade and Other Receivables	2,585,363	9,584,913	-	5,674,251
Personnel Expenses (Note 6.1)	92,428,694	80,941,821	62,018,076	54,462,008
Amortization of Intangible Assets	377,510	-	-	-
Bad Debts Written off	7,782,304	28,670	7,782,304	28,670
Provision for Impairment of Investment Available for Sale	23,667,426	-	23,667,426	-
Donations	964,332	256,874	964,332	256,874

6.1 Personnel Expenses

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Salaries and Wages	48,345,166	45,975,873	27,138,590	24,962,239
Staff Welfare	3,340,980	2,406,147	1,637,675	1,380,279
Foreign Staff Expenses	2,666,874	2,976,848	2,666,874	2,976,848
Staff Medical Expenses	499,535	657,554	363,946	657,554
Bonus, Overtime and Allowances	35,197,058	25,108,243	28,641,216	22,998,291
Provision for Gratuity	21,845	53,450	-	-
Provident Fund Contribution	1,191,655	1,185,792	1,033,341	988,493
Other Staff related Expenses	1,165,581	2,577,914	536,434	498,304
	92,428,694	80,941,821	62,018,076	54,462,008

6.2 Average Number of Employees

	Group		Company	
	2007	2006	2007	2006
Permanent	1,393	1,376	828	796
Temporary	96	71	41	28
	1,489	1,447	869	824
National Staff	981	1,163	682	656
Expatriates	508	284	187	168
	1,489	1,447	869	824

FOR THE YEAR ENDED 31ST DECEMBER 2007

7 INCOME TAX

The income tax charged represents the income tax payable to the statutory authority on the taxable profits of an overseas subsidiaries. The profits and the income of the companies incorporated in the Republic of Maldives are presently not liable for income tax except for commercial Banks.

7.1 Analysis of Income Tax

	Group	
	2007 MRf	2006 MRf
Current income tax (Note 7.2)	-	-
Reversal of deferred tax for the year	12,310	10,640
	<u>12,310</u>	<u>10,640</u>

7.2 Current Income Tax

	Group	
	2007 MRf	2006 MRf
Income tax expense at statutory rate	23,448	14,776
Non-allowable items	18,106	24,660
Non-taxable items	-	(135,029)
Non trade Income	(84,911)	-
Wear and tear allowance-current year	(5,610)	(2,664)
Unutilized wear and tear allowances brought forward	(2,330)	-
Unutilized wear and tear allowances carried forward	-	2,664
Unutilized losses brought forward	(83,616)	-
Unutilized losses carried forward	50,002	95,593
Separate source income	84,911	-
Total income tax expense	<u>-</u>	<u>-</u>

8 MINORITY INTEREST

	Group	
	2007 MRf	2006 MRf
Balance as at 1st January	26,344,501	22,305,999
Add: Share of Net Results of Subsidiaries	9,735,041	9,124,965
Less: Dividends paid	(6,298,500)	(5,086,463)
Balance as at 31st December	<u>29,781,042</u>	<u>26,344,501</u>

9 BASIC EARNINGS PER SHARE

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

	Group		Company	
	2007	2006	2007	2006
Profit Attributable to the Ordinary Shareholders - MRf	160,391,881	151,709,598	141,532,856	137,007,333
Weighted Average Number of Shares	1,126,910	1,126,910	1,126,910	1,126,910
Basic Earnings Per Share - MRf	<u>142</u>	<u>135</u>	<u>126</u>	<u>122</u>

AS AT 31ST DECEMBER 2007

10 PROPERTY, PLANT AND EQUIPMENT

10.1 GROUP	Land	Buildings	Leasehold Buildings	Plant and Machinery	Vessels and Fleet	Motor Vehicles	Air Conditioners	Office Equipment	Furniture and Fixtures	Other Assets	Total 2007	Total 2006
	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF
Cost												
As at 1st January	5,094,752	328,416,567	20,265,963	95,475,909	97,443,933	34,367,164	3,155,115	20,226,643	7,009,284	40,523,950	651,979,280	613,514,828
Additions during the year	-	1,028,507	768,117	2,949,193	6,278,927	4,370,010	202,260	2,185,985	455,302	4,033,627	22,271,928	34,062,749
Transfer from CWIP during the year	-	7,155,512	-	437,331	-	547,041	-	-	-	-	8,139,884	20,398,065
Exchange Difference	-	(81,521)	-	(9,228)	-	(5,769)	-	24,317	5,996	-	(66,205)	(110,965)
Written off during the year	-	-	-	(499,991)	(374,980)	(974,999)	(240,482)	(3,209,457)	(414,434)	(790,643)	(6,504,986)	-
Disposals during the year	-	(3,108,343)	-	-	-	(123,405)	(9,716)	(92,350)	(57,684)	(139,610)	(3,531,108)	(15,885,397)
Disposal of Subsidiary	(5,094,752)	(1,506,999)	-	(618,733)	-	(386,814)	-	(139,929)	(129,869)	-	(7,877,096)	-
As at 31st December	-	331,903,723	21,034,080	97,734,481	103,347,880	37,793,228	3,107,177	18,995,209	6,868,595	43,627,324	664,411,697	651,979,280
Depreciation												
As at 1st January	-	165,651,068	6,939,517	40,054,609	37,120,241	22,167,911	2,478,815	15,579,810	5,435,500	19,901,742	315,329,213	272,737,242
Charge for the year	-	19,556,375	1,620,729	11,860,636	13,017,240	4,534,609	392,317	2,316,439	360,671	5,330,145	58,989,161	54,863,528
Exchange Difference	-	8,474	-	(3,847)	-	(3,302)	-	22,181	6,771	-	30,277	200,448
Written off during the year	-	(223,820)	-	(933,537)	(1,647,361)	(1,006,671)	(236,373)	(3,189,877)	(423,388)	(776,564)	(8,437,591)	-
Disposals during the year	-	(1,577,066)	-	-	-	(116,721)	(3,873)	(67,084)	(51,264)	(132,948)	(1,948,956)	(12,472,005)
Disposal of Subsidiary	-	(250,268)	-	(281,170)	-	(249,817)	-	(61,132)	(55,441)	-	(897,828)	-
As at 31st December	-	183,164,763	8,560,246	50,696,691	48,490,120	25,326,009	2,630,886	14,600,337	5,272,849	24,322,375	363,064,276	315,329,213
Net Carrying Amount												
As at 31st December 2007	-	148,738,960	12,473,834	47,037,790	54,857,760	12,467,219	476,291	4,394,872	1,595,746	19,304,949	301,347,421	
As at 31st December 2006	5,094,752	162,765,499	13,326,446	55,421,300	60,323,692	12,199,253	676,300	4,646,833	1,573,784	20,622,208	336,650,067	
Capital Work In Progress (Note 10.1.1)											63,864,552	10,905,288
Total											<u>365,211,973</u>	<u>347,555,355</u>
10.1.1 Capital Work In Progress												
Balance as at 1st January											10,905,288	8,497,057
Additions during the Year											62,622,360	22,806,296
Transfer to PPE during the Year											(8,139,884)	(20,398,065)
Transfer to Intangible Assets											(1,523,212)	-
Balance as at 31st December											<u>63,864,552</u>	<u>10,905,288</u>
10.1.2 Property, plant and equipment which are mortgaged under the loans and borrowings obtained by the Group are disclosed under Note 23 to the financial statements.												
10.1.3 The buildings of State Trading Organization Plc. have been constructed on lands belonging to the Government of Maldives for which a rental of Mf. 3 per sq.ft. per month is paid. There is no lease agreement and accordingly no definite period of lease is identified. Under these circumstances, the Directors have considered it is prudent to provide depreciation in accordance with Accounting Policy 1.2.1 (d).												
10.1.4 Leased Assets												
State Trading Organization Plc has acquired five motor vehicles and Fuel Supplies Maldives Private Limited has acquired a bowser and two vessels under finance lease agreements. At the end of lease periods, companies have the option to purchase those items. The net carrying value of lease assets as at 31st December 2007 is Mf 12,828,532 (2006: Mf 15,020,043).												

AS AT 31ST DECEMBER 2007

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

10.2 COMPANY	Buildings	Plant and Machinery	Vessels and Fleet	Motor Vehicles	Air Conditioners	Office Equipment	Furniture and Fixtures	Other Assets	Total 2007	Total 2006
	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF	MRF
Cost										
As at 1st January	324,093,713	31,986,234	62,483,537	27,310,093	2,483,651	14,342,830	2,782,444	3,717,588	469,200,090	452,991,662
Additions during the year	161,904	2,283,709	642,503	4,193,241	122,626	838,806	52,398	1,045,106	9,340,293	12,275,294
Transfer from CWIP during the Year	6,520,371	-	-	-	-	-	-	-	6,520,371	18,985,119
Written off during the year	-	(499,991)	(374,980)	(974,999)	(240,482)	(3,209,457)	(414,434)	(790,643)	(6,504,986)	-
Disposals during the year	(3,108,344)	-	-	(108,050)	(5,466)	(92,350)	(52,234)	(49,978)	(3,416,422)	(15,051,985)
As at 31st December	327,667,644	33,769,952	62,751,060	30,420,285	2,360,329	11,879,829	2,368,174	3,922,073	475,139,346	469,200,090
Depreciation										
As at 1st January	166,614,731	21,713,358	29,080,325	18,962,267	1,799,814	11,902,321	2,499,147	2,201,293	254,773,256	225,417,198
Charge for the year	19,103,061	8,509,458	10,181,095	3,666,612	294,785	1,325,030	165,031	514,444	43,759,516	41,243,755
Written off during the year	(223,820)	(933,537)	(1,647,361)	(1,006,671)	(236,373)	(3,189,877)	(423,388)	(776,564)	(8,437,591)	-
Disposals during the year	(1,577,066)	-	-	(108,050)	(3,873)	(67,084)	(51,264)	(43,316)	(1,850,653)	(11,887,697)
As at 31st December	183,916,906	29,289,279	37,614,059	21,514,158	1,854,353	9,970,390	2,189,526	1,895,857	288,244,528	254,773,256
Net Carrying Amount										
As at 31st December 2007	143,750,738	4,480,673	25,137,001	8,906,127	505,976	1,909,439	178,648	2,026,216	186,894,818	214,426,834
As at 31st December 2006	157,478,982	10,272,876	33,403,212	8,347,826	683,837	2,440,509	283,297	1,516,295	214,426,834	214,426,834
Capital Work In Progress (Note 10.2.1)									46,416,042	2,732,070
Total									233,310,860	217,158,904
10.2.1 Capital Work In Progress										
Balance as at 1st January									2,732,070	4,507,166
Additions during the Year									50,204,343	17,210,023
Transfer to PPE during the Year									(6,520,371)	(18,985,119)
Balance as at 31st December									46,416,042	2,732,070

10.2.2 Property, plant and equipment which are mortgaged under the loans and borrowings obtained by the Company are disclosed under Note 23 to the financial statements.

10.2.3 The buildings of State Trading Organization Plc. have been constructed on lands belonging to the Government of Maldives for which a rental of MRF. 3 per sq.ft. per month is paid. Directors have considered it is prudent to provide depreciation in accordance with Accounting Policy No 1.2.1 (d).

10.2.4 Leased Assets

The Company has acquired five motor vehicles under finance lease agreements. At the end of leased period, the company has the option to purchase those items. The net carrying value of lease assets as at 31st December 2007 is MRF. 486,434 (2006 : MRF 1,367,778).

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11 INTANGIBLE ASSETS

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Cost				
As at 1st January	-	-	-	-
Transferred from Capital Work in Progress	1,523,212	-	-	-
Additions during the year	<u>3,006,900</u>	-	-	-
As at 31st December	<u>4,530,112</u>	-	-	-
Amortization				
As at 1st January	-	-	-	-
Charge for the year	<u>(377,510)</u>	-	-	-
As at 31st December	<u>(377,510)</u>	-	-	-
Net Book Value				
As at 31st December	<u>4,152,602</u>	-	-	-

The above represents the capitalized value of Premeia Software purchased by Allied Insurance Company of the Maldives Private Limited.

12 INVESTMENTS IN SUBSIDIARIES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
STO Lanka Private Limited	-	-	-	7,868,472
Maldivian Gas Private Limited	-	-	61,200,000	61,200,000
Allied Insurance Company of the Maldives Private Limited	-	-	807,000	807,000
STO Maldives (Singapore) Pte Limited	-	-	1,459,750	1,459,750
Fuel Supplies Maldives Pte Limited	-	-	10,200,000	10,200,000
Maldives National Oil Company Ltd	-	-	10,000,000	10,000,000
	<u>-</u>	<u>-</u>	<u>83,666,750</u>	<u>91,535,222</u>

13 INVESTMENT IN ASSOCIATE

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	4,744,599	4,388,664	10,567,267	10,567,267
Share of Profit /(Loss) for the Year	<u>(92,307)</u>	<u>355,935</u>	<u>-</u>	<u>-</u>
Balance as at 31st December	<u>4,652,292</u>	<u>4,744,599</u>	<u>10,567,267</u>	<u>10,567,267</u>

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

The Group's share of post acquisition total recognized loss in the above associate as at 31st December 2007 was MRf 5,914,975/- (2006 : MRf 5,822,668/-).

13.1 Summary of Financial Information on Associate - 100 Percent

	2007 MRf	2006 MRf
Assets	29,986,083	36,395,148
Liabilities	11,376,913	17,412,972
Equity	18,609,170	18,982,176
Revenue	76,676,595	71,247,021
(Loss) / Profit, for the year	(373,006)	1,423,738

14 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Maldives Structural Products Private Limited	-	-	4,700,000	4,700,000
	<u>-</u>	<u>-</u>	<u>4,700,000</u>	<u>4,700,000</u>

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

AS AT 31ST DECEMBER 2007

15 INVESTMENTS AVAILABLE FOR SALE

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Maldives Industrial Fisheries Company Ltd (Note 15.1)	43,100,100	43,100,100	43,100,100	43,100,100
G.Dh Atoll Rayyithunge Cooperative Society (Note 15.2)	4,500,000	-	4,500,000	-
Bank of Maldives Plc (Note 15.3)	55,998,670	9,737,600	55,998,670	9,737,600
Maldives Stock Exchange Company Private Limited (Note 15.4)	1,065,700	-	1,065,700	-
Madivaru Holdings Pvt Ltd (Note 15.5)	709,148	451,276	709,148	451,276
	105,373,618	53,288,976	105,373,618	53,288,976
Less : Provision for Loss on Impairment	(23,667,426)	-	(23,667,426)	-
	81,706,192	53,288,976	81,706,192	53,288,976

15.1 Maldives Industrial Fisheries Company Ltd

State Trading Organization Plc has acquired 143,667 shares at a price of MRF 300/- each in Maldives Industrial Fisheries Company Limited which represents 10% of the shareholding of the company. The Company has made a provision for impairment loss of MRF. 23,667,426 as at 31st December 2007, based on the audited financial statements of Maldives Industrial Fisheries Company Limited as at 31st December 2006.

15.2 G.Dh Atoll Rayyithunge Cooperative Society

The Company has converted its outlet in Thinadoo to a Cooperative Society on 6th February 2007. The amount represents the value of fixed assets and inventories which were transferred to this Cooperative Society.

15.3 Bank of Maldives Plc

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	9,737,600	10,954,800	9,737,600	10,954,800
Additions during the year	1,354,210	-	1,354,210	-
Change in the Fair Value	44,906,860	(1,217,200)	44,906,860	(1,217,200)
Balance as at 31st December	55,998,670	9,737,600	55,998,670	9,737,600

State Trading Organization Plc owns 228,566 shares (2006; 6,086 shares) of MRF 50/- each (2006; MRF 300/-each) in Bank of Maldives Plc which represents 4.25% (2006; 5%) of the shareholding of the Bank. During the year Bank of Maldives Plc has split the nominal value of the share as 1:6, issued bonus shares as per the basis of 1:5 and made a new share issue. This investment has been fairly valued based on the market value per share of MRF 245/- (2006; MRF 1,600/-) as at the balance sheet date.

15.4 Maldives Stock Exchange Company Private Limited

State Trading Organization Plc has acquired 3,200 shares of MRF 500/- each in Maldives Stocks Exchange Company Private Limited which represents 8 % of the shareholding of the company. The Company has paid only 67% of the total share value as at 31st December 2007.

15.5 Madivaru Holdings Pvt Ltd

State Trading Organization Plc has acquired 16,117 shares of MRF 100/- each in Madivaru Holdings Private Limited which represents 1.6 % of the shareholding of the company. The Company has paid only 44% of the total share value as at 31st December 2007.

16 LOANS GIVEN TO RELATED COMPANIES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	3,823,090	4,321,773	11,052,066	7,845,878
Loans given during the year	-	-	13,514,416	5,336,871
Recoveries during the year	(1,163,548)	(498,683)	(14,427,897)	(2,130,683)
	2,659,542	3,823,090	10,138,585	11,052,066
Less: Interest in Suspense	-	-	(2,224)	(79,841)
Balance as at 31st December	2,659,542	3,823,090	10,136,361	10,972,225

16.1 Analysis

Lafarge Maldives Cement Private Limited (Note 16.4)	2,659,542	3,823,090	2,659,542	3,823,090
Maldivian Gas Private Limited (Note 16.5)	-	-	7,218,938	5,336,871
Fuel Supplies Maldives Private Limited (Note 16.6)	-	-	257,881	1,812,264
	2,659,542	3,823,090	10,136,361	10,972,225

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER 2007

16 LOANS GIVEN TO RELATED COMPANIES (CONTINUED)

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
16.2 Non-Current Receivables				
Lafarge Maldives Cement Private Limited	1,994,657	3,158,205	1,994,657	3,158,205
Fuel Supplies Maldives Private Limited	-	-	-	257,881
	<u>1,994,657</u>	<u>3,158,205</u>	<u>1,994,657</u>	<u>3,416,086</u>
16.3 Current Receivables				
Lafarge Maldives Cement Private Limited	664,885	664,885	664,885	664,885
Maldivian Gas Private Limited	-	-	7,218,938	5,336,871
Fuel Supplies Maldives Private Limited	-	-	257,881	1,554,383
	<u>664,885</u>	<u>664,885</u>	<u>8,141,704</u>	<u>7,556,139</u>

16.4 Lafarge Maldives Cement Private Limited

Lafarge Maldives Cement Private Limited has obtained an unsecured loan at an interest rate of 9% per annum from State Trading Organization Plc to invest in a Bulk Import Terminal at Thilafushi Island. The original loan amount of MRf 11,081,480 (US\$ 862,372) was obtained on 17th January 2000 and repayable in twenty four semi-annual installments from 15th June 2000 to 15th December 2011.

16.5 Maldivian Gas Private Limited

Maldivian Gas Private Limited has obtained a short term advance from State Trading Organisation Plc in March 2006 at an interest rate of 8.5%. However the Maldivian Gas Private Limited has not repaid this as at the balance sheet date.

16.6 Fuel Supplies Maldives Private Limited

Fuel Supplies Maldives Private Limited has obtained a finance lease facility from State Trading Organisation Plc in 2004 at an interest rate of 7% per annum for the purpose of buying two vessels named " Barujora" and " Fiyala" .

17 INVENTORIES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Finished Goods	545,853	806,240	-	-
Raw Materials	10,736,933	13,632,869	-	-
Food Stocks	17,406,134	24,154,364	17,406,134	24,154,365
Tea	-	361,989	-	-
Fuel, Gas and Lubricants	142,475,535	123,387,989	118,729,092	81,040,897
Constructions, Electronics and Others	94,146,860	85,839,948	94,146,860	85,839,948
Pharmaceuticals	11,946,415	9,513,328	11,946,415	9,513,328
Spare Parts	1,691,847	-	-	-
Retail Shops	28,794,652	28,725,082	28,794,652	28,725,082
Goods-In-Transit	<u>230,953,418</u>	<u>150,286,703</u>	<u>230,856,398</u>	<u>150,286,703</u>
	538,697,647	436,708,512	501,879,552	379,560,323
Less : Provision for Obsolete Inventories (Note 17.1)	<u>(9,845,074)</u>	<u>(6,269,626)</u>	<u>(9,845,074)</u>	<u>(6,269,626)</u>
	<u>528,852,573</u>	<u>430,438,886</u>	<u>492,034,478</u>	<u>373,290,697</u>

17.1 Provision for Obsolete Inventories

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	6,269,626	5,037,566	6,269,626	5,037,566
Provision made during the year	3,575,448	1,232,060	3,575,448	1,232,060
Balance as at 31st December	<u>9,845,074</u>	<u>6,269,626</u>	<u>9,845,074</u>	<u>6,269,626</u>

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18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Trade Receivables	503,237,222	331,576,804	251,733,892	143,447,624
Due from Policyholders	40,638,387	25,458,652	-	-
Due from Re-insurers	51,475,059	64,520,078	-	-
	595,350,668	421,555,534	251,733,892	143,447,624
Provision for Loss on Impairment (Note 18.2)	(32,786,966)	(29,156,356)	(12,206,813)	(12,206,813)
	562,563,702	392,399,178	239,527,079	131,240,811
Advances, Prepayments and Deposits	91,750,164	9,214,909	77,439,193	3,946,205
Other Receivables (Note 18.1)	79,459,040	98,838,614	75,640,217	92,731,619
	171,209,204	108,053,523	153,079,410	96,677,824
Provision for Loss on Impairment (Note 18.2)	(18,868,218)	(19,913,465)	(18,586,603)	(19,683,482)
	152,340,986	88,140,058	134,492,807	76,994,342
	714,904,688	480,539,236	374,019,886	208,235,153

18.1 Other Receivables

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Government Employees Credit Scheme	32,287,764	34,550,114	32,287,764	34,550,114
Less: Unmatured Interest	(2,551,469)	(1,971,333)	(2,551,469)	(1,971,333)
	29,736,295	32,578,781	29,736,295	32,578,781
Subsidy Receivables	30,421,892	19,677,470	30,421,892	19,677,470
Staff Advances and Other Loans	3,223,380	3,544,948	3,223,380	3,149,577
Advances to Purchase Dollars	-	5,059,647	-	5,059,647
Advances paid for Custom Duty	2,354,534	7,292,417	2,354,534	7,292,417
Receivable on Disposal of Property, Plant and Equipment	4,000	13,146,567	4,000	13,146,567
Miscellaneous	13,718,939	17,538,784	9,900,116	11,827,160
	79,459,040	98,838,614	75,640,217	92,731,619

18.2 Provision for Loss on Impairment

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	49,069,821	39,750,777	31,890,295	26,216,044
Amount written off during the year		(265,869)	-	-
Recovered during the year	(1,096,879)	-	(1,096,879)	-
Provision made during the year	3,682,242	9,584,913	-	5,674,251
Balance as at 31st December	51,655,184	49,069,821	30,793,416	31,890,295

19 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
STO Maldives (Singapore) Pte Ltd	-	-	-	3,708,518
Maldivian Gas Pvt Ltd	-	-	430,957	115,356
STO Lanka (Pvt) Ltd	-	-	-	5,627,922
Fuel Supplies Maldives Pvt Ltd	-	-	241,956,805	174,118,640
Allied Insurance Company of the Maldives Pvt Ltd	-	-	-	1,726,511
Rainbow Enterprises Pvt Ltd	7,278,400	5,266,095	-	-
Maldives National Oil Company Limited	-	-	216,176	-
G.Dh.Atoll Rayyithunge Cooperative Society	6,392,815	-	6,392,815	-
Ensis Fisheries Private Limited	857,112	-	-	-
Maldives Industrial Fisheries Company Limited	2,588,495	466,816	329,227	398,141
	17,116,822	5,732,911	249,325,980	185,695,088

Notes to the Financial Statements (Continued)

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20 REINSURANCE CONTRACTS

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Re-insurers' Share of Insurance Liabilities	53,458,746	51,180,757	-	-
	<u>53,458,746</u>	<u>51,180,757</u>	<u>-</u>	<u>-</u>

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured are included in trade and other receivables (Note 18).

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Cash in Hand	71,311,988	34,507,592	69,841,553	22,354,413
Balances with Banks	114,904,210	88,086,409	66,475,981	31,102,728
Fixed Deposits	87,553,340	6,519,583	78,732,916	6,519,583
	<u>273,769,538</u>	<u>129,113,584</u>	<u>215,050,450</u>	<u>59,976,724</u>

22 SHARE CAPITAL

22.1 Authorized

Authorized share capital comprises 1,155,555 (2006 :1,155,555) ordinary shares of MRf. 50/- each.

22.2 Issued and Fully Paid

Issued and fully paid share capital comprises 1,126,910 (2006 : 1,126,910) ordinary shares of MRf. 50/- each.

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Issued and Fully Paid				
Balance as at 1st January	56,345,500	56,345,500	56,345,500	56,345,500
Issued during the year	-	-	-	-
Balance as at 31st December	<u>56,345,500</u>	<u>56,345,500</u>	<u>56,345,500</u>	<u>56,345,500</u>

22.3 Dividends and Voting Rights

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

The following dividends have been declared and paid by the company during the year.

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Dividends for the year 2006 (MRf 82/- per share)	92,406,620	-	92,406,620	-
Dividends for the year 2005 (MRf 55/- per share)	-	61,980,050	-	61,980,050
	<u>92,406,620</u>	<u>61,980,050</u>	<u>92,406,620</u>	<u>61,980,050</u>

22.4 Claim Equalization Reserve

Reserve for claim equalization represents 12% of the operating profit before taking into account operating income of the current year, which was created to meet abnormally high claims in future in the financial statements of Allied Insurance Company of the Maldives Private Limited.

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	4,279,524	2,622,377	-	-
Transfer for the year	1,349,923	1,657,147	-	-
Balance as at 31st December	<u>5,629,447</u>	<u>4,279,524</u>	<u>-</u>	<u>-</u>

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22 SHARE CAPITAL (CONTINUED)

22.5 Exchange Translation Reserve

The exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations that are not integral part of the operations of the Company.

22.6 Fair Value Reserve

Fair value reserve includes the cumulative net change in the fair value of investments available for sale until the investment is derecognized.

22.7 General Reserve

The Company transfers 20% of the profit before tax to the general reserve every year as per the decision made by the board of directors.

22.8 Share Premium

The share premium represents issue of 26,040 ordinary shares of MRf. 50/- each with a premium of MRf. 250/- per share on 15th August 2001 and issue of 60,870 ordinary shares of MRf 50/- each with a premium of MRf. 350/- per share on 1st September 2003.

23 LOANS AND BORROWINGS

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	230,449,786	135,591,489	220,987,791	133,640,478
Borrowings during the Year	809,944,336	588,456,075	805,463,008	579,415,428
Repayments during the Year	(709,260,417)	(493,597,778)	(705,613,325)	(492,068,115)
	331,133,705	230,449,786	320,837,474	220,987,791
Less: Interest in Suspense	(1,477,026)	(1,820,504)	-	(27,329)
Balance as at 31st December	329,656,679	228,629,282	320,837,474	220,960,462

23.1 Sources of Finance

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Secured Loans				
Seylan Bank Plc (Note 23.4)	51,400,000	12,757,776	51,400,000	12,757,776
HSBC - Male' Branch (Note 23.5)	-	2,598,373	-	2,598,373
Bank of Maldives Plc (Note 23.6)	16,226,775	22,272,933	16,226,775	22,272,933
HSBC - Male' Branch (Note 23.7)	83,525,000	44,975,001	83,525,000	44,975,001
Nations Trust Bank Limited - Sri Lanka (Note 23.8)	-	17,668,750	-	17,668,750
Maldives Finance Leasing Company (Note 23.9)	8,819,205	8,308,845	-	640,025
Bank of Maldives Plc (Note 23.10)	28,503,626	-	28,503,626	-
Nations Trust Bank Limited - Sri Lanka (Note 23.11)	64,084,850	-	64,084,850	-
Ministry of Finance and Treasury (Note 23.12)	77,097,223	120,047,604	77,097,223	120,047,604
	329,656,679	228,629,282	320,837,474	220,960,462

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23 LOANS AND BORROWINGS (CONTINUED)

23.2 Current

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Loans and Borrowings	285,554,138	108,998,126	285,554,138	108,998,126
Finance Lease Liabilities	4,116,702	3,023,229	-	667,354
	<u>289,670,840</u>	<u>112,021,355</u>	<u>285,554,138</u>	<u>109,665,480</u>
Interest in Suspense	(246,171)	(469,069)	-	(27,329)
	<u>289,424,669</u>	<u>111,552,286</u>	<u>285,554,138</u>	<u>109,638,151</u>

23.3 Non Current

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Loans and Borrowings	35,283,336	111,322,311	35,283,336	111,322,311
Finance Lease Liabilities	6,179,529	7,106,120	-	-
	<u>41,462,865</u>	<u>118,428,431</u>	<u>35,283,336</u>	<u>111,322,311</u>
Interest in Suspense	(1,230,855)	(1,351,435)	-	-
	<u>40,232,010</u>	<u>117,076,996</u>	<u>35,283,336</u>	<u>111,322,311</u>

23.4 The Company has obtained a revolving credit facility of US\$ 4 million (MRf.51,400,000) at an annual interest rate of 8.1 % from the Seylan Bank Plc for working capital requirements and required to be settled within 90 days commencing the date of disbursement of funds. The STO Trade Centre has been mortgaged against this facility.

23.5 The Company has obtained a loan of US\$ 364,000/- (MRf 4,677,400/-) from HSBC Male' branch at an annual interest rate of 8.5% to acquire a landing craft during the year 2005. The Loan is repayable from 27th October 2005 in 36 monthly installments of US\$ 10,112/- (MRf 129,939/-) each. The loan is secured by the primary mortgage over the landing craft bearing registry no. C7904A- 03 10-T. The Company has fully settled this loan during the year 2007.

23.6 The Company has obtained a loan of US\$ 2,400,000/- (MRf 30,840,000/-) from Bank of Maldives Plc at an annual interest rate of 8.5% to acquire a vessel named "MV Bonthi 2" during the year 2005. The Loan should be repayable in 60 monthly installments of US\$ 49,800/- (MRf 639,930/-) each from 5th June 2005. The loan is secured by the mortgage over the vessel named " MV Bonthi 2" bearing registry no. C7848A - 03 10-T.

23.7 The Company has obtained a import credit loan facility of US\$ 6.5 million (MRf. 83,525,000/-) from HSBC Male' branch at an annual interest rate of 8.5% for working capital requirements and required to be settled within 90 days commencing the date of disbursement of funds. The loan is secured by primary concurrent mortgage over stocks and book debts of US\$ 6,500,000/- (MRf 83,525,000/-).

23.8 The Company has obtained a loan of US\$ 1,375,000/- (MRf 17,668,750/-) from Nations Trust Bank Limited at an annual interest rate of LIBOR + 2.75% to construct a steel fuel storage tank at Funadhoo Island in Male' Atoll. The loan is repayable within six years with a grace period of one year, commencing 21st April 2006 in 5 installments of US\$ 275,000/- (MRf 3,533,750/-) each. The loan is secured by the mortgage over property, plant and equipment of the Island of Funadhoo for US\$ 1,375,000/- and corporate guarantee from State Trading Organization Plc for US\$ 1,375,000/-. This loan has been fully settled during the year 2007.

23.9 The Company has acquired five motor vehicles under lease agreements entered with Maldives Finance Leasing Company Private Limited and repayable over a period of four years from 25th August 2003. The Company has mortgaged a security deposits of US\$ 25,000 (MRf 321,250) against above mentioned leased assets. The lease liability has been fully settled during the year 2007.

23.10 The Company has obtained a loan of US\$ 2,218,181/- (MRf 28,503,626 /-) from Bank of Maldives Plc at an annual interest rate of LIBOR + 3.25% to finance the instalation and implementation of a Renewable Energy Project. The loan is repayable within six years with a grace period of one year, commencing 12th January 2008 in 60 installments of US\$ 70,500/- (MRf 905,925/-) each. The loan is secured by a Negative Pledge as agreed with the Bank.

23.11 The Company has obtained a revolving credit facility of US\$ 5,000,000/- (MRf.64,250,000) at an interest rate of 8.1 % per annum from the Nations Trust Bank Ltd for working capital requirements and required to be settled within 90 days commencing the date of disbursement of funds. The STO Trade Centre has been mortgaged against this facility.

23.12 The Company has obtained two loans of US\$ 6,700,000/- (MRf 86,095,000/-) and US\$ 3,312,226/- (MRf 42,562,104/-) from Ministry of Finance and Treasury in 2006 at an annual interest rate of 8% to finance the trade operations. The loans are repayable within 36 months with a grace period of 6 months commencing 31st October 2006 and 31st July 2007 respectively.

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23 LOANS AND BORROWINGS (CONTINUED)

23.13 Analysis of Finance Lease Liabilities

	2007		
	Minimum Lease Payments MRf	Interest MRf	Principle MRf
Group			
Less than one year	4,116,702	246,171	3,870,531
More than one year, but less than five years	6,179,529	1,230,855	4,948,674
	<u>10,296,231</u>	<u>1,477,026</u>	<u>8,819,205</u>
Company			
Less than one year	-	-	-
More than one year, but less than five years	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	2006		
	Minimum Lease Payments MRf	Interest MRf	Principle MRf
Group			
Less than one year	3,023,229	469,069	2,554,160
More than one year, but less than five years	7,106,120	1,351,435	5,754,685
	<u>10,129,349</u>	<u>1,820,504</u>	<u>8,308,845</u>
Company			
Less than one year	667,354	27,329	640,025
More than one year, but less than five years	-	-	-
	<u>667,354</u>	<u>27,329</u>	<u>640,025</u>

23.14 Loans and Borrowings - Maturity Analysis

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Less than one year	289,424,669	111,552,286	285,554,138	109,638,151
More than one year, but less than two years	36,264,159	68,368,202	32,797,388	62,613,517
More than two years, but less than four years	3,967,851	42,348,044	2,485,948	42,348,044
More than four years, but less than five years	-	3,533,750	-	3,533,750
More than five years	-	2,827,000	-	2,827,000
	<u>329,656,679</u>	<u>228,629,282</u>	<u>320,837,474</u>	<u>220,960,462</u>

24 DEFERRED TAX LIABILITY

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	11,949	21,362	-	-
Reversal during the year	(12,310)	(10,640)	-	-
Exchange Difference	361	1,227	-	-
Balance as at 31st December	<u>-</u>	<u>11,949</u>	<u>-</u>	<u>-</u>

Deferred income taxes are calculated on all timing differences under the liability method using a principle tax rate of 20%.

25 GRANTS AND SUBSIDIES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Opening balance	138,321	-	-	-
Grants received during the year	-	138,321	-	-
Adjustments due to disposal of subsidiary	(138,321)	-	-	-
	<u>-</u>	<u>138,321</u>	<u>-</u>	<u>-</u>

The STO Lanka (Pvt.) Ltd has recorded the funds received from the NGO World Vision Lanka in the form of G.I. Plain Sheets for reroofing the line rooms. The amounts spent are capitalised under the relevant classification of Property, Plant and Equipment and the corresponding grant component is reflected under deferred grants and subsidies. The Group has fully recognised this during the year 2007.

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER 2007

26 PROVISION FOR RETIRING GRATUITY

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	189,903	136,453	-	-
Provision made during the year	18,872	53,450	-	-
Adjustments due to disposal of subsidiary	(208,775)	-	-	-
Balance as at 31st December	-	189,903	-	-

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Trade Payables	499,873,602	251,994,023	305,398,518	177,416,082
Accrued Expenses	18,140,199	13,976,162	14,600,328	11,443,834
Other Payables	36,023,343	29,197,178	26,211,735	17,724,743
	554,037,144	295,167,363	346,210,581	206,584,659

28 AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Maldives National Oil Company Limited	-	-	-	6,923,631
Lafarge Maldives Cement Pvt Ltd	5,765,620	7,498,383	5,765,620	7,498,383
Maldives Structural Product Pvt Ltd	6,344,095	2,726,942	12,688,189	7,624,659
Allied Insurance Company of the Maldives Pvt Ltd	-	-	871,302	-
Tekton Design Pvt Ltd.	-	7,000	-	-
STO Maldives (Singapore) Pte Ltd	-	-	132,455,851	-
	12,109,715	10,232,325	151,780,962	22,046,673

29 CURRENT TAX LIABILITY

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Current Income Tax	1,066	33,579	-	-
	1,066	33,579	-	-

30 DIVIDEND PAYABLE

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Balance as at 1st January	3,026,579	3,367,431	3,026,579	3,367,431
Dividend declared during the year	92,406,620	61,980,050	92,406,620	61,980,050
Dividend paid during the year	(91,131,343)	(62,320,902)	(91,131,343)	(62,320,902)
Balance as at 31st December	4,301,856	3,026,579	4,301,856	3,026,579

31 INSURANCE CONTRACTS

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Claims Reported and Loss Adjustment Expenses	15,312,079	24,097,626	-	-
Unearned Premiums	55,929,570	37,829,965	-	-
	71,241,649	61,927,591	-	-

Total net insurance income of MRf. 18,458,475 (2006 : MRf. 48,395,910/-) has been charged to the cost of sales.

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32 BANK OVERDRAFTS

	Group		Company	
	2007 MRf	2006 MRf	2007 MRf	2006 MRf
Bank of Ceylon - Sri Lanka (Unsecured)	-	229,228	-	-
Seylan Bank Plc - Sri Lanka (Unsecured)	-	276,154	-	276,154
Nations Trust Bank - Sri Lanka	189,388	-	189,388	-
HSBC - Male' Branch (Note 32.1)	55,110,585	20,268,905	55,110,585	20,268,905
Bank of Maldives Plc - (Note 32.2)	5,039,837	26,253,996	5,039,837	26,253,996
State Bank of India - Male' Branch (Note 32.3)	64,563,194	19,511,053	55,237,560	2,032,425
Habib Bank Ltd - Male' Branch (Note 32.4)	37,406,641	30,011,390	28,821,407	21,014,925
Bank of Maldives Plc - (Note 32.5)	3,238,009	17,390,108	-	-
	<u>165,547,654</u>	<u>113,940,834</u>	<u>144,398,777</u>	<u>69,846,405</u>

Note	Bank	Company	Approved Limit MRf	Security	Security Value MRf	Rate of Interest Per Annum
32.1	HSBC - Male' Branch	State Trading Organization Plc	19,275,000	Stocks and Receivables	19,275,000	8.50%
32.2	Bank of Maldives Plc.	State Trading Organization Plc	54,612,500	Government Gurantee	19,275,000	8.50%
32.3	State Bank of India - Male' Branch	State Trading Organization Plc	51,400,000	Government Gurantee	51,400,000	9.50%
		Fuel Supplies Maldives Pvt Ltd	20,000,000	Property Mortgage and Corporate Gurantee	27,102,842	11.00%
32.4	Habib Bank Ltd - Male' Branch	State Trading Organization Plc	51,400,000	Government Gurantee	32,125,000	8.50%
		Maldiv Gas Pvt Ltd	9,000,000	Property Mortgage and Corporate Gurantee	8,000,000	11.10%
32.5	Bank of Maldives Plc.	Allied Insurance Company of the Maldives Pvt Ltd	19,275,000	Fixed and Floating Charges of Receivables	-	8.50%
		Maldives Structural Products Private Limited	-	Property Mortgage and Corporate Gurantee	-	10.75%

33 COMMITMENTS

33.1 Capital Commitments

	2007 MRf
Contracted but not provided for - State Trading Organisation Plc	8,427,555
	<u>8,427,555</u>

There were no material capital commitments approved or contracted as at the balance sheet date which require adjustments to / or disclosure in the financial statements of the Company other than disclosed above.

33.2 Lease Commitments

Lease rentals falling	Less than one year MRf	1 to 2 years MRf	More than 2 Years MRf	Total MRf
Finance Leases				
Fuel Supplies Maldives Private Limited	1,830,726	2,114,609	3,992,406	7,937,741
Maldiv Gas Private Limited	642,612	238,852	-	881,464
	<u>2,473,338</u>	<u>2,353,461</u>	<u>3,992,406</u>	<u>8,819,205</u>
Operating Leases				
Maldives Structural Products Private Limited (Note 33.2.1)	186,120	186,120	3,350,160	3,722,400
State Trading Organization Plc (Note 33.2.2)	-	-	906,528,950	906,528,950
	<u>186,120</u>	<u>186,120</u>	<u>909,879,110</u>	<u>910,251,350</u>

33.2.1 Maldives Structural Products Private Limited has entered into a leasing agreement with the Government of Maldives in respect of the office premises and factory land at Island of Thilafushi, and the lease period of years 25 years is due to expire by 2025.

33.2.2 The Company has entered into an agreement with Hulhumale Development Corporation Limited on 31st July 2007 for developing, operating and managing a five star tourist hotel in Hulhumale.

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER 2007

34 CONTINGENT LIABILITIES

34.1 Unexpired Policies

Group has following liabilities in respect of unexpired policies of the insurance segment as at the balance sheet date.

	Group	
	2007 MRf	2006 MRf
Marine Cargo	40,963,370	113,072,128
Marine Hull	184,927,511	477,137,366
Fire	417,244,273	661,670,392
Accident	7,205,716	1,052,645,530
Health	159,775,000	534,868,450
	<u>810,115,870</u>	<u>2,839,393,866</u>

34.2 Guarantees

State Trading Organization Plc has issued corporate guarantees to the following banks for the facilities obtained by subsidiary companies.

Company Name	Name of the Bank	Facility	Corporate Guarantee Amount MRf	Corporate Guarantee Amount US\$
Maldives Structural Products Pvt Ltd	Bank of Maldives Plc	Overdraft	3,212,500	250,000
		Letter of Credit	19,275,000	1,500,000
Maldives National Oil Company Ltd	Society General - Singapore Branch	Letter of Credit	771,000,000	60,000,000
Fuel Supplies Maldives Pvt Ltd	State Bank of India - Male' Branch	Overdraft	30,000,000	2,334,630
Maldivian Gas Pvt Ltd	Habib Bank Limited - Male' Branch	Overdraft	8,000,000	622,568
	Habib Bank Limited - Male' Branch	Letter of Credit	8,673,750	675,000
			<u>840,161,250</u>	<u>65,382,198</u>

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

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The main risks arising from the Company's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The policies for managing each of these risks are summarized below:

35.1 Credit Risk

Credit evaluations are performed on all customers requiring credit over and above certain amount. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets.

35.2 Interest Rate Risk

The Group's exposure to the risk of changes in interest rate relates mainly to its bank and other borrowings which are mainly on floating rate terms.

35.3 Currency Risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Maldivian Rufiyaa mainly in US Dollars. As at the balance sheet date, the Company has approximately US\$ 62,984,261 (2006 : US\$ 27,116,304) as foreign currency liabilities, whereas foreign currency assets including un-used bank facilities amounted to US\$ 9,659,006 (2006 : US\$ 12,307,640) as at the same date. This has resulted in an amount of US\$ 53,325,255 (2006 : US\$ 14,808,664) exposure of foreign currency liabilities as at the balance sheet date.

The management has taken following steps to mitigate the exposure of currency risk on payments in foreign currencies. By doing so, the Company has managed to settle all the foreign currency liabilities without default in the past.

- 1 Ministry of Finance and Treasury (MOFT) approves US Dollar sales through Maldives Monetary Authority (MMA) for imports made by the Company based on the quarterly import statement submitted to MOFT by the Company.
- 2 Payment by Maldivian Rufiyaa for some of the import clients by mutual arrangement with the banks.
- 3 Tie project sales for parties who are willing to sell United States Dollars to State Trading Organization Plc.

35.4 Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirement.

AS AT 31ST DECEMBER 2007

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

35.5 Effective Interest Rates and Repricing Analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice.

	Note	Effective Interest Rate	2007		Total MRf
			Less than 1 Year MRf	More than 1 Year MRf	
Company					
Financial Assets					
Lafarge Maldives Cement Private Limited	16.4	9.00%	664,885	1,994,657	2,659,542
Maldiv Gas Private Limited	16.5	8.50%	7,218,938	-	7,218,938
Fuel Supplies Maldives Private Limited	16.6	7.00%	257,881	-	257,881
Fixed Deposits	21	6.00%	78,732,916	-	78,732,916
			<u>86,874,620</u>	<u>1,994,657</u>	<u>88,869,277</u>
Financial Liabilities					
Seylan Bank Plc	23.4	9.49%	51,400,000	-	51,400,000
Bank of Maldives Plc	23.6	8.50%	6,577,826	9,648,949	16,226,775
Bank of Maldives Plc	23.10	8.50%	28,503,626	-	28,503,626
HSBC - Male' Branch	23.7	8.50%	83,525,000	-	83,525,000
Ministry of Finance and Treasury	23.12	8.00%	51,462,836	25,634,387	77,097,223
Nations Trust Bank Limited - Sri Lanka	23.11	8.10%	64,084,850	-	64,084,850
Bank Overdrafts	32	9.00%	144,398,777	-	144,398,777
			<u>429,952,915</u>	<u>35,283,336</u>	<u>465,236,251</u>
Group					
Financial Assets					
Lafarge Maldives Cement Private Limited	16.4	9.00%	664,885	1,994,657	2,659,542
Fixed Deposits	21	6.00%	87,553,340	-	87,553,340
			<u>88,218,225</u>	<u>1,994,657</u>	<u>90,212,882</u>
Financial Liabilities					
Seylan Bank Plc	23.4	9.49%	51,400,000	-	51,400,000
Bank of Maldives Plc	23.6	8.50%	6,577,826	9,648,949	16,226,775
Bank of Maldives Plc	23.10	8.50%	28,503,626	-	28,503,626
HSBC - Male' Branch	23.7	8.50%	83,525,000	-	83,525,000
Nations Trust Bank Limited - Sri Lanka	23.11	8.10%	64,084,850	-	64,084,850
Ministry of Finance and Treasury	23.12	8.00%	51,462,836	25,634,387	77,097,223
Maldives Finance Leasing Company	23.9	8.00%	3,870,531	4,948,674	8,819,205
Bank Overdrafts	32	9.00%	165,547,654	-	165,547,654
			<u>454,972,323</u>	<u>40,232,010</u>	<u>495,204,333</u>
2006					
	Note	Effective Interest Rate	Less than 1 Year MRf	More than 1 Year MRf	Total MRf
Company					
Financial Assets					
Lafarge Maldives Cement Private Limited	16.4	9.00%	664,885	3,158,205	3,823,090
Maldiv Gas Private Limited	16.5	8.00%	5,336,871	-	5,336,871
Fuel Supplies Maldives Private Limited	16.6	7.00%	1,554,383	257,881	1,812,264
Fixed Deposits	21	3.00%	6,519,583	-	6,519,583
			<u>14,075,722</u>	<u>3,416,086</u>	<u>17,491,808</u>
Financial Liabilities					
Seylan Bank Plc	23.4	11.00%	12,757,776	-	12,757,776
HSBC - Male' Branch	23.5	8.24%	1,559,272	1,039,101	2,598,373
Bank of Maldives Plc	23.6	8.50%	6,048,908	16,224,025	22,272,933
HSBC - Male' Branch	23.7	8.70%	44,975,001	-	44,975,001
Maldives Finance Leasing Company	23.9	8.50%	640,025	-	640,025
Ministry of Finance and Treasury	23.12	8.17%	42,950,419	77,097,185	120,047,604
Nations Trust Bank Limited - Sri Lanka	23.11	10.63%	706,750	16,962,000	17,668,750
Bank Overdrafts	32	8.50%	69,846,405	-	69,846,405
			<u>179,484,556</u>	<u>111,322,311</u>	<u>290,806,867</u>

AS AT 31ST DECEMBER 2007

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

35.5 Effective Interest Rates and Reprising Analysis (Continued)

Group	2006				
	Note	Effective Interest Rate	Less than 1 Year MRF	More than 1 Year MRF	Total MRF
Financial Assets					
Lafarge Maldives Cement Private Limited	16.4	9.00%	664,885	3,158,205	3,823,090
Fixed Deposits	21	3.00%	6,519,583	-	6,519,583
			<u>7,184,468</u>	<u>3,158,205</u>	<u>10,342,673</u>
Financial Liabilities					
Seylan Bank Plc	23.4	11.00%	12,757,776	-	12,757,776
HSBC - Male' Branch	23.5	8.24%	1,559,272	1,039,101	2,598,373
Bank of Maldives Plc	23.6	8.50%	6,048,908	16,224,025	22,272,933
HSBC - Male' Branch	23.7	8.70%	44,975,001	-	44,975,001
Maldives Finance Leasing Company	23.9	10.75%	2,554,160	5,754,685	8,308,845
Ministry of Finance and Treasury	23.12	8.17%	42,950,419	77,097,185	120,047,604
Nations Trust Bank Limited - Sri Lanka	23.11	10.63%	706,750	16,962,000	17,668,750
Bank Overdrafts	32	8.50%	113,940,834	-	113,940,834
			<u>225,493,120</u>	<u>117,076,996</u>	<u>342,570,116</u>

35.6 Fair Value of Financial Assets and Financial Liabilities

Financial Assets and Liabilities (Short - term)

The fair value of financial assets and liabilities approximate their carrying value because of their immediate or short term maturity.

Financial Assets and Liabilities (Long - term)

The fair value of long-term investments and liabilities cannot be determined without incurring excessive costs and time due to lack of quoted market places and related information. The directors believe that the fair value would not differ significantly from its carrying amounts recorded in the balance sheet.

AS AT 31ST DECEMBER 2007

36 RELATED PARTY TRANSACTIONS

Related Party	Relationship	Nature of the Transaction	Amount Mrf.	Balance as at 31/12/2007 Due from / (Due to) Mrf.
Allied Insurance Company of the Maldives Pvt Ltd	Subsidiary Company	Sale of goods	95,700	
		Services obtained	(6,402,183)	
		Interest on advance	270,000	
		Rent received	416,081	
		Dividends received	8,249,945	871,302
STO Maldives (Singapore) Pte Ltd	Subsidiary Company	Purchase of oil	(496,945,455)	
		Rent received	154,200	
		Services obtained	(163,103)	
		Dividends received	41,008	(132,455,851)
STO Lanka (Pvt) Ltd	Subsidiary Company	Purchase of tea	(148,525)	
		Bad debts written off	(7,782,304)	-
Maldives National Oil Company Ltd	Subsidiary Company	Purchase of oil	(13,124,193)	
		Rent received	154,200	216,176
Maldiv Gas Pvt Ltd	Subsidiary Company	Sale of goods	454,041	
		Purchase of gas	(389,397)	
		Rent received	274,384	430,957
		Interest on advance	357,325	
		Loan Given	-	7,218,938
Fuel Supplies Maldives Pvt Ltd	Subsidiary Company	Sale of fuel	1,810,631,552	
		Purchase of fuel	(629,898,233)	
		Dividends received	12,597,000	
		Rent received	757,362	
		Services obtained	(2,481,994)	
		Interest on advance	77,617	241,956,805
		Loan Given	-	257,881
Maldives Structural Products (Pvt) Ltd	Joint Venture Company	Sale of goods	13,560	
		Purchase of goods	(53,437,094)	
		Dividends received	3,055,000	(12,688,189)
Lafarge Maldives Cement Pvt Ltd	Associate Company	Purchase of goods	(52,290,675)	
		Sale of goods	18,894	
		Services rendered	109,200	
		Interest on advance	284,242	(5,765,620)
Rainbow Enterprises Private Limited	Related Party of Joint Venture	Purchase of goods	(1,913,461)	7,278,400
Maldives Industrial Fisheries Company Limited	Investee Company	Sale of goods	13,157,772	
		Purchase of goods	(9,548,269)	329,227
Ensis Fisheries Private Limited	Related party of Subsidiary	Services Rendered	1,081,036	857,112
G.Dh.Atoll Rayyithunge Cooperative Society	Investee Company	Purchase of goods	(364,713)	
		Sale of goods	14,564,280	6,392,815
Ministry of Finance and Treasury	Majority Shareholder	Loans settlements	(42,950,380)	
		Loan interest paid	(8,369,246)	
		Food subsidy income	99,744,422	30,421,892
		Dividend paid	(85,280,000)	
		Loan Given		(77,097,223)

Notes to the Financial Statements (Continued)

AS AT 31ST DECEMBER 2007

36 RELATED PARTY TRANSACTIONS (CONTINUED)

36.1 Transactions with Key Management Personnel

The board of directors of the Group are the members of key management personnel. Group has paid MRF. 1,408,665/- as emoluments and fees to the directors during the year ended 31st December 2007 (2006: MRF. 1,644,386/-).

37 POST BALANCE SHEET EVENTS

No circumstances have arisen since the balance sheet date which require adjustments to/or disclosure in the financial statements.

38 COMPARATIVE FIGURES

Comparative figures have been reclassified wherever appropriate to confirm with the current year presentation.

39 INVESTMENTS IN SUBSIDIARIES

The company is the parent company for the following six subsidiaries.

	Country of Incorporation	No of Shares		Share Holding %	
		2007	2006	2007	2006
Allied Insurance Company of the Maldives Pvt Ltd	Maldives	149,999	149,999	99.99%	99.99%
STO Maldives (Singapore) Pte Ltd (Note 39.1)	Singapore	199,998	199,998	99.99%	99.99%
STO Lanka Pvt Ltd (Note 39.2)	Sri Lanka	-	585,599	-	99.99%
Maldives National Oil Company Ltd	Maldives	99,999	99,999	99.99%	99.99%
Maldivian Gas Pvt Ltd	Maldives	61,200	61,200	90%	90%
Fuel Supplies Maldives Pvt Ltd	Maldives	10,200	10,200	66.67%	66.67%

39.1 STO Maldives (Singapore) Pte Limited is domiciled and incorporated in Singapore and the principal activities of the company are to undertake international trading of commodities.

39.2 STO Lanka (Private) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The company had been approved under section 17 of the BOI Act of Sri Lanka. The principal activities of the company are cultivation, manufacture and sale of black tea. The Company has disposed this investment during the year for a consideration of MRF. 6,425,000. According to the agreement the Company has received 50% from the total consideration and balance 50% will be received in next two years.

40 INVESTMENT IN JOINT VENTURE

The Company has invested in the following joint venture.

	Country of Incorporation	No of Shares		Share Holding %	
		2007	2006	2007	2006
Maldives Structural Products Pvt Ltd	Maldives	47,000	47,000	50%	50%

41 INVESTMENT IN ASSOCIATE

The Company has invested in the following associate.

	Country of Incorporation	No of Shares		Share Holding %	
		2007	2006	2007	2006
Lafarge Maldives Cement Private Limited	Maldives	10,567,267	10,567,267	25%	25%

42 DIRECTORS' RESPONSIBILITY

The Board of Directors are responsible for the preparation and presentation of these financial statements.

AS AT 31ST DECEMBER 2007

43 SEGMENT INFORMATION

AS AT 31ST DECEMBER 2007

	Trading MRF	Tea MRF	Gas MRF	Insurance Service MRF	Fuel, Lubricant and Crude Oil MRF	Structural Products MRF	Group MRF
Revenue	1,070,059,880	578,325	53,404,815	41,764,550	4,357,729,842	36,139,233	5,559,676,645
Segment Results							
Operating Profit Before Financing Cost	107,171,980	(1,402,289)	(12,826,673)	6,078,866	89,478,967	1,816,074	190,316,925
Net Financing Costs	(3,696,705)	(283,283)	(1,084,133)	(449,905)	(13,978,087)	(617,893)	(20,110,006)
Share of Profit from Associate	-	-	-	-	-	-	(92,307)
Profit/(Loss) Before Tax	103,475,275	(1,685,572)	(13,910,806)	5,628,961	75,500,880	1,198,181	170,114,612
Tax	12,310	-	-	-	-	-	12,310
Minority Interest	-	-	-	-	-	-	(9,735,041)
Profit / (Loss) for the Year	103,487,585	(1,685,572)	(13,910,806)	5,628,961	75,500,880	1,198,181	160,391,881
Segment Assets	1,418,154,684	-	94,038,104	166,219,384	309,883,142	58,189,654	2,046,484,968
Segment Liabilities	901,549,024	-	86,252,004	114,868,265	17,985,733	16,240,737	1,136,895,763
Capital Expenditure	59,567,588	-	6,097,725	1,499,767	17,246,839	482,368	84,894,287
Depreciation	43,859,612	121,886	8,404,498	805,372	4,489,384	1,308,409	58,989,161

AS AT 31ST DECEMBER 2007

43 SEGMENT INFORMATION

AS AT 31ST DECEMBER 2006

	Trading MRf	Tea MRf	Gas MRf	Insurance Service MRf	Fuel, Lubricant and Crude Oil MRf	Structural Products MRf	Group MRf
Revenue	877,483,707	1,652,375	60,714,983	27,785,394	4,856,242,637	13,726,039	5,837,605,135
Segment Results							
Operating Profit Before Financing Cost	48,097,143	(1,763,271)	(3,637,910)	14,583,622	124,253,086	6,226,623	187,759,293
Net Financing Costs	(11,238,901)	(354,083)	(807,684)	(727,137)	(14,037,882)	(125,618)	(27,291,305)
Share of Profit from Associate	-	-	-	-	-	-	355,935
Profit / (Loss) Before Tax	36,858,242	(2,117,354)	(4,445,594)	13,856,485	110,215,204	6,101,005	160,823,923
Tax	10,640	-	-	-	-	-	10,640
Minority Interest	-	-	-	-	-	-	(9,124,965)
Profit / (Loss) for the Year	<u>36,868,882</u>	<u>(2,117,354)</u>	<u>(4,445,594)</u>	<u>13,856,485</u>	<u>110,215,204</u>	<u>6,101,005</u>	<u>151,709,598</u>
Segment Assets	1,016,426,173	7,840,387	30,542,718	147,282,582	284,287,501	20,038,033	1,506,417,394
Segment Liabilities	512,466,102	1,357,912	23,225,186	97,436,560	66,514,438	12,297,528	713,297,726
Capital Expenditure	30,205,462	243,330	7,490,766	3,196,822	15,072,509	660,156	56,869,045
Depreciation	41,243,755	307,770	7,331,218	501,328	4,965,369	514,088	54,863,528

