Annual Report 2018

State Trading Organization plc.

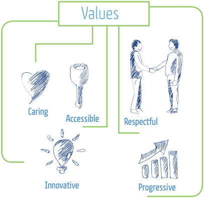
بسم الله الرحمن الرحيم

This report comprises the annual report of State Trading Organization plc prepared in accordance with the Companies Act of the Republic of Maldives (10/96), listing rules of Maldives Stock Exchange, the securities act of the Republic of Maldives (2/2006), securities continuing disclosure obligations of issuers regulation 2010 of Capital Market Development Authority and corporate governance code of Capital Market Development Authority requirements. Unless otherwise stated in this annual report, the terms 'STO', the 'Group', 'we', 'us' and 'our' refer to State Trading Organization plc and its subsidiaries, associates and joint ventures collectively. The term 'company' refers to STO and/or its subsidiaries. STO prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2018. In this report, financial and statistical information is, unless otherwise indicated, stated on the basis of the Company's financial year. Information has been updated to the most practical date. This annual report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and STO plans and objectives, to differ materially from those expressed or implied in the forward looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. STO cannot guarantee future results, levels of activity, performance or achievements.

Contents

Vision

Enriching lives through expansion and accessibility.



Mission

Lead

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

Explore beyond borders

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

Build a skilled workforce

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

Presence nationwide

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

STO Group
In 2018

Gross profit

1,509

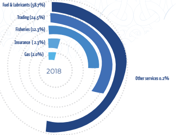
(In millions) MVR

Revenue

10,873

(In millions) MVR

Share of revenue by segments



Operating profit

247

(In millions) MVR

Operating cash outflow

(218)

(In millions) MVR

Dividend proposed

58

(Per share) MVR

Profit before tax

80

Before impairment of
investment in Hulhumale hotel
- In millions MVR

Message from CEO & MD

Following my appointment as Managing Director / CEO of STO, my first priority was given to minimize the losses incurred from some business segments of STO, including Staple Foods operation and Regional outlets, and come up with a concrete plan to minimize such losses by achieving operational efficiency and implementing effective sourcing methods. I would like to highlight that strengthening policies and business strategies of Fuel Supply Maldives (FSM), which is the distribution channel used for STO's core business segment-Fuel, was prioritized as the latter's business sustainability and profitability relies on operational efficiency of FSM. It is also important to note that STO has been operating pharmacy business throughout Maldives, irrespective of population size and its business viability, and that some pharmacies are currently operating at a loss. We are hoping to rectify this and focusing on developing strategies and business models to attain profitability from this business segment.

Continuous losses incurred from MIFCO, one of the subsidiary companies of STO, has been one of the biggest setbacks for STO. MIFCO was a debt- laden state company when it was converted into a subsidiary of STO in 2016 and minimizing losses incurred from MIFCO draws much focus and effort of the company. Strategies are revamped to ensure availability of technologically advanced facilities at MIFCO in order to achieve economies of scale. As MIFCO's efficient operation is closely linked to the thriving of fishermen and fishing industry, I would like to note ensuring successful operation of MIFCO, especially to ensure its role in fulfilling the governments pledge of guaranteeing prompt payment for fishermen for their catch, will remain one of my key priorities.

I also would like to highlight that increase in finance cost has been inevitable due to high accounts receivables from government and State Owned Enterprises as both stakeholders owed more than MVR 2.3 billion by the end of 2018. In spite of high receivables from debtors, STO continues to supply fuel and other basic items through other means of finance, ultimately resulting in high finance cost.

Perspective of 2018 & challenges

This year marks 54 years of successful operation of the company. From a colourful and accomplished history, STO continues to look forward to more milestones and achievements, overcoming obstacles as it had continued to do over the past decades in existence. While STO performed financially better in 2018 than 2017, losses incurred from some of the subsidiary companies and provision done for Hulhumale" hotel led for reflecting a net loss in financial statement of group of companies of STO. The group recorded a 19.5% jump in revenue to MVR 10.9 billion and 5% jump in gross profit to MVR 1.5 billion. Net profit was adversely affected due to loss of MVR 199 million from MIFCO and MVR 210 million from Hulhumale' hotel impairment as group decided to value the cost of property to fair value to reflect an appropriate market value.

Vision & key business areas

Other than enhancing current business segments of STO, we have ambitious plans to empower small and medium enterprises. While entering into new ventures in future, consideration will be made to ensure STO does not enter into competitive business environment where there are sufficient private sector players. We believe that our future business aspirations should consider the ways to empower private sector traders and overall benefit of general public.

One of the major investments STO is keen in investing in the near future is shipping business. This would greatly benefit STO by reducing freight of imported products and passing the cost saving to end consumer or general public. I strongly believe that a government-owned enterprise should initiate this and STO would be the ideal solution provider for this. STO has already announced plans to ensure staples are available across the country at the same prices as Male' and I feel STO venturing into shipping would be beneficial for this as well.

Ensuring food security should remain a priority for a country as dependent on imports as the Maldives. Besides ensuring food security, we also plan to make a concerted effort to develop agriculture sector by empowering farmers. Strategies would be developed to strengthen agriculture sector of Maldives, which eventually would lead to minimizing imports.

Furthermore, in terms of investments, I believe that STO has huge scope to invest in emerging technologies.

Trend in the global word is investing in renewable energy sources and it gives me immense pleasure to declare that we are very ambitious to invest in solar energy in Maldives and STO has a proud history of being at the forefront of introducing technologically advanced solutions in different areas.

Social responsibility

An integral part of STO's philosophy is its commitment to empower and enhance the quality of lives of the people of Maldives. Sustainability at STO embraces environmental and social responsibility while creating value for its stakeholders. I assure all stakeholders about implementing best practices while investing in CSR activities. Expenditure on CSR would be based on the needs of the communities and working towards making a meaningful difference to them.

Acknowledgements

STO was established to serve the Maldivian people; to ensure their necessities are met and to see that consumers are provided with reliable service and quality products. Noting the trust and faith our customers place in STO in fulfilling numerous needs, from food products to household appliances, from construction materials to pharmaceuticals, among many others, I would like to highlight the significant role STO plays in the lives of Maldivians and in driving the Maldivian economy.

For our shareholders, STO always aims to provide a greater return in the forms of reasonable dividends and increasing share value.

STO is undoubtedly big family, and our dedicated, hard working staff who are currently with us, and those who had served in the past, are the cornerstones of STO's success. The commitment and professionalism of Team STO is exemplary and I would like to take this opportunity to express my profound gratitude for the excellent work and loyalty of all our employees, each of whom contributes greatly to the success of the company. It is my hope that we continue to strive together for the betterment of the company and serve this country and people to the best of our capacity. May Allah grant us success, fortitude, perseverance and wisdom in our endeavours.

Husen Amru Mohamed Rashad
CEO & Mananging Director

1
Our Business

Our Business

"Enriching lives through accessibility and availability"

Trading

Net Revenue

2,662

MVR in Million

Gas

Net Revenue

223

MVR in Million

Fuel

Net Revenue

6,381

MVR in Million

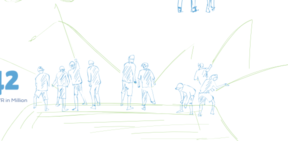
Insurance

Net Revenue

245

MVR in Million

Fisheries



Net Revenue

1,342

MVR in Million

Trading

Creating long term value for our customers

Portfolio

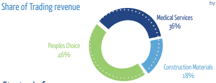
Performance

Net Revenue increased by

4%

Compared to 2017

Trading segment experienced an upsurge in revenue, as trading segment revenue increased by 4% compared to 2017. The most prominent contributor for trading revenue is medical services with an increase in revenue by MVR 114 million.



Strategic focus

Construction Materials

Designs and develops competitive solutions for construction industry

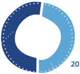
Portfolio

Cement | Aggregate sand | Deformed bars | Plywood timber | Roofing materials | Ready-mix concrete

Performance

Net Revenue

2018
481
MVR in Million



2017
446
MVR in Million

Share of Trading Revenue

18%

Better strategic planning, increased productivity and efficiency enabled the Group to achieve higher revenue from construction materials.

Associates

Together with the Group's associates, STO Group ensures that better quality products are supplied to customers. The roofing sheets produced locally by Maldives Structural Products have enabled the Group to provide quality products at very competitive prices. Additionally, Maldives Marine Cement is locally packed by Lafarge Maldives Pvt Ltd in accordance with international standards.

Contribution to urban development and construction industry

The Group expanded the ready-mix concrete operation by opening a new batching plant at Hulhumale'. The plant is initiated with a higher capacity in order to cater to the growing demands of the construction industry. The ready-mix concrete operation enables to avoid the hustle and road blocks near construction sites. It is designed to have a positive impact on environment by reducing exposure to hazardous dust and fumes generated as there is no requirement to handle cement and raw materials at customer site.

The laboratory for slump and cube testing at batching plants increases the quality of concrete, thereby adding value for customers.

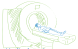
Medical Services

Improve people's health through better health care

Portfolio

Pharmaceuticals

Hospital consumables



Medical equipment

Performance

Net Revenue

Share of Trading Revenue

36%

The geographical presence in all inhabited islands and medical equipment sales to heath sector significantly increased the net revenue.

Contributions to national health sector

As a pioneering business leader in medical services, the Group expanded inpatient services to 34 locations through pneumatic tube in Indhira Gandhi Memorial hospital. STO Group has always taken the initiative in being the first to respond to nationwide pandemics, providing assistance when it is most required.

The Group ensures better outcomes and enhanced services to patients through trainings provided to health care professionals. Hence, a conference on "Rational use of Blood" was organized for the Laboratory Technicians in collaboration with IGMH Laboratory Department. Further, the Group partnered with National Healthcare Academy in organizing conferences, symposiums & workshops such as Immunohematology workshop, Tobacco Cessation and Congenital Heart Disease etc.

In order to develop a culture where prevention is considered better than cure and to elevate hope, several awareness programs were organized on special days like world cancer day, diabetic day, and health day etc. Also the Group organized the Asian Breast Cancer Conference in Maldives with Maldives Association of Surgeons.

People's Choice

Portfolio

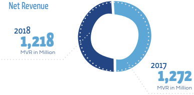
Home improvement & electronics

Food & beverages

Regional sales

Performance

Net Revenue



Share of Trading Revenue

46%

The setbacks and challenges of providing goods and services to geographically dispersed islands decreased the revenue from the segment compared to 2017. However, the Group is determined to serve by emphasizing on mitigating costs and efficient utilization of resources.

Uninterrupted provision of goods and services

STO Group provides assurance that basic necessities will be provided at affordable prices. To ensure fairness, accessibility and availability of staple foods to islanders, the Group will establish uniform prices starting from April 2019.

Improving living standards

The Group focuses on adding value for customers through consistent delivery of high-quality products to geographically scattered islands through regional sales outlets. In addition, the Group ensures customer well-being and improved lifestyle through home improvement products. Service centres located in Male' and Addu City are well equipped with trained and skilled technicians to ensure a superior level of technical support and product services.

Fuel

Portfolio

Performance

Net Revenue increased by

34% compared to 2017

The investments by the Group is a step forward in holding down market share while reaping benefits of operations that are economically more feasible. Once again, the Group is the market leader by expansion and lowered costs of operation.

Strategic developments

The bold investments by the Group secured supply and ensured price stability for the Country. The Group introduced new fuel tanker, "MT Alimas" with a capacity of 22,500 metric tons to STO Fleet, which eliminated the need to rely on chartered vessels, thereby reducing costs.

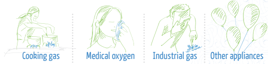
The Group focused in expansion of storage facilities through construction of four new storage tanks which increased the capacity of the terminal by 210,000 barrels. In order to cater to the growing demand, Funadhoo terminal's berthing capacity was expanded to discharge vessels up to 30,000 DWT. Additionally, to ensure better accessibility, fuel sheds were opening in GDh. Thinadhoo and Gn. Fuvahmulah.

These investments carried out by the Group in fuel segment is large, but the strategic importance and benefits to the Country is even larger. With these investments, the Group has reduced the country's vulnerability to fuel shortages and frequent price fluctuations.

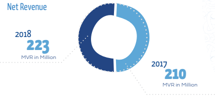
Gas

Industry leader in gas supply solutions including medical gases

Portfolio



Performance



Revenue increased by

6% compared to 2017

Better strategic planning and sustainable development strategies enabled the Group to increase revenue by 6% compared to 2017.

Strategic focus and developments

With more than 300 agents located strategically across the nation, the Group ensures all inhabited islands and resorts are continuously supplied with LPG, industrial and medical gases.

During the year, the Group established 99% purity level oxygen plant which eliminated the need of relying on imports. This also facilitated the Group to provide clean oxygen at reduced costs.

STO Group ensured fast and reliable service to customers by establishing digital ordering and payment services. Also, affordability of products and services were exercised by providing price reductions from 10 kg cylinders exclusively for Ramadan.

Insurance

We've got you covered!

Portfolio

Performance

Net Revenue

2018
245
MVR in Million

2017
237
MVR in Million

Revenue increased by

3% compared to 2017

By leveraging the expertise and innovative technology to provide dynamic and customized solutions, the Group expedited a higher net revenue from insurance.

Strategic developments

The initiative to modernize technology empowered STO Group to establish Maldives 1st artificial intelligence insurance service, Agent 1600. This enabled the customers to make queries and generate immediate response without having to wait for a customer service staff to respond. Travelling experience was enhanced for customers by introducing travel insurance and establishing travelling insurance website. In addition, exclusive online portal for health insurance customers "My Allied" was established.

STO Group is eager to develop the Country's agriculture sector by empowering farmers. Hence, to promote and increase crop insurance awareness, the Group collaborated with Ministry of Fisheries, Marine Resources and Agriculture to conduct information sessions.

Fisheries

Leader of Maldives Fisherman

Portfolio

Performance

Net Revenue

Revenue increased by

3% compared to 2017

With the focus on long term sustainability, production facilities were expanded. This enabled the Group to increase net revenue from Fisheries segment.

Strategic developments

To cater to growing demands of the fishing industry, the Group expanded Felivaru Fisheries Complex (FFC) with increased capacity. Additional production capacity from the FFC facilitated to increase the export of canned tuna. In order to strengthen the product portfolio, tuna pouches were introduced to the market.

The Group also invested in establishing Addu Fisheries Complex, which will be built with a cold storage of 1500 metric tons to store the fish bought from fisherman and have the capacity to store ice, diesel and fresh water. The establishment of Addu Fisheries complex is expected to increase exports, expand production capacity and also create significant number of jobs for the islanders.

The Group envisions to contribute to the fishing industry by building the relationship with fishing communities. Hence, sponsorships were provided to local fishing communities and the Group collaborated with Gemanafushi Fishermen's association to train youth to pole and line fishing.

2
Financial Review

Financial Review

During the year under review the Group strengthened its competitive position in the market in order to improve the financial performance of major segments. Despite of an improvement in financial performance of the key business segments, the Group faced some unexpected challenges in the macro environment and financial reporting compliance requirements.

Fuel segment remains the key contributor for the financial performance followed by insurance and trading segments. These segments contributed for a significant increase in revenue and margin. However, the fisheries segment posted a gross loss as a result of fall in international prices of frozen tuna. In addition, the overall cost of the Group was escalated due to the increase in operating costs incurred by the fisheries segment and the provisioning impact from the expected credit loss model which was prescribed by the reporting requirement.

Revenue

The financial year 2018 had been a remarkable year in terms of revenue for STO Group. The growth momentum that was seen last year continued through 2018, achieving a net revenue of MVR 10.9 billion.

Achieved a net revenue of **10.9** Billions in MVR

	2018	2017	2016	2015	2014
Revenue	10,873	9,100	6,939	7,313	9,171

Revenue growth **1.8** Billions in MVR compared to 2017.

Revenue growth was seen across all segments under the umbrella of the Group, increasing net revenue by MVR 1.8 billion compared to 2017. The most prominent growth was seen in fuel segment as the increase in international oil prices increased average selling prices. Additionally, the expansion of oil storage facilities enabled to acquire new private customers steering volume growth.

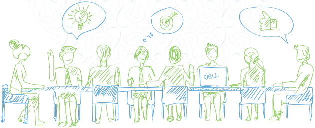
Gross Profit

2018 **1,509** Million in MVR

2017 **1,435** Million in MVR

In 2018, STO Group mainly focused on expanding customer base by maintaining a sustainable gross profit. Gross Profit increased marginally due to growth in sales volume. Another notable contributor for the growth in gross profit was the improved efficiencies in sourcing and reduced freight cost through utilization of own vessels.

Regardless of the substantial improvement in revenue, the gross profit improved only by 5% compared to previous year. The international prices of frozen tuna showed a declining trend which generated a gross loss for the fisheries segment. However, the gross loss was covered by the increase in gross profit from other segments of the Group.



Operating Profit

2018
247
Million in MVR

2017
315
Million in MVR

Fuel and Insurance segment contributed to a significant growth in operating profit. However, the operating costs of fisheries segment in the absence of gross profit and the provisioning impact of MVR 66 million from the application of expected credit loss model for the impairment of receivables reduced the total operating profit compared to 2017.

Profit before tax and Earnings per share

Profit before tax

2018
80
Before impairment of investment in Hulhumale hotel - In millions MVR

2017
211
Million in MVR

Earnings per Share

2018
25
MVR
Unadjusted for Hulhumale' hotel impairment

2017
137
MVR

Net finance cost

2018
178
Million in MVR

2017
116
Million in MVR

The sharp increase in receivables from government owned companies including utility companies created the biggest challenge for the Group and therefore, payments to creditors had to be delayed by incurring additional delay charges for the extended period. As a result, the net finance cost of the Group was escalated by MVR 62 million compared to 2017.

Hulhumale' Hotel Impairment

The Group was committed to focus on core business segments, therefore initiated the process to divest the Hulhumale' hotel which is under construction. Due to delays in construction of the hotel and based on the offers received from prospective investors, the Group decided to value the cost of the property to its fair value to reflect the most appropriate market value. Hence, an amount of MVR 210 million was recognized as impairment loss which had a negative impact on the bottom line of STO Group.

Cash flow

Cash flows generated from operating activities fell into negative territory mainly due to the fundamental change in working capital structure of the Group. During the year, the Group refinanced the supplier credit with a working capital loan from an international bank at a lower interest rate. As a result, the supplier credits were repaid by utilizing the fund inflows from the bank which was accounted under financing activities. In addition to this, the overall increase in gross receivables further deteriorated the cash flows from the operating activities.

The net cash outflow from investing activities was MVR 388 million. This is a significant amount spent on the capital projects of the Group, which is expected to yield higher returns in the future. The Group has completed one of its auspicious project of expansion of fuel storage, which is the main contributor for cash outflow from investing activities.

Financial Position

The STO Group continued to focus on maintaining a sound asset base and eliminate idle assets for a sustainable future. Hence, in 2018 the Group impaired its Hulhumale' hotel to reflect the fair value of the asset. Further, the application of expected credit loss model increased the total impairment by MVR 328 million and reduced the total receivable of the Group. These impairments had a negative impact on the assets and thus the Group's total assets reduced to MVR 7,697 million compared to MVR 7,738 million in 2017.

The net loss incurred by the Group in 2018 mainly due to the loss incurred by MIFCO, impairment of investment property and the application of expected credit loss model in the transitional period deteriorated total equity and reduced it to MVR 2,035 million compared to MVR 2,518 million in 2017.

The total liabilities of the Group increased from MVR 5,220 million in 2017 to MVR 5,661 in 2018, mainly due to increase in loan and borrowings as a result of increase in international oil prices and growth in fuel volume which triggered a higher amount of payables for oil bills.

2019 Outlook

Despite the environmental challenges, the future seems very promising for the STO Group. The revenue is expected to grow at a steady rate in all reportable segments of the Group in 2019. The fuel segment is expected to generate higher revenue and volume growth due to expansion in storage facilities and increase in market share. As the Group is focusing on operations that are more feasible and leveraging expertise on sound strategies, the Group expects to expedite performance in all segments .

Group key figures

In MVR (Millions)

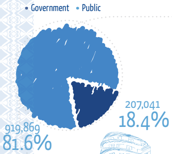
	2018	2017
Revenue	10,873	9,100
Gross Profit	1,509	1,435
Operating Profit	247	315
Profit before tax**	80	211
Profit/Loss for the year **	30	159
Earnings/Loss per share, MVR **	25	137
Net assets per share, MVR	1,807	2,234
Net cash flow from operating activities	(218)	290
Return on Equity, %	(7.9)	6
Net Debt/Equity ratio	2.6	1.9
Dividend per share, MVR *	58	55
Interest cover ratio	1.2	2.3

* Proposed dividend for 2018

** Unadjusted for Hulhumale' Hotel impairment for 2018

3
Share Performance

Share Performance



Total issued shares

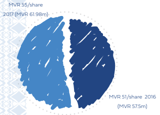
1,126,910

Nominal value of shares

MVR50

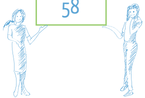
No single party other than Government holds more than **5%** shares

Dividend



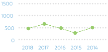
Proposed Dividend MVR/share 2018

58

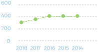


Trading statistics

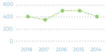
Highest trade price



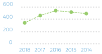
Lowest trade price



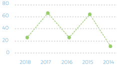
Last trade price



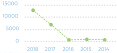
Weighted Average Trading Price



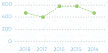
Number of trades

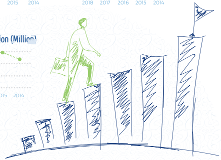


Number of shares traded



Market Capitalization (Million)





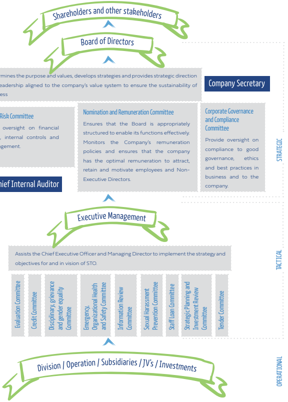
4
Corporate Governance Report

Our business practices are conducted in good faith, in the interest of the Group and all our stakeholders, with due observance on the principles of good corporate governance.

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

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

4.1. Corporate Governance Framework



4.2. Board of Directors

a. Husen Amru Mohamed Rashad
CEO & MD

b. Mohamed Mihad
Executive Director / Chief Financial Officer

c. Amir Mansoor
Non-Executive / Independent Director

d. Mariyam Zaahiya
Non-Executive / Independent Director

e. Aishath Fazeena
Non-Executive / Independent Director

a.Husen Amru Mohamed Rashad
Managing Director

Husen Amru Mohamed Rashad was appointed as the Chief Executive Officer and Managing Director of the Company on 30th November 2018.

He currently serves at the Board of various STO Group Companies, including the Chairmanship of Maldives Industrial Fisheries Company Ltd and Lafarge Maldives Cement Pvt Ltd. He is also a Board of Director of Addu International Airport Pvt Ltd representing STO shareholdings in the Company.

Husen Amru Mohamed Rashad has held the position of Chief Executive Officer of Maldives Transport and Contracting Company plc from September 2010 till February 2012. In addition to that he has served the Government in positions such as Deputy Under-Secretary of Economic Development Unit at the President's Office and was a member of Privatization Committee formed by President's Decree in 2018.

He has also had various key positions in the field of Politics, as the Chairperson of 100 days Committee during the transition period of presidential election in 2018 and played a major role in development of the 100 days action plan for the first 100 days of the current Government. He is currently a member of National Council and Economic Committee of the Ruling Party of Maldives. Furthermore, he is a successful entrepreneur.

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

b.Mohamed Mihad
Executive Board Director / Chief Financial Officer

Mohamed Mihad joined STO in 2009 as an accountant, continuing onto gaining experience and knowledge in the field of finance and audit, resulting in the designation of the post of Chief Financial Officer of the Company. He was appointed to the Board of Directors as an Executive Director on 28th March 2016.

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

Mihad is a member of the Chartered Institute of Management Accountants. He was the Chairman to the Board of Fuel Supplies Maldives Pvt Ltd and currently is a Director at Maldives Industrial Fisheries Company Ltd.

c.Amir Mansoor
Non-Executive, Independent Director

Amir Mansoor was initially appointed to the Board as an Independent, Non-Executive director in May 2012, by the majority shareholder (Government).

Amir is a well-known business figure who has founded and performed in various large companies. He is currently the Chairman of Carpediem Maldives Pvt. Ltd., the Managing Director of Lily International Pvt. Ltd. and also the Managing Director (owner) of Grape Expectation Pvt. Ltd. He has been in various business industries for over 25 years and is well versed with the past and present business norms.

He is particularly interested in the Enterprise Risk Management and is completing an international training to become a Qualified Risk Director. He too holds an Executive Diploma in Directorship from Singapore Management University, Singapore. He has a Master of business from Tarlac State University, Philippines.

d.Mariyam Zaahiya
Non-Executive / Independent Director

Mariyam Zaahiya is an Independent, Non-Executive director of State Trading Organization (STO) and was appointed to the Board on 23rd January 2018.

She is an Assistant Director General at the President's Office. Currently, she is undertaking an assignment to incorporate public centric approaches to those services provided by the government and those considered as public service. Prior to this assignment, her main tasks revolve around monetary and fiscal policy, budget control and creating synergies to enhance the economic development of the country as whole. Although Zaahiya started her career at the President's Office from the very entry level, and has managed to be part of the executive branch for the most part of her career, she also has proved that she can work at other avenues by heading the Research and Monitoring Department of the Human Rights Commission during the very start of the democratic movement in the country. Prior to being appointed as a Board Member of STO, she also has worked as a

Board Member of Velana International Airport.

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

e.Aishath Fazeena
Non-Executive / Independent Director

Aishath Fazeena is an Independent, Non-Executive director of State Trading Organization (STO), appointed to the Board at the 2017 Annual General Meeting, by public shareholders of the Company.

Currently, she is an associate lecturer at Maldives National University (Business School). Other than STO, Fazeena is a Board Director of Maldives Tourism Development Corporation plc as well. She also performs audit and consultancy services. Previously, she worked in the Ministry of Education as a project manager and as a lecturer at Villa College.

She is an ACCA Affiliate member of the Association of Chartered Certified Accountants (ACCA) and holds a Bachelor's in Science Honours in Applied Accounting from Oxford Brooks University. She has also completed the Directors Training of Capital Market Development Authority and has an Executive Certificate in Directorship from the Singapore Management University / Singapore Institute of Directors.

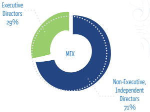
4.3. Board charter

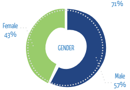
The Board Charter was most recently amended by the Board on December 2016. This Charter provides guidelines for Directors on their responsibilities, authorities, composition, meetings, appointment, training, evaluation and disclosure.

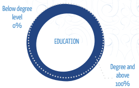
The roles and responsibilities of Board include;

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

This information is updated until 30th December 2018.







4.4. Board composition

In Accordance with the Company's Articles of Association (AOA), the Board comprises of 7 members appointed by the shareholders at the Annual General Meeting for a term of one year. Of these 7 members, 5 are non-executive members and 2 are executive officers of the Company, which include the Managing Director.

However, following the recent changes to the Board of Directors in late 2018 and early 2019, currently there are 5 members in the Board. This include of 3 non-executive directors and 2 executive officers.

Below table indicates the changes that came to the Board of Directors;

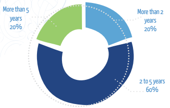
This information is provided until 30th March 2019.

Name	Date of initial appointment	Date of last appointment	Resignation / Removed date
Hussain Salim Mohamed	06.12.2016	30.05.2018	Resigned 21.01.2019
Ahmed Shaheer	25.12.2013	30.05.2018	Resigned 15.11.2018
Husen Amru Mohamed Rashad	30.11.2018	30.11.2018	
Mohamed Mihad	28.03.2016	30.05.2018	
Amir Mansoor	07.05.2012	30.05.2018	
Aishath Rafiyya	21.08.2014	30.05.2018	06.02.2019
Aishath Rayaheen Shareef	28.03.2016	30.05.2017	23.01.2018
Mariyam Zaahiya	23.01.2018	30.05.2018	
Mohamed Farshath	14.06.2012	30.05.2017	30.05.2018
Aishath Fazeena	30.05.2018	30.05.2018	

4.5. Tenure

Board Director Amir Mansoor is currently fulfilling his seventh year in Board Directorship. Furthermore, the Board acknowledges that at least one third of the Board had retired or changed in every 2 years during the past 5 years.

Below graph indicates the tenure of existing members in the Board.



4.6. Diversity

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

STO Board comprises of a mix of all such merits, in terms of age, gender, experience and knowledge. In 2018, the Board had 4 male directors and 3 female directors. As of today, the Board has 3 male directors and 2 female directors.

4.7. Independence

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

The AOA further indicates that majority of the Board shall be independent of the Company. The independence of these members is determined upon the criterion's described in the Code of CMDA, where neither a Director nor his or her immediate family members during the past year has held a key position in the Company and the director or none of their immediate family members have had any substantial finance dealings with the Company. Considering these factors, all non-executive members of the Board were considered to be independent in the past year.

4.8. Process of re-election and appointment of new directors

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

The selection process explained;

- Both the majority shareholder (the Government) and the minority shareholders are given 21 days of notice to submit their candidates/interest
- The nominees for public share representatives are then evaluated according to the Board Candidacy Guideline. The prime purpose of this evaluation is to identify the skills, knowledge and experience of the candidates and to see how it would strengthen the existing Board
- Nomination and Remuneration Committee also meets with the short-listed candidates to assess and to further evaluate the candidate
- Nomination and Remuneration Committee recommends the candidates who meets the required criteria to Board
- The majority shareholder makes appointments to the Board through Privatization and Corporatization Board. However, the Board Candidacy guideline and the Fit and Proper Guidelines of CMDA are passed to them, requesting to consider, when making their appointments
- Directors are then elected and appointed [illegible] another term, at the Annual General Meeting

In 2018, 3 candidates from the public shareholders submitted their names for directorship. One of the candidates withdrew before the interview process while the other two candidates were interviewed by the Nomination and Remuneration Committee. After considering the interview results and other information, the Committee recommended Aishath Fazeena, for election at the Annual General Meeting. The Committee came to this conclusion after considering board diversity, experience and other several factors given in Candidacy Guideline.

Aishath Fazeena was elected at the Annual General Meeting by a vote of shareholders.

4.9. Board induction and continuing education

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

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

In 2018, Directors attended a total of 5 different training programs conducted abroad. These trainings focused on areas such as corporate risk management, corporate governance, leadership and corporate finance.

4.10. Chairman and Managing Director

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

In 2018, the Chairman of the Board was Hussain Salim Mohamed while the Managing Directors role was performed by Ahmed Shaheer, up until 15th November 2018. Husen Amru Mohamed Rashad was appointed as the Managing Director on 30th November 2018.

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

The Chairman is the leader of the Board. He;

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

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

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

4.11. Role of the non-executive directors

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

For this to happen, the board and in particular the non-executive directors, must be kept well informed of the Group's businesses and be knowledgeable about the industries the Group operate in. To ensure this, non-executive directors are well supported by timely information.

The Board has also adopted processes to ensure that non-executive directors have sufficient time and resources to perform their functions effectively. The roles and responsibilities of non-executive directors are also described in the Directors Charter.

4.12. Other directorships held

No director has held directorship in more than three public listed companies, over the year. However, some of the directors do practice membership on the Boards of STO Group companies, private companies and non-profit organizations. Despite this, all Directors devoted enough time and efforts to their duties as board members of the Company. Details on other directorships held by the directors are provided in their profiles.

4.13. Board evaluation

Board continuously monitors and reviews the board performance and evaluation framework. Board has laid down a set of evaluation criteria for the performance review of chairman, executive, non-executive, independent directors, the company, the board, its committees and the company secretary. This evaluation is carried out through an online questionnaire. This process enables to review the functioning and effectiveness of the Company and the Board while also identifying possible paths for improvement. The questionnaire includes on board dynamics and relationship with stakeholders, company performance and strategy, information flow, decision-making of the directors, and the effectiveness of the whole board and its various committees. The evaluation for the year 2018 was completed in March 2019 and areas for improvement were identified. The Board is currently in the process of formulating a new set of guidelines and a questionnaire for board evaluation in future.

4.14. Director remuneration

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

4.15. Conflict of interest and materially significant related party transactions

The Company has a Board approved Conflict of Interest Policy for the Directors. As part of this process, the Directors must disclose any company, association or other affiliation where he/she and his/her immediate family members hold a significant interest. This information is reviewed and tallied by the Registrar of Companies to confirm the information provided. All known substantial or material third party transactions, monetary transactions or relationships between the Company and its Directors, the Management, subsidiaries or relatives have been disclosed in the note 159 to 161 of audited financials.

4.16. Board meetings

The Board of Directors held 22 board meetings during the year. In addition to this, the Committees' altogether, held 20 meetings. The Company Secretary draft the agenda for each meeting in consultation with the Chairman and MD. The Directors are given notice as per the Articles of Association and are authorized to suggest the inclusion of additional items in the agenda, where necessary.

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

Name of Director	Attendance at the last Annual General Meeting held on May 30, 2018	Number of meeting attended / Number of meetings held
Hussain Salim Mohamed	Present	21/22
Ahmed Shaheer	Present	20/22*
Husen Amru Mohamed Rashad	n/a	02/22**
Mohamed Mihad	Present	22/22
Amir Mansoor	Present	22/22
Dr. Aishath Rafiyya	Present	22/22
Aishath Rayaheen Shareef	n/a	01/22***
Mariyam Zaahiya	Present	19/22****
Mohamed Farshath	Present	11/22
Aishath Fazeena	n/a	11/22

(*) Ahmed Shaheer resigned on 15.11.2018. (**) Husen Amru Mohamed Rashad was appointed on 30.11.2018. (***) Aishath Rayaheen Shareef was removed from Board on 23.01.2018. (****) Mariyam Zaahiya was appointed on 23.01.2018.

4.17. Board proceeds and major decisions

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

Board agenda and papers are provided well in advance of the meeting via Boardpaq. Boardpaq is an international software, that is cost-effective, paperless and centralizes all board documents and information. This application also makes it easier to provide additional material or information requested by the directors, promptly.

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

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

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

Some of the major decisions taken during the year include;

- Approved changes to the articles of association for submission to annual general meeting
- Approved company's credit exposure limits Changes were made to credit policy, incentive policy and bonus policy
- A MVR100m payment fund was approved to MIFCO
- Approved to develop STO Training centre
- Approved to dismiss some of the subsidiaries based on their performance and overall Group sustainability

4.18. Non-executive directors meeting

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

4.19. Committees

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

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

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

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

4.20. Good governance, policies, procedures and guidelines

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

STO first established its governance guideline in 2006. Thereon, the Company has reviewed and made changes to it, considering the various amendments brought to the relevant legislations and the international codes. The Company further established its first Code for the Group in 2014.

STO has in place, policies and procedures to govern its subsidiary companies and major commercial activities, a manual for board directors and a code of ethics for directors. Furthermore, STO has timely reviewed the board and its committee charters and corporate governance guidelines. STO also, has in effect a guideline on holding annual general meetings and preparation of annual reports for its Group Companies. These policies, procedures and guidelines are believed to provide the Group with guidance and emphasize the importance of proper governance within the companies.

In 2018, the guideline on trading in Company Securities was revised.

4.21. Company secretary

All directors have access to the services and advice of the Company Secretary. The Company Secretary supports the Board as a whole, and directors individually, by providing guidance as to how to fulfil their responsibilities as directors in the best interests of the Company. The Company Secretary regularly refreshes her knowledge of developments in corporate governance best practice and regulation.

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

4.22. Management review and responsibility

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

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

The operations of the Company are divided into Peoples Choice, Medical Services and Fuel, Logistics & Construction. These businesses are catered in Male' and in many of the Atolls, while the Company has its presence though it's pharmacies in every inhabited island. These business areas are supported by a finance, human resources, administration, procurement, and information communications & technology. Apart from these, STO has in place an internal audit, risk management, managing director's bureau and a secretariat and legal department.

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

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

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

The Managing Director, the Chief Financial Officer and the Head of Managing Directors Bureau, which also includes the public relations unit, represent the Company in interactions with investors, the media and the Government. The individual Executives and Head of Human Resources and Administration interact with employees while individual Executives deal with their clients.

4.23. Group management

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

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

Currently there are 7 subsidiaries of STO; where STO hold more than 90% of shares. STO also has 1 Joint Venture Company and holds associate shares in 4 other Companies.

Details of STO Shares held in these Companies as required by the CDOI Regulations 2010 is provided on page 170.

4.24. Internal Audit

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

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

4.25. External Audit

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

The shareholders re-elected KPMG as the external auditors for 2018. The Auditors provide an audit opinion regarding STO and the consolidated financial statements of STO Group. The Audit was conducted in accordance with International Standards on Auditing. These standards ensure that the auditors comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financials statements are free from material misstatement.

4.26. Internal controls

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

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

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

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

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

All entities within STO Group are required to maintain adequate controls. Monitoring and testing of control activities is performed periodically to ensure the adequacy of these controls and to ensure that the risks are properly mitigated. The effectiveness of control activities level is monitored by the Internal Audit and Risk Department at Group level, business areas level, functional level and process level, which is reported to the Audit and Risk Committee and the Management. Controls that have failed are re-mediated, by establishing and implementing actions to correct the weaknesses.

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

4.27. Risk management

The Company has an integrated approach to managing risks inherent in various aspects of the business. The Risk Management Report forms part of this Annual Report on page 50.

4.28. Shares and shareholders

STO's shares are listed at the Maldives Stock Exchange (MSE). At year-end 2018, STO had 4045 active shareholders in the shareholder register and of the total share capital, 83.6% was owned by the Government of Maldives while the rest of the 18.3% was owned by the General Public.

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

4.29. Voting rights

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

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

4.30. Communication with shareholders

The quarterly report, along with additional information and official news releases, are posted on the Company's website www.sto.mv. The proceedings of the Annual General Meeting and the voting rights are also stated in the Company's website.

In addition to this, the Company has set up a communication facility for the shareholders through the website http://sto.mv/Investor_Relations.aspx. All complaints or messages received through this facility is delivered directly to the Chairman and the Company Secretary. The Chairman then submits to and recommends for actions at the earliest Board meeting.

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

4.31. Certification of financials

The Board has reviewed and approved the financial results of the Company. In presenting these results, the Board has aimed to provide shareholders with a balanced and clear assessment of the Group's position and prospects.

As required by the Code of CMDA, the MD and CFO certifications on the financials are provided with this report. The Board, to the best of their knowledge confirms that the financial statements for the period from 1st January 2018 to 31st December 2018 has been prepared in accordance with applicable accounting standards and gives a true and fair view of the Group and the Company's consolidated and separate assets, liabilities, financial position and results of operations.

4.32. Prevention of insider trading

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

4.33. System for raising concern

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

In 2019, the Company has also put in place a "raise your concern "facility that is directly passed to our Managing Director.

4.34. Annual General Meeting

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

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

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

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

The 2017 Annual General Meeting was held at Dharubaaruge on May 30, 2018; 12 shareholders presenting a total of 82.40% of the share capital were represented at the Annual General Meeting.

Major decisions made at the Annual General Meeting 2017 include;

- Dividend payment of MVR55.00 per share
- Election of Directors to Board
- Approval of Annual Report and Balance Sheet
- Appointment of KPMG as External Auditors for a fee of USD 48,230.00

The next Annual General Meeting of STO will be held on May 16, 2019 at Dharubaaruge, Male' City, Maldives.

4.35. Remote e-voting and ballot voting at the annual general meeting

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

4.36. Dividend

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

In accordance with the dividend policy of the Company, the Board has declared MVR 58 per share for shareholder's approval in the upcoming Annual General meeting 2018.

4.37. Details of non-compliance

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

4.38. Going concern declaration and future outlook

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

On behalf of the Board of Directors:

Amir Mansoor
Chairman of Audit and Risk Committee

Husen Amru Mohamed Rashad
CEO & Managing Director

Audit and Risk Committee Report

The Audit and Risk Committee functioned as separate committees at the beginning of the year until June 2018.

Therefore, for reporting purposes, we have separated the attendance to Audit and Risk Committees, prior to and after June 2018.

Audit Committee (until June 2018)

Name of Director	Attended meetings	Remarks
Amir Mansoor (Chairman)	3/4	
Mohamed Farshath	4/4	Resigned from Board on 30.05.2018.
Aishath Rayaheen Shareef	1/1	Removed from Board on 23.01.2018
Mariyam Zaahiya	3/3	Appointed to Board on 23.01.2018.

Risk Committee (until June 2018)

Name of Director	Attended meetings
Aishath Rafiyya (Chairperson)	3/3
Amir Mansoor	2/3
Mariyam Zaahiya	1/3

Audit and Risk Committee (after June 2018)

Name of Director	Attended meetings
Amir Mansoor (Chairman)	4/4
Aishath Rafiyya	4/4
Aishath Rayaheen Shareef	4/4
Mariyam Zaahiya	4/4

The Audit and Risk Committee held 11 meetings during 2018.

The Committee assists the Board in overseeing the quality and integrity of the accounting, reporting, information dissemination, internal control practices and the management of key risks as well as the frameworks, guidelines, policies and processes for identifying, monitoring and mitigating risks of the Company. The Committee also ensures compliance with legal and regulatory requirements, the qualifications, performance and independence of the external auditor and the performance of the internal audit function.

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

Key Duties

- Monitoring the integrity of the annual and interim financial statements, accompanying reports to shareholders and corporate governance statements
- Reviewing and monitoring the effectiveness of the Company's internal controls to ensure that adequate measures are taken to safeguard Company's assets
- Overseeing the Company's relations with the external auditors
- Making recommendation to board on the appointment, retention and removal of the external auditors
- Ensure the independence and credentials of independent auditors
- Review performance of the internal audit function and independent auditors
- Approving the internal audit plan and reviewing regular reports on effectiveness of the internal control systems
- Ensuring compliance to statutory requirements and ethical standards
- Reviewing and discussing with management the Company's risk governance structure, risk assessment and risk management practices and the frameworks, guidelines, policies and processes for risk assessment and risk management
- Monitoring risk management policy implementation in the Group
- Reviewing disclosure regarding risk contained in the Company's Annual Report
- Review reports on selected risk topics as the committee deems appropriate from time to time

Major Activities of 2018

- Discussed and agreed to deadlines for implementation with management, on the issues identified by the external auditors during interim audit
- Discussed and agreed deadline with Group Company management, on issues identified in the management letters of Group Companies
- Discussed in detail on the internal audit and risk reports issued by Chief Internal Auditor and the Chief Risk Officer
- Presented, discussed and where required investigated further or took appropriate action on the issues identified through whistle-blow messages received
- Presented and discussed on the External Auditors Report presented to Audit Committee
- Committee discussed and submitted their recommendations on appointment of external auditors for the year 2019
- Discussed the Budget for 2019

Conclusion

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

On behalf of the Audit and Risk Committee,

Amir Mansoor

Chairman

Risk Report

In terms of attaining the set objectives, STO Group faces varied risks which could affect the Group's ability to create value, preserve assets, business reputation, and goodwill. The Board is committed to effective risk management and recognizes that management of business risk is crucial to continued growth and success. Risk and its identification, assessment, management, and mitigation are fundamental to the Group's business. Risk management is an essential element of our corporate governance and strategy development. With the thought that Risk management is an integral part of the overall management process, Risk management is viewed by the Board as both a set of vital policies and procedures to protect the Group from existing risks, and, as a means of ensuring that the future risks and uncertainties are properly prepared for, as far as practical. Overall Board policy for risk management is communicated to the Management of the Group for implementation through formal Risk Management Policy of the Board.

Risk management policy and framework

The Group continued to review its approach to risk management to ensure that the focus is aligned with the changing needs of the business and that processes and standards follow good international practices. The risk management policy and framework are in line with these 31000:2009 Risk Management – Guideline and provide reasonable assurance that business objectives can be achieved and our obligation to customers, shareholders, employees, and society can be met. The policy and framework outline the principles, governance, roles and responsibilities, and approach within a coherent framework that addresses and prioritizes risks that are material and relevant to the Group's corporate goals. It also provides clarity on risk appetite, with the boundaries that determine the tolerance level in the key objective areas and type of risk such as strategic, operational and financial and compliance. And to further strengthen the existent internal controls, work is being carried forth to further develop the Group risk management framework with the guidance provided by the COSO – Enterprise Risk Management Integrated framework. The Risk Management Department support our comprehensive Group risk management processes and facilitate risk workshops. The Chief Risk Officer reviews our risk management process and ensures compliance with the relevant standards. Major business risks are identified and assessed, including appropriate controls measures and implementation of mitigating measures through risk registers, which are subsequently monitored and reviewed by the Risk Management Committee and the Board.

Risk management in 2018

The Group's Risk Management process underpins the successful execution of its strategy and planning for the future. During 2018, 11 department-level Risk Management workshops were held, which includes workshops to review the previously issued reports by departments as well. In addition to the departmental level Risk Management workshops, several project related workshops were held. Through these workshops, over 350 unique risk scenarios were identified, which were prioritized by Risk Champions and Departmental teams. The outcomes of all the risk analyses are included in risk registers. Our initial focus is on the major risks that may impact the achievement of our business objectives over the next three to five years, and beyond. As such, 148 risks were assessed and classified as major risks to the Group. Our risks are classified into eight categories that could threaten the business model and include the sustainability, future performance, solvency or liquidity of the Group. These major risks are related to its strategy, its financial, operational, market, and physical security, cyber security, political challenges,

as well as compliance and control risks. Many of the described risks could have a positive or negative impact on the Group.

A risk aware culture

The board recognizes the cultivation of a risk aware culture in the Group as a vital component to effective risk management. It is important that the Group harnesses and establishes a foundation of values, knowledge, beliefs, understanding and communication of the risks associated to the Group's ability to achieve its objectives. For the purpose of cultivating a risk aware culture in the Group, in-house trainings were conducted for the risk champions on a Group wide basis. And to further broaden the scope of knowledge of the board in risk management, trainings were held for the board in association with leading risk practitioners. The risk management department has plans to further contribute to the creation of a risk aware culture through various other means in an all-inclusive view.

Financial risks

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

Operational risks and management systems

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

Market and supply risks

As a diverse trading company, STO's business is increasingly concerned about the impact of volatility, intensified competition and international market developments. The Group is exposed to fluctuations in the price of commodities and products including fuel, gas, and consumables and related risks such as interest rates, currency rates, insurance costs, and freight rates. The Company minimizes these risks by monitoring fluctuations and where appropriate, by entering into long-term supply arrangements. The ownership of an own fuel tanker provides a partial cushion against increases in fuel freight costs. The Company continually evaluates its supplier base, logistics, and supply chain while implementing improvements on service development, system, team members, and process improvements

Political challenges

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

with key stakeholders, both in the country and in each region.

Physical security

In common with all other establishments, the business is open to physical calamities, such as natural disasters, fires, storms, and accidents. It is also at risk of hostile acts, such as terrorism or piracy, which could harm our employees, disrupt our operations, and destroy our assets. Hence, the Company monitors emerging threats and vulnerabilities to manage its physical security. Physical security threats tend to vary geographically and by type of business. Considering the diversity of the Group's business activities, the risk of physical security is abundant by nature.

The emergency health and safety

Committee, together with the relevant departments of STO provide guidance and support for conduct assurance with respect to the management of security risks affecting the people and operations. The Company also maintains disaster recovery, crisis, and business continuity management plans in the subsidiaries.

Cyber security

The threats to the security of the Group's digital infrastructure continue to evolve and, like many other global organizations, its reliance on computers and network technology is increasing. Cyber risk appears in many forms, all of which can represent major threats to the business. A cyber security breach could have significant impact on business operation. STO seeks to manage this risk by adhering to cyber security's best standards, ongoing monitoring of threats, close cooperation with authorities, and employee awareness initiatives throughout the Group. The Company also maintains ICT disaster recovery management plans.

Compliance and control risks

Ethical misconduct and legal or regulatory non-compliance or breaches of applicable laws or regulations could damage the Company's reputation and adversely affect operational results and shareholder value. Compliance is assured by the Company's effective legal team. The Company keeps abreast of new regulations and legislation and plans adequate responses to them. Special attention is paid to risks within Corporate Governance. Various policies and procedures have been adopted with defined authority for effective compliance and controls such as the Fraud Response Policy, Whistle-blower Policy, and Group Companies Code of Conduct. Further, employees are provided with a range of compliance training and monitoring programs. STO Group is open to feedback and listens to its employees, contractors, and other stakeholders closely.

Corporate Governance and Compliance Committee Report

Name of Director	Attended meetings	Remarks
Mariyam Zaahiya (Chairperson till Sep 2018)	4/4	
Aishath Fazeena (Chairperson from Sep 2018)	2/2	Appointed on 30.05.2018
Aishath Rafiyya	4/4	
Mohamed Farshath	2/2	Resigned on 30.05.2018

The Committee comprised of 3 non-executive, independent directors. Corporate Governance and Compliance Committee held 4 meeting during the year.

The Committee composition was changed in September 2018 and Aishath Fazeena was appointed as the chairperson.

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

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

Key duties

Undertaking an annual review of corporate governance issues and practices for the Company and make recommendations for improvements where necessary

- Advising the Board or any of its committees on corporate governance issues
- Developing and implementing an orientation and educational program for new recruits to the Board
- Developing a process for assessing the effectiveness of the Company, Board, individual Directors and its committees and ensure that the Board conducts these evaluations annually
- Ensuring that an appropriate code of ethics is established and reviewed necessarily for the Company
- Ensuring that appropriate methods are being established for the stakeholders to submit their recommendations and inquiries to the necessary established regulatory bodies in the Company

Main activities of 2018

Reviewed Committee Charter

- Reviewed subsidiaries compliance to Code of Conduct
- Recommended bearer of "Excellence in Governance" award for the year 2017 to Board
- Reviewed and evaluated the subsidiary Board's, its Chairmen, MD's, individual directors, Company Secretary, Committees and the Company's financial performance. Results were submitted to Board and further discussed. Recommendations were given to subsidiaries, considering the findings and some changes were also brought to the members of the Boards

Conclusion

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

On behalf of the Corporate Governance and Compliance Committee;

Aishath Fazeena

Chairperson

Nomination and Remuneration Committee Report

Name of Director	Attended meetings	Remarks
Mohamed Farshath (Chairman until 30.05.2018)	04/04	Resigned 30.05.2018
Aishath Rafiyya (Chairperson after Sep 2018)	04/04	
Amir Mansoor	04/04	
Aishath Fazeena	No meetings held after appointment	Appointed 30.05.2018

The Committee comprised of 3 non-executive, independent directors. Nomination and Remuneration Committee held 4 meetings during the year. Dr. Aishath Rafiyya was appointed as the Committee chairperson in September 2018. In February 2019, Mariyam Zaahiya was appointed as the Chairperson of the Committee.

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

Key duties

- Developing policies on employee remuneration and fixing the structure and the amount of remuneration packages of individual directors and key employees of the Company
- Approving the design of and determining targets for any performance related pay schemes
- Determining the policy for and scope of pension arrangements for the Company as required by law
- Oversee any major changes in employee benefit structures throughout the Company
- Regularly review the structure, size and composition (including the skills, knowledge experience and diversity) of the board and make recommendations to the board and shareholders regarding any changes
- Be responsible for identifying and nominating appropriate candidates for the approval of the Board

Major activities of 2018

- Reviewed Committee Charter
- Reviewed the adequacy of the composition of the Board in terms of number of members, qualification, diversity and experience. The Committee found the composition of the Board, adequate for functioning
- Evaluated, interviewed and made recommendations on public directorship candidates to Board
- Reviewed Board evaluation form

Gender diversity

Board works toward and believes in the importance of gender diversity, in board and company. As such, STO board has 2 female directors and majority of administrative and support staff in the company are female.

Conclusion

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

On behalf of the Nomination & Remuneration Committee

Mariyam Zaahiya
Chairperson

Remuneration Report

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

Our remuneration objectives

Taking Care of our employees

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

Pay-for-performance

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

Gender Diversity and Equality

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

Training and developing talent

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

The remuneration policies for employees and board directors are separately stated in this Policy.

Employee remuneration and other incentives

The employee remuneration principles include;

- A systematic role of evaluation shall be developed for each employee to identify their appropriate level of remuneration and placement within the structure
- The remuneration shall comprise of fixed and performance-based components
- The evaluation must be performed annually, and the review must assess the degree to which the employee is satisfying the requirement of his/her role and the degree to which established performance objectives have been achieved
- Fixed remuneration must align it with that of comparable industry positions
- Employees are entitled to performance-based incentives including bonuses and other relative allowances
- Employees can trade in securities of the Company, in accordance with the Trading in Securities Guideline of the Company
- The company abides by the Maldives Pension Administration Office regulations for pension provision of employees. As such the employee provides 7% of his/her basic salary to pension provision, and the Company provides the same
- Employees are further entitled to retirement, termination and severance payments where applicable
- Employees are also eligible for loans provided by the Company

Board directors remuneration and other incentives

The remuneration provided to the Board Directors for serving on the Board are determined and approved by the shareholders at the Annual General Meeting. While the executive members of the Board are paid the same and an additional remuneration for their position in the Company. This information is further disclosed below and in the audited financial statements (refer note 16.1).

The remuneration of the Executive Directors is set in accordance with the principles of employee's remuneration and incentives, inspected by the Nomination and Remuneration Committee and approved by the Board of Directors.

The remuneration of the members of the Board consist of the following elements;

- Monthly remuneration
- A fee for attendance per meeting
- A chairman allowance for the Chairman of the Board

The principles for board director remuneration include;

- Non-executive directors shall be remunerated by way of fees paid in recognition of their membership on the Board and its sub-committees
- The executive directors should be paid the same fee as that received by the non-executive directors for their board membership
- Executive directors shall also receive variable salaries in addition to the Board membership fees. This salary must be a

market median of companies comparable in, market segment, business complexity and international scope. The executive's performance must also consider fulfilment of various improvement targets and attainment of certain financial objectives.

- The Company's remuneration policy must be formulated to attract and retain high calibre executives and motivate them to develop and implement the Company's business strategy to optimize long-term shareholder value creation.

Summary on remuneration provided for executive directors

Base Salary

Policy

- Benchmarked against market practices in Maldives with companies that are comparable in size, business and complexity
- Generally, reflects market median levels based on the role and individual skills and experience

Implementation in 2018

- Paid monthly
- No increase or decrease was granted
- Last increment given in 2013

Pension Fund

Policy

- Provided as per Maldives Pension Administration Office regulations for pension provision

Implementation in 2018

- Paid to Maldives Pension Administration monthly
- 7% of basic salary contributed from employee's salary
- 7% of basic salary contributed from STO

Health Insurance

Policy

- Allied Insurance Gold package subscribed for executive directors

Implementation in 2018

- Paid to Allied Insurance yearly
- Cost borne by Company
- Covers 1 spouse and 2 children of below 18 years of age
- Cost depends on age of director and dependent
- Director has to bear any insurance for additional dependants

Life Insurance

Policy

- Allied Insurance life insurance package subscribed for executive directors

Implementation in 2018

- Paid MVR 180 per person a year

Annual and Deferred Bonus

Policy

- Bonus calculations are made between 1 to 5 % of net profit, as approved by the Board
- Bonus is given yearly
- Annual bonus is distributed equally to all corporate and staple department staff
- Employee must have served a minimum of 30 days over the bonus review period
- 50% marks is taken from performance appraisal
- 50% marks is concluded from attendance and disciplinary actions
- As such, points are deducted for disciplinary actions, late and sick leave
- Overall 49 mark and below don't receive a bonus, 50 mark to 79 mark receive 80% of eligible bonus and 80 mark to 100 mark receive 100% of eligible bonus

Implementation in 2018

- Year 2017 bonus was paid in 2018
- Board approved to pay 3% of net profit to all eligible employees
- Both executive directors received above 80% marks and hence were paid 100% of the eligible amount received
- There was no deferred bonus paid to any of the executive directors in 2018

Sales and Performance Incentive

Policy

- Incentive calculations are made based on monthly and annual targets on gross profit and net profit
- This policy applies to all staff of business segments, excluding staple foods
- Targets are approved by the strategic committee
- Amount of incentive reward is maintained between 1 and 10 % of target profit for the month
- Above target incentives are also provided as per incentive and performance policy
- 20% of incentive and an administrative change of 3% is withheld by the Company
- Incentive for each month is paid in the preceding month

Implementation in 2018

- Executive Directors are not eligible for this bonus

Service contract, notice period and severance fee

Implementation in 2018

- Managing Director Ahmed Shaheer's service contract was terminated on 15.11.2018 due to submission of his resignation
- Managing Director Husen Amru Mohamed Rashad joined STO on 30.11.2018
- Service contracts have been signed with all executive directors of the company
- The Chief Financial Officer Mohamed Mihad has a service contract signed with the Company
- He has also signed the Directors Charter upon appointment to the Board
- There was no notice period given to any of the executive directors
- No Executive Directors were removed from Board or his position in the Company. Hence there were no severance fees paid for executive directors during the year. Ahmed Shaheer resigned from post on 15.11.2018
- All Executive directors are employees of the Company, yet their term on Board is confirmed by the majority shareholder

Share options and trading in securities

Implementation in 2018

- No share options were provided to any executive directors
- Trading in securities are implemented according to the Trading in Securities guideline of the Company

Other benefits

Implementation in 2018

- Executive Directors are provided additional benefits such as authority to use certain company vehicles, accept gifts from company on certain occasions and discount benefits as per the benefits list and policies approved by the Board of Directors

Summary on remuneration provided for non-executive directors

Remuneration and Allowances

Policy

- Approved at the Annual General Meeting by Shareholders
- Benchmarked against market practices in Maldives with companies that are comparable in size, business and complexity
- Generally, reflects market median levels based on the role and individual skills and experience

Implementation in 2018

- Paid monthly
- No increase or decrease was granted
- Includes a monthly fee of MVR 10,000 and an attendance fee of MVR 500 per meeting
- Chairman was provided an additional fee of MVR 10,000 and a phone allowance of MVR 1,000 per month
- No additional remuneration is provided to committee members or its chairpersons

Pension Fund

Policy

- Provided as per Maldives Pension Administration Office regulations for pension provision
- Board Directors are not eligible for this fund

Implementation in 2018

- No pension provisions provided for or from non-executive directors

Health Insurance

Policy

- Allied Insurance Gold package subscribed for non-executive directors

Implementation in 2018

- Paid to Allied Insurance yearly
- Cost borne by Company
- Covers 1 spouse and 2 children of below 18 years of age
- Cost depends on age of director and dependent
- Director must bear any insurance for additional dependants

Life Insurance

Policy

- Allied Insurance life insurance package subscribed for non-executive directors

Implementation in 2018

- Paid MVR 180 per person a year

Annual and Deferred Bonus

Policy

- Bonus calculations are made between 1 to 5 % of net profit, as approved by the Board
- Bonus is given yearly
- Annual bonus is distributed equally to all corporate and staple department staff
- Employee must have served a minimum of 30 days over the bonus review period
- 50% marks is taken from performance appraisal
- 50% marks is concluded from attendance and disciplinary actions
- As such, points are deducted for disciplinary actions, late and sick leave
- Overall 49 mark and below don't receive a bonus, 50 mark to 79 mark receive 80% of eligible bonus and 80 mark to 100 mark receive 100% of eligible bonus

Implementation in 2018

- Board Directors are not eligible for any types of bonus or incentive plans

Sales and Performance Incentive

Policy

- Incentive calculations are made based on monthly and annual targets on gross profit and net profit
- This policy applies to all staff of business segments, excluding staple foods
- Targets are approved by the strategic committee
- Amount of incentive reward is maintained between 1 and 10 % of target profit for the month
- Above target incentives are also provided as per incentive and performance policy
- 20% of incentive and an administrative change of 3% is withheld by the Company
- Incentive for each month is paid in the preceding month

Implementation in 2018

- Board Directors are not eligible for any types of bonus or incentive plans

Service contract, notice period and severance fee

Implementation in 2018

- All directors are appointed for a term of one year (i.e. from one annual general meeting to another)
- The non-executive directors were last appointed to Board on 30.05.2018
- All directors have signed the board charter
- This charter indicates the term, roles and responsibilities of Board and its directors

Share options and trading in securities

Implementation in 2018

- No share options were provided to any non-executive directors
- Trading in securities are implemented according to the Trading in Securities guideline of the Company

Other benefits

Implementation in 2018

- Non-Executive Directors are provided additional benefits such as authority to use certain company vehicles, accept gifts from company on certain occasions and discount benefits as per the benefits list and policies approved by the Board

Paid remuneration to board members

In 2018, a sum of MVR 1,151,656 was paid to the Board of Directors as remuneration in the Board, while MVR 3,329,992 was paid to Executive Directors as remuneration for their executive position in the Company. A total of MVR 8,477,637 was paid to the top management, excluding the Executive Directors, as basic salary and allowances.

Name of Director	Position in Board	Total Remuneration received for the position in Board (in MVR)
Hussain Salim Mohamed	Chairman	262,500
Ahmed Shaheer	Managing Director until 15.11.2018	115,000
Husen Amru Mohamed Rashad	Managing Director from 30.11.2018	11,333
Mohamed Mihad	Director/ CFO	131,000
Amir Mansoor	Director	137,500
Aishath Rafiyya	Director	138,000
Aishath Rayaheen Shareef	Director	8,419
Mariyam Zaahiya	Director	129,403
Mohamed Farshath	Director	60,500
Aishath Fazeena	Director	78,000

Paid remuneration to top management

Due to salary disparities in the employment market, the Board of Directors have chosen not to disclose the individual remuneration and package of top management and Executive Directors. The following table indicates the remuneration paid to individual Board of Directors for the year 2018.

No notice periods, severance fees or stock options were provided to the members of top management. Members of top management and their profile will be available on page 161 to 163.

Directors shareholding in the company

The Directors have the right to subscribe for securities in the Company, in accordance with Trading in Securities Guideline of the Company. However, they do not have the right to subscribe for securities in the subsidiaries.

Director's shareholding as at 31st December 2018 were as follows:

Name of Director	Direct Shares	Indirect Shares
Hussain Salim Mohamed	0	0
Ahmed Shaheer	50	125
Husen Amru Mohamed Rashad	0	0
Mohamed Mihad	0	0
Amir Mansoor	0	0
Aishath Rafiyya	0	0
Aishath Rayaheen Shareef	0	0
Mariyam Zaahiya	0	0
Mohamed Farshath	50	236
Aishath Fazeena	1	0

Directors membership on other boards

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

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

As such, below table includes the Board Members who held directorships in other Companies as at 31st December 2018, and it further stipulates any additional remuneration received from the said Boards.

Name of Director	Position in Board	Policy on Remuneration	Remarks
Ahmed Shaheer	Chairman of Maldives National Oil Company Ltd	Monthly MVR 2,500 and a sitting fee of MVR 300 per meeting	No payments made since it was decided there was no capacity in the Company to make these payments
	Chairman of STO Maldives (Singapore) Pte Ltd	Monthly MVR 2,500 and a sitting fee of MVR 300 per meeting	
	Chairman of Maldives Industrial Fisheries Company Ltd	Monthly MVR 5,000 and a sitting fee of MVR 300 per meeting	Eligible payment based on remuneration policy, paid until 15.11.2018
	Board Director of Addu International Airport Pvt Ltd	MVR 5,000 per meeting	Eligible payment based on remuneration policy, paid until 15.11.2018
Husen Amru Mohamed Rashad	Chairman of Maldives Industrial Fisheries Company Ltd	Monthly MVR 5,000 and a sitting fee of MVR 300 per meeting	Eligible payment based on remuneration policy, paid from 30.11.2018
	Chairman of Lafarge Maldives Cement Pvt Ltd	Monthly MVR 5000 and a sitting fee of MVR 250 per meeting	
	Board Director of Addu International Airport Pvt Ltd	MVR 5,000 per meeting	Eligible payment based on remuneration policy, paid until 15.11.2018
Mohamed Mihad	Chairman of Fuel Supplies Maldives Pvt Ltd	Monthly MVR 5,000 and a sitting fee of MVR 300 per meeting	Not a board member since March 2019
	Board Director of Maldives Industrial Fisheries Company Ltd	Monthly MVR 5,000 and a sitting fee of MVR 300 per meeting	Eligible payment based on remuneration policy, paid from 30.11.2018
Mohamed Farshath	Board Director of Maldives Transport and Contracting Company Plc	Monthly MVR 10,000 and a sitting fee of MVR 500 per meeting	Was a Director until 2017 AGM of MTCC
Aishath Fazeena	Board Director of Maldives Transport and Contracting Company Plc	Monthly MVR 10,000 and a sitting fee of MVR 500 per meeting	Was a Director until 2017 AGM of MTCC
	Board Director of Maldives Tourism Development Corporation plc	Monthly MVR 10,000 and a sitting fee of MVR 1000 per meeting	A director since 2018 till date

Payment to past directors

There were no payments made to past directors, during 2018.

Declaration

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

Mariyam Zaahiya

Chairperson

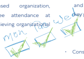
Nomination and Remuneration Committee

5
Human Resource Report

Organizational operations

Employees are a vital part of any organization. The Department of Human Resources provides human resource leadership to ensure a high-performing workforce. The department provides strategic direction and advice related to government-wide human resource policies and initiatives such as, diversity and leadership development; develops and implements innovative corporate human resource policies and practices; and fulfils legislative and delegated responsibilities for recruitment, compensation, pensions and benefits, employee development, organizational health and labour relations.

- As STO continues to strive to become a performance-based organization, supporting employee attendance at work is critical to achieving organizational performance.



- Identifying talented employees and drawing attention to them for key positions

- Considering talented employees as part succession management.
- Supporting talented employees with Group –wide networking

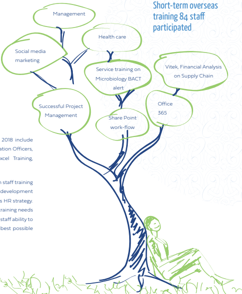
Staff trainings and inclusive talent development

During the year 2018 a total of 84 staff participated in various short-term overseas training programs in the field of management, social media marketing, health care, service training on Microbiology BACT alert and Vitek, Financial Analysis on Supply Chain, Office 365, Successful Project Management, Share Point work-flow, etc. While 7 staff were given opportunities in Company-sponsored long-term certificate, diploma and degree-level courses in the fields of Business, Marketing, Engineering, Oil/Gas Management and Health Services.

In-house training programs conducted in 2018 include Team Building, Basic fire fighting for evacuation Officers, Public Speaking Workshop, Advance Excel Training, Dhivehi Training, ISO 22000 Training, etc.

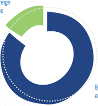
In 2018, STO made a wide-ranging effort on staff training and development. Career and capacity development remained a top priority in the organizations HR strategy. HR department acted to ensure that staff training needs were met in order to develop capacity and staff ability to make informed decisions and deliver the best possible service to customers and suppliers.

Short-term overseas training 84 staff participated



Staff count 2018

2,140 Employees at the end of the year 2018



	%	Amount
Maldivian employees	85%	1819
Foreign employees	15%	321
Men	59.8%	1280
Women	40.20%	860

6
Sustainability Report 2018

Serving the community is the founding principle of STO. National interest and social responsibility are specified in our organizational values. We are keen to merge business success with ethical values, human dignity and sustainable development. Accordingly, we espouse a leading and proactive attitude towards sustainability reporting, which helps us gauge and push ourselves.

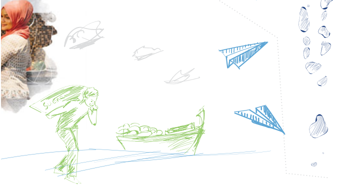
In our conventional approach to corporate social responsibility, our efforts have been divided into four main categories: society, market, staff, and environment. Nine years ago we joined the United Nations Global Compact and committed to its ten principles that are based on human rights, labour standards, environmental protection and anti-corruption. More recently, we have endorsed the Sustainable Development Goals (SDGs) designed by the United Nations to tackle the economic, social and environmental issues around the world, and it sets the format for this report.

SDGs are long term, and require action by governments, NGOs and the private sector. As a prominent PLC in the Maldives, we are committed to lead by example and function towards these goals. We strive to reduce the negative impact of our actions on the ecosystems and communities we engage. Each one of the seventeen SDGs has a specific target to be achieved by 2030. This report highlights eight that offer the most congruency with our operations and capabilities.

Food Security

The uninterrupted provision and affordability of essential goods is part of STO's mission statement, and staple foods is a crucial component of this. We essentially play the role of a regulator (both price and quality) of staple foods. We are currently executing a programme to equalize availability and price of staple foods across all 187 inhabited islands

We have plans to build a new central distribution centre with vastly improved capacity, conditions and access.



Health

Healthcare is one of the biggest areas of contribution to the public by STO. STO Medicals routinely hosts or sponsors key medical symposiums. As the organization entrusted with the supply of controlled drugs, key equipment and consumables, we work closely with the Health Ministry, other organizations and healthcare facilities and professionals on various projects to advance national healthcare.

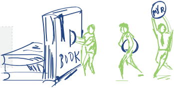
STO is always amongst the first to respond and provide assistance in nationwide pandemics.

Health sector donations and sponsors in 2018: MVR 1Million

Quality Education

Within a few decades Maldives has made admirable progress in this area compared to the region, especially in primary and secondary education. However, the quality and access to early childhood education and lifelong learning opportunities still vary greatly across island communities.

Education-related sponsors in 2018: MVR 1 Million



One of the ways we support education is our assistance to smaller schools and private or community establishments in the atolls with their resource needs and integrating technology. To promote educational achievement at the crucial secondary level, we honoured the top students for the seventh consecutive year in 2018.

Number of students honoured in 2018: 375

Number of students from island schools: 138

Gender Equality

Board of Directors
2 females
3 males

One of the first local Plc's to meet the CG guideline of appointing two female directors

Total staff
40.2% female
59.8% males

We stand firmly against gender-based discrimination. We do not tolerate gender-based differentiation in employee benefits and opportunities such as salary, training, promotion or decision making.

Donations to NGOs that work in gender equality and women empowerment in 2018 — MVR 318,500

Reduced Inequalities

Our island communities being scattered across the ocean, access to basic services becomes a key area of focus in addressing inequalities. STO continues to reduce the gap in accessibility to essentials such as medicine and staple foods.

187 pharmacies
1 on each island

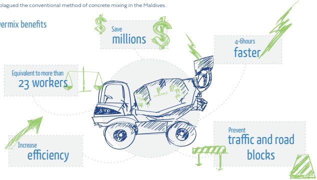
We continue to work with government agencies and NGOs in assisting special needs groups. Our sponsorship of trained staff and facilities at Fiyavathi help improve the odds for a better future for these children.

Aid provided to orphanages in 2018 — MVR 650,000

Sustainable Cities and Communities

The rapid urbanization of the Greater Malé area raises concerns about adequate housing and infrastructure, environmental impact, and vulnerability to disasters. In July 2018 we introduced Powermix (our ready-mix concrete service) in Hulhumalé where most large-scale construction projects are concentrated. Powermix vastly reduces air and noise pollution, construction safety and quality issues that plagued the conventional method of concrete mixing in the Maldives.

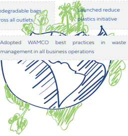
Powermix benefits



We are also taking a more direct involvement in tackling the housing problem by introducing our own housing scheme for the neediest staff.

Climate Action

We are the first local PLC to manage recyclable waste and general waste separately according to industry best practices.



Biodegradable bags across all outlets

Launched reduce plastics initiative

Adopted WAMCO best practices in waste management in all business operations

Life below Water

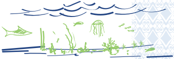
Life below Water has been chosen as a theme of STO's CSR efforts in 2019. Hundreds of coral reefs in the country are delicate ecosystems important for both environmental and economic reasons. Fisheries and tourism sectors that form the backbone of our economy are heavily dependent on them.

As an MSC-certified fisheries company, our subsidiary MIFCO uses sustainable fishing methods, doing its part to ensure the world's oceans remain teething with life today, tomorrow and for generations to come.

Amount of plastic waste STO transported free-of-charge from the atolls to Malé in 2018 for recycling by Parley Maldives

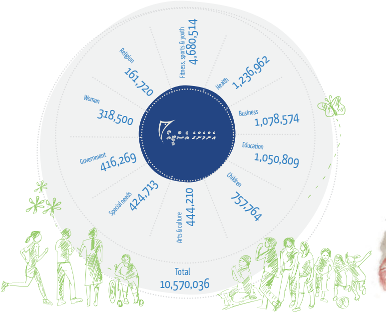
25
Jumbo bags

Reducing plastics and micro-plastics going into the ocean is an area we will continue to explore for greater contribution moving forward.



Emmenge STO

Apart from our commitments to UN Global Compact and the SDGs, we strive to be a more caring organization to our communities.



Through our CSR and sponsorship programs we spent a significant portion of our 2018 marketing budget towards developing a sustainable future. Similar efforts were made by our subsidiaries, making STO Group arguably the nation's top corporate contributor to sustainable causes.

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Independent Auditor's Report & Financial Statement

KPMG
(Chartered Accountants)
2nd Floor, H. Mialani
Sosun Magu,
Male',
Republic of Maldives.

Tel : +960 3310 420
+960 3310 421
+960 3310 422
+960 3323 393
Fax : +960 3323 175
E-mail : kpmgmv@kpmg.com

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
STATE TRADING ORGANIZATION PLC

We have audited the accompanying consolidated and separate financial statements of State Trading organization PLC (the "Company") and its subsidiaries (together with the "Group"), which comprise the consolidated and separate statements of financial position as at 31st December 2018 and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated and separate financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 84 to 160.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Opinion - Company

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31st December 2018 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter – Restatement of Comparative Balances

We draw our attention to Note 43 to the consolidated, financial statements, which describes that consolidated financial statements presented previously has been restated to include the defined benefit obligation of the subsidiaries not recorded previously and disclosed as comparatives in this consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matters (Continued)

- **Recognition of revenue from trading business**

(Refer to the significant accounting policies in note 3.12 and Note 7 of the consolidated and separate financial statements).

Risk Description	Our Response
Revenue is an important measure used to evaluate the performance of the Group and the Company. Given the significance of the total value, the number of transactions, geographical locations and the dependence on IT systems over recognition of revenue from trading sector of the Company and the Group, the recognition of revenue from the trading sector was considered as a key audit matter that requires our significant attention.	Our audit procedures included; · Testing the key IT controls and manual controls over recognition of revenue. · Assessing and challenging the assumptions made by the Group and the Company in the computation of revenue to be recognized during the year. · Performing procedures in order to establish the completeness of the revenue recognized in the appropriate period. · Developing expectations over current revenue amount based on trend analysis taking into account historical sales patterns.

- **Recognition of Insurance Claim Liabilities**

(Refer to the significant accounting policies in note 3.2(iv) , 3.11 and Note 32 of the consolidated and separate financial statements).

Risk Description	Our Response
Non-life insurance liabilities, which include the Group's outstanding claim provision and unexpired risk reserve, are determined based on historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances which require the use of significant judgments and estimates. Estimates have to be made for both the expected ultimate cost of claims reported as at 31st December 2018, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) as at 31 December 2018. Additionally, the valuation of the life insurance liabilities in relation to the life business require the application of assumptions such as mortality, lapses and surrenders, loss ratios, surplus distribution and administrative expenses. Considering the level of assumptions used in the recognition	Our audit procedures included; · Testing the key controls over the submission of data for estimating the insurance contract liabilities. · Assessing the reasonableness of the assumptions through the use of analytical procedures, trend analysis and benchmarking to market data. For changes in the methodology or key assumptions, we have assessed whether these are reasonable based on changes in the industry and the Group's historical claims experience. · Engaging internal experts to assess the reasonableness of the assumptions used in the valuation of the life insurance, contract liabilities with reference to market data and policyholders experience.

Key Audit Matters (Continued)

- **Recognition of Insurance Claim Liabilities (Continued)**

(Refer to the significant accounting policies in note 3.2(iv) , 3.11 and Note 32 of the consolidated and separate financial statements).

Risk Description	Our Response
of insurance claim liabilities, this was considered as a matter that require our significant attention.	· Verifying provision for pending claims with surveyor reports and recalculating the claim recoverable from reinsurers. · Assessing the completeness and accuracy of the related disclosures.

- **Transition and adoption IFRS 9**

(Refer to the significant accounting policies in note 3.2, 5, 21 and 22 of the consolidated and separate financial statements).

Risk Description	Our Response
Due to the introduction of the new International Financial Reporting Standard ("IFRS 9") relating to the financial instruments, the Group evaluated its existing accounting policies involving the classification, measurement and recognition of impairment over financial instruments. These new accounting policies included estimates that involves significant judgment of the management and complex computations. Further, the adoption of this standard has resulted in adjustments of MVR 231,592,427/- and MVR 205,430,706/- to the opening balance of equity of the Group and Company presented as at 1st January 2018.	· Our audit procedures included; · Evaluating the appropriateness of the accounting policies based on the requirements of IFRS 9 with our business understanding and industry practice. · Assessing the reasonableness of key judgement and assumptions incorporated into the impairment calculations by using our own KPMG specialists to challenge their rationale and change their assumptions and recalculated where necessary. · Evaluating the appropriateness and tested the mathematical accuracy of the estimation of provision for impairment. · Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments. · Assessing the appropriateness of the assumptions used by the Company/Group in the estimation of recoverable value of trade, other and related party receivables. · Assessing the completeness, accuracy and relevance of the transition disclosures.

Key Audit Matters (Continued)

- **Recognition of provision for impairment on investment property**

(Refer to the significant accounting policies in note 3.5 and 14 of the consolidated and separate financial statements).

Risk Description	Our Response
Due to the negative impairment indications existed, the Company assessed the recoverable value of the Investment property under construction and estimated a provision for impairment amounting to MVR 209,894,959/- for the year ended 31st December 2018. Considering the level of judgments and assumptions used in the estimate of impairment provision, this was considered as a matter that require our significant attention.	Our audit procedures included; · Evaluating the appropriateness of the application of the accounting policies in line with the International Financial Reporting Standard 36. · Assessment of the reasonableness of management's key assumptions, including verifying the estimates relating to the assessment with external corroborative evidences. · Checking the mathematical accuracy of the computation of provision for impairment. · Evaluating the appropriateness of the disclosures made in the financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of these consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

kpmg.

Chartered Accountants

23rd April 2019

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STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

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

FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	Group 2018 MVR	Group 2017 MVR (restated*)	Company 2018 MVR	Company 2017 MVR
Revenue	7	10,873,171,406	9,099,847,272	9,404,114,486	7,505,223,841
Cost of sales		(9,363,864,105)	(7,664,902,208)	(8,214,418,971)	(6,569,083,477)
Gross profit		1,509,307,301	1,434,945,064	1,189,695,515	936,140,364
Other Income	8	80,609,020	77,910,883	64,459,838	54,584,905
Administrative expenses		(638,587,234)	(580,912,624)	(351,858,543)	(295,411,545)
Selling and marketing expenses		(600,968,288)	(490,343,616)	(482,241,488)	(386,695,479)
Impairment loss on trade, other and related party receivables		(65,818,485)	(49,806,888)	(24,042,049)	(12,841,675)
Other operating expenses		(37,795,949)	(76,508,983)	(15,541,247)	(8,324,641)
Operating profit		246,746,365	315,283,836	380,472,026	287,451,929
Finance income	9	26,032,162	22,254,181	48,697,141	48,037,615
Finance costs	9	(203,677,100)	(138,045,028)	(177,707,737)	(99,377,543)
Net finance costs	9	(177,644,938)	(115,790,847)	(129,010,596)	(51,339,928)
Share of profit of equity accounted investees - net of tax	18	11,024,686	11,555,770	-	-
Profit before tax and impairment of investment in hulhumale hotel	10	80,126,113	211,048,759	251,461,430	236,112,001
Impairment of investment in hulhumale hotel	14.2	(209,894,959)	-	(209,894,959)	-
(Loss)/ Profit before tax		(129,768,846)	211,048,759	41,566,471	236,112,001
Income tax expense	11	(50,534,409)	(52,387,407)	(27,154,607)	(24,830,264)
(Loss)/ Profit after tax		(180,303,255)	158,661,352	14,411,864	211,281,737
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability - net of tax	29	(2,439,950)	(2,978,381)	(3,285,558)	(2,278,521)
Equity Investment at FVOCI - Net change in fair value	19	(6,920,774)	-	(7,920,774)	-
Related tax	11.3	1,381,931	427,922	1,680,950	341,778
		(7,978,793)	(2,550,459)	(9,525,382)	(1,936,743)
Items that are or may be reclassified to profit or loss					
Available for sale investments - Net change in fair value	19	-	3,875,000	-	-
Related tax	11.3	-	(600,000)	-	-
		-	3,275,000	-	-
Total other comprehensive income - net of tax		(7,978,793)	724,541	(9,525,382)	(1,936,743)
Total comprehensive income for the year		(188,282,048)	159,385,893	4,886,482	209,344,994
(Loss)/ Profit attributable to:					
Owners of the Company		(182,148,061)	154,653,269	14,411,864	211,281,737
Non - controlling interests		1,844,806	4,008,083	-	-
		(180,303,255)	158,661,352	14,411,864	211,281,737
Total comprehensive income attributable to:					
Owners of the Company		(190,130,623)	155,366,201	4,886,482	209,344,994
Non - controlling interests		1,848,575	4,019,692	-	-
Total comprehensive income for the year		(188,282,048)	159,385,893	4,886,482	209,344,994
Basic and diluted earnings per share	12	(161.63)	137.24	12.79	187.49
Figures in brackets indicate deductions.					

* Refer Note No. 43

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 92 to 160. The Report of the Independent Auditors is given on pages 78 to 83.

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		Group			Company	
ASSETS	Note	31/12/2018 MVR	31/12/2017 MVR (restated*)	1/1/2017 MVR (restated*)	31/12/2018 MVR	31/12/2017 MVR
Non-current assets						
Property, plant and equipment	13	2,124,169,650	1,979,928,588	1,646,959,479	1,466,154,667	1,422,893,687
Investment property	14	509,645,180	735,266,951	686,187,345	509,645,180	735,266,951
Intangible assets	15	17,122,436	15,766,336	17,309,922	-	1,782,804
Prepaid lease rent	16	139,719,977	144,387,611	33,753,738	29,124,654	31,439,196
Investment in subsidiaries	17	-	-	-	112,288,081	117,249,835
Interest in equity accounted investees	18	31,299,165	33,274,479	34,718,709	15,267,267	15,267,267
Investment in Equity Instruments	19	49,820,026	56,740,800	22,865,800	4,820,026	12,740,800
Amounts due from related parties	22	36,666,667	93,825,609	1,665,151	36,666,667	93,825,609
Deferred tax assets	11	103,255,872	55,704,943	56,080,312	115,928,722	60,325,618
Total non-current assets		3,011,698,973	3,114,895,317	2,499,540,456	2,289,895,264	2,490,791,767
Current assets						
Inventories	20	1,084,152,217	982,503,384	1,033,988,273	755,060,533	665,129,643
Trade and other receivables	21	749,220,390	739,455,359	648,190,054	383,711,270	286,551,274
Prepaid lease rent	16	4,667,634	4,667,634	2,314,542	2,314,542	2,314,542
Amounts due from related parties	22	2,045,640,887	2,084,564,715	1,738,484,959	2,778,275,204	2,572,205,851
Reinsurance contracts	23	269,446,132	233,434,948	210,619,258	-	-
Other Financial Investments	24	197,713,454	151,539,822	154,359,639	-	-
Cash and cash equivalents	25	334,021,785	426,983,884	765,761,706	131,689,080	188,715,523
Total current assets		4,684,862,499	4,623,149,746	4,553,718,431	4,051,050,629	3,714,916,833
Total assets		7,696,561,472	7,738,045,063	7,053,258,887	6,340,945,893	6,205,708,600

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		Group			Company	
	Note	31/12/2018 MVR	31/12/2017 MVR (restated*)	1/1/2017 MVR (restated*)	31/12/2018 MVR	31/12/2017 MVR
EA36:A70 EQUITY AND LIABILITIES						
Equity						
Share capital	26	56,345,500	56,345,500	56,345,500	56,345,500	56,345,500
Share premium	26	27,814,500	27,814,500	27,814,500	27,814,500	27,814,500
Claim equalization reserve	26	42,720,880	41,780,914	33,212,779	-	-
Currency translation reserve	26	334,411	334,411	334,411	-	-
General reserve	26	691,440,305	688,557,932	646,301,585	682,158,495	679,276,122
Fair value reserve	26	(9,291,806)	3,400,000	125,000	(13,541,806)	-
Retained earnings		1,206,355,381	1,681,156,269	1,637,361,960	1,237,356,454	1,489,221,295
Total equity attributable to owners of the parent Company		2,015,719,171	2,499,389,526	2,401,495,735	1,990,133,143	2,252,657,417
Non-controlling interest	27	19,713,145	18,452,871	15,433,179	-	-
Total equity		2,035,432,316	2,517,842,397	2,416,928,914	1,990,133,143	2,252,657,417
LIABILITIES						
Non-current liabilities						
Loans and borrowings	28	537,386,287	638,050,105	946,220,775	382,018,412	490,047,705
Deferred income	31	38,737,260	36,650,274	14,509,955	51,668,360	53,599,214
Deferred tax liability	11	1,278,575	1,594,499	1,934,903	-	-
Defined Benefit Obligation	29	45,900,671	40,232,300	30,761,082	32,462,393	28,430,575
Total non-current liabilities		623,302,793	716,527,178	993,426,715	466,149,165	572,077,494

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		Group			Company	
	Note	31/12/2018 MVR	31/12/2017 MVR (restated*)	1/1/2017 MVR (restated*)	31/12/2018 MVR	31/12/2017 MVR
Current liabilities						
Loans and borrowings	28	1,790,183,648	1,118,325,333	813,982,346	1,363,598,745	727,959,247
Trade and other payables	30	2,427,726,476	2,542,627,073	2,108,481,971	2,166,391,226	2,157,115,964
Deferred income	31	8,467,181	7,831,218	6,427,811	1,930,854	1,930,854
Insurance contracts	32	477,819,571	426,110,542	364,694,640	-	-
Current tax liabilities	33	29,403,793	15,771,010	15,685,739	22,653,351	13,082,671
Amounts due to related parties	34	84,055,993	125,654,193	128,721,517	189,217,524	342,943,083
Bank overdrafts	25	220,169,701	267,356,119	204,909,234	140,871,885	137,941,870
Total current liabilities		5,037,826,363	4,503,675,488	3,642,903,258	3,884,663,585	3,380,973,689
Total liabilities		5,661,129,156	5,220,202,666	4,636,329,973	4,350,812,750	3,953,051,183
Total equity and liabilities		7,696,561,472	7,738,045,063	7,053,258,887	6,340,945,893	6,205,708,600

* Refer Note No. 43

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 92 to 160. The Report of the Independent Auditors is given on pages 78 to 83.

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

Mohamed Mihad	Husein Amru Mohamed Rasad	Amir Mansoor
Chief Financial Officer	CEO & Managing Director	Audit Committee Chairman

23rd April 2019

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

FOR THE YEAR ENDED 31ST DECEMBER 2018

GROUP	Attributable to owners of the Company									
	Share capital	Share premium	Claim equalization reserve	Currency translation reserve	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
As at 1st January 2017, as Previously Reported	56,345,500	27,814,500	33,212,779	334,411	646,301,585	125,000	1,641,852,151	2,405,985,926	15,548,263	2,421,534,189
Less: Impact Due to Restatement - net of tax **(Note 43.1.1)**	-	-	-	-	-	-	(4,490,191)	(4,490,191)	(115,084)	(4,605,275)
Restated Balances as at 1st January 2017	56,345,500	27,814,500	33,212,779	334,411	646,301,585	125,000	1,637,361,960	2,401,495,735	15,433,179	2,416,928,914
Restated profit for the year	-	-	-	-	-	-	154,653,269	154,653,269	4,008,083	158,661,352
Other comprehensive income										
Net change in fair value of available-for-sale financial assets - net of tax	-	-	-	-	-	3,275,000	-	3,275,000	-	3,275,000
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(2,562,068)	(2,562,068)	11,609	(2,550,459)
Total comprehensive income for the year (restated)	-	-	-	-	-	3,275,000	152,091,201	155,366,201	4,019,692	159,385,893
Transfer to / (from) during the year										
- general reserve **(Note 26.4)**	-	-	-	-	42,256,347	-	(42,256,347)	-	-	-
- claim equalization reserve **(Note 26.6)**	-	-	8,568,135	-	-	-	(8,568,135)	-	-	-
Transactions with owners of the Company										
- Dividends (Note 26.3)	-	-	-	-	-	-	(57,472,410)	(57,472,410)	(1,000,000)	(58,472,410)
Total transaction with owners of the Company	-	-	-	-	-	-	(57,472,410)	(57,472,410)	(1,000,000)	(58,472,410)
As at 31st December 2017	56,345,500	27,814,500	41,780,914	334,411	688,557,932	3,400,000	1,681,156,269	2,499,389,526	18,452,871	2,517,842,397

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2018

GROUP	Attributable to owners of the Company									
	Share capital	Share premium	Claim equalization reserve	Currency translation reserve	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR		MVR
As at 1st January 2018, as previously reported	56,345,500	27,814,500	41,780,914	334,411	688,557,932	3,400,000	1,681,156,269	2,499,389,526	18,452,871	2,517,842,397
Adjustment due to Initial Application of IFRS 9 (Note 5(ii))	-	-	-	-	-	(6,809,148)	(255,270,393)	(262,079,541)	(32,745)	(262,112,286)
Tax impact on transitional adjustment of IFRS 9 (Note 5(ii))	-	-	-	-	-	-	30,519,859	30,519,859	-	30,519,859
Adjusted balance As at 1st January 2018	56,345,500	27,814,500	41,780,914	334,411	688,557,932	(3,409,148)	1,456,405,735	2,267,829,844	18,420,126	2,286,249,970
Profit for the year	-	-	-	-	-	-	(182,148,061)	(182,148,061)	1,844,806	(180,303,255)
Other comprehensive income										
Net change in fair value of Equity Investments at FVOCI - net of tax	-	-	-	-	-	(5,882,658)	-	(5,882,658)	-	(5,882,658)
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(2,099,904)	(2,099,904)	3,769	(2,096,135)
Total comprehensive income for the year	-	-	-	-	-	(5,882,658)	(184,247,965)	(190,130,623)	1,848,575	(188,282,048)
Transfer to / (from) during the year										
- general reserve	-	-	-	-	2,882,373	-	(2,882,373)	-	-	-
- claim equalization reserve	-	-	939,966	-	-	-	(939,966)	-	-	-
Transactions with owners of the Company										
- Dividends **(Note 26.3)**	-	-	-	-	-	-	(61,980,050)	(61,980,050)	(555,556)	(62,535,606)
Total transaction with owners of the Company	-	-	-	-	-	-	(61,980,050)	(61,980,050)	(555,556)	(62,535,606)
As at 31st December 2018	56,345,500	27,814,500	42,720,880	334,411	691,440,305	(9,291,806)	1,206,355,381	2,015,719,171	19,713,145	2,035,432,316

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 92 to 160. The Report of the Independent Auditors is given on pages 78 to 83.

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2018

COMPANY	Share capital MVR	Share premium MVR	General reserve MVR	Fair Value reserve MVR	Retained earnings MVR	Total MVR
Balances as at 1st January 2017	56,345,500	27,814,500	637,019,775	-	1,379,605,058	2,100,784,833
Profit for the year	-	-	-	-	211,281,737	211,281,737
Other comprehensive income, net of tax	-	-	-	-	(1,936,743)	(1,936,743)
Total comprehensive income for the year	-	-	-	-	209,344,994	209,344,994
Transfer to / (from) during the year						
- general reserve	-	-	42,256,347	-	(42,256,347)	-
Transactions with owners of the Company						
- Dividends **(Note 26.3)**	-	-	-	-	(57,472,410)	(57,472,410)
Total transaction with owners of the Company	-	-	-	-	(57,472,410)	(57,472,410)
As at 31st December 2017	56,345,500	27,814,500	679,276,122	-	1,489,221,295	2,252,657,417
As at 1st January 2018, as previously reported	56,345,500	27,814,500	679,276,122	-	1,489,221,295	2,252,657,417
Adjustment due to Initial Application of IFRS 9 **(Note 5(ii))**	-	-	-	(6,809,148)	(234,874,035)	(241,683,183)
Tax impact on transitional adjustment of IFRS 9 **(Note 5(ii))**	-	-	-	-	36,252,477	36,252,477
Restated Balance as at 1st January 2018	56,345,500	27,814,500	679,276,122	(6,809,148)	1,290,599,737	2,047,226,711
Profit for the year	-	-	-	-	14,411,864	14,411,864
Other comprehensive income, net of tax	-	-	-	(6,732,658)	(2,792,724)	(9,525,382)
Total comprehensive income for the year	-	-	-	(6,732,658)	11,619,140	4,886,482
Transfer to / (from) during the year						
- general reserve	-	-	2,882,373	-	(2,882,373)	-
Transactions with owners of the Company						
- Dividends **(Note 26.3)**	-	-	-	-	(61,980,050)	(61,980,050)
Total transaction with owners of the Company	-	-	-	-	(61,980,050)	(61,980,050)
As at 31st December 2018	56,345,500	27,814,500	682,158,495	(13,541,806)	1,237,356,454	1,990,133,143

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 92 to 160. The Report of the Independent Auditors is given on pages 78 to 83.

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

FOR THE YEAR ENDED 31ST DECEMBER 2018	Note	Group 2018 MVR	Group 2017 MVR (restated)	Company 2018 MVR	Company 2017 MVR
Cash flows from operating activities					
(Loss) / Profit before tax		(129,768,846)	211,048,759	41,566,471	236,112,001
Adjustments for:					
Depreciation on property, plant and equipment	13	170,039,808	122,584,771	102,689,935	59,688,083
Depreciation on investment properties	14	2,886,104	1,477,196	2,886,104	1,477,196
Amortization of intangible assets	15	4,673,069	4,880,612	1,782,805	2,205,879
Capital working progress written off	13	445,501	2,624,206	445,499	2,475,347
Gain on disposal of property, plant and equipment	8	(3,252,068)	(1,721,240)	(3,252,068)	(1,721,240)
Loss on disposal of intangible assets	15	24,563	-	-	-
Provision for impairment of investment in subsidiaries	10	-	-	4,961,754	-
Provision for impairment of investment in hulhumale hotel	14	209,894,959	-	209,894,959	-
Provision for impairment of capital work-in progress	10	-	48,534,315	-	-
Provision for impairment of receivables	10	65,818,485	49,806,888	24,042,049	12,841,675
Provision / (reversal) of impairment for slow moving inventories	20.1	(7,981,640)	2,175,715	(6,126,086)	(934,369)
Provision for defined benefit obligation	29	3,228,421	6,492,837	746,260	2,521,961
Receivable written off	10	4,764,390	5,536,271	3,780,430	2,185,275
Share of profit of equity - accounted investees, net of tax	18	(11,024,686)	(11,555,770)	-	-
Interest expense	9	201,294,757	136,956,140	175,647,721	98,737,502
Interest income	9	(6,880,559)	(6,251,219)	(5,587,308)	(5,937,749)
Dividend income	9	(4,968,185)	(3,243,004)	(43,109,833)	(42,099,866)
Operating profit before working capital changes		499,194,073	569,346,477	510,368,692	367,551,695
Working capital changes					
Change in inventories		(93,667,191)	49,309,175	(83,804,805)	107,602,168
Change in trade and other receivables		(342,460,194)	(146,608,464)	(97,682,659)	(82,668,200)
Change in amount due from related parties		96,082,770	(438,240,214)	(417,893,410)	(789,072,635)
Changes in reinsurance contracts		(36,011,184)	(22,815,690)	-	-
Changes in deferred revenue		2,722,949	23,543,726	(1,930,854)	55,530,068
Change in amount due to related parties		25,233,715	(3,067,324)	(86,893,644)	110,228,476
Change in trade and other payables		(166,547,877)	386,333,107	(42,372,018)	320,716,214
Changes in insurance contracts		51,709,029	61,415,902	-	-
Cash generated from operating activities		36,256,090	479,216,695	(220,208,698)	89,887,786
Interest paid		(201,294,757)	(136,956,140)	(175,647,721)	(98,737,502)
Income tax paid	33	(52,866,689)	(52,439,249)	(35,253,604)	(28,251,758)
Net cash generated from operating activities		(217,905,356)	289,821,306	(431,110,023)	(37,101,474)
Cash flows from investing activities					
Purchase and construction of property, plant and equipment	13	(328,120,108)	(511,708,192)	(159,486,432)	(393,183,442)
Purchase and construction of investment properties	14.1	(49,323,573)	(44,267,460)	(51,676,665)	(46,620,552)
Purchase of intangible assets	15	(6,053,732)	(3,200,177)	-	-
Proceeds from sales of property, plant and equipment		16,645,805	4,958,473	16,342,086	3,690,854
Purchase of investments in equity intruments	19	-	(30,000,000)	-	-
Purchase of other financial instruments	24	(590,964,071)	(654,911,895)	-	-
Proceeds from other financial instruments	24	544,790,439	657,731,712	-	-
Interest received		6,880,559	6,251,219	5,587,308	5,937,749
Lease prepayments	16	-	(117,654,599)	-	-
Dividend received		17,968,185	16,243,004	43,109,833	42,099,866
Net cash used in investing activities		(388,176,496)	(676,557,915)	(146,123,870)	(388,075,525)
Cash flows from financing activities					
Loans and borrowings obtained	28	4,245,630,792	751,438,045	4,176,220,894	743,243,013
Repayments of borrowings	28	(3,674,436,295)	(755,265,728)	(3,648,610,689)	(737,991,166)
Dividend paid		(10,888,326)	(10,660,415)	(10,332,770)	(9,660,415)
Net cash (Used in) / generated from financing activities		560,306,171	(14,488,098)	517,277,435	(4,408,568)
Net increase in cash and cash equivalents		(45,775,681)	(401,224,707)	(59,956,458)	(429,585,567)
Cash and cash equivalents at beginning of the year		159,627,765	560,852,472	50,773,653	480,359,220
Cash and cash equivalents at end of the year	25	113,852,084	159,627,765	(9,182,805)	50,773,653

Figures in brackets indicate deductions.

The consolidated and separate financial statements are to be read in conjunction with the related notes which form an integral part of the consolidated financial statements of the Group and separate financial statements of the Company set out on pages 92 to160. The Report of the Independent Auditors is given on pages 78 to 83.

1. REPORTING ENTITY

1.1 Corporate Information

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

1.2 Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st December 2018 include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its joint venture. The financial statements of all companies in the Group have a common financial year which ends on December 31st.State Trading Organization PLC is the ultimate parent of the Group.

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

1.3 Principal Activities and Nature of Operations

Entity	Principal business activities
State Trading Organization PLC ("STO")	The Company is involved in the business of local and foreign trading.
Fuel Supplies Maldives Private Limited ("FSM")	FSM is in the business of supplying oil, gasoline and kerosene in Maldives.
Lafarge Maldives Cement Private Limited ("LAFARGE")	LAFARGE imports cement and distributes in Maldives
Maldives National Oil Company Private Limited ("MNOC")	MNOC is directly responsible for the development of oil and gas industry processes in the Maldives and overseas.
STO Hotels & Resorts Private Limited ("STOHR")	STOHR is involved in the business of Hotel and Leisure sector, however the Company has not commenced commercial operations as at 31st December 2018
Allied Insurance Company of the Maldives Private Limited ("ALLIED")	ALLIED is involved in the business of providing Insurance services in Maldives.
STO Maldives (Singapore) Private Limited ("STOS")	The company's line of business includes the wholesale distribution of petroleum and petroleum products.
Maldives Structural Products Private Limited ("MSSP")	MSSP's main objective is producing steel roofing products and related accessories and supply to the Maldives market.
Maldives Gas Private Limited ("MGPL")	MGPL delivers cooking gas, supplies liquefied petroleum bottles gas cylinders and sells a range of products from gas stoves to regulators and other LPG equipment's.
Maldives Industrial Fisheries Company Limited ("MIFCO")	MIFCO's main activity is centered on the purchase, process and value addition of tuna and the subsequent sale and exporting of tuna, tuna products, reef fish and other fishery products.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

This is the first set of the Company's / Group's annual consolidate and separate financial statements on which IFRS 15 – "Revenue from contracts with customers" and IFRS 9 –"Financial Instrument" have been applied. Changes to the significant accounting policies are disclosed in the respective notes to the consolidated and separate financial statements.

2.2 Basis of measurement

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

Items	Measurement basis
Equity Securities at FVOCI	Fair Value

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

2.5 Basis of consolidation

(i) Business combinations

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

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

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

2 BASIS OF PREPARATION (Continued)

2.5 Basis of consolidation (Continued)

(ii) Subsidiaries

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

(iii) Interests in equity accounted investees

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

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

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

(iv) Transactions eliminated on consolidation

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

(v) Non-controlling interest

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

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

(vi) Common control transactions

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

(vii) Loss of control

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

(i) Transactions in foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Foreign operations

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

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

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

(iii)Foreign operations (Continued)

If the Group / Company disposes of part of its interest in a subsidiary but retain control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group / Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned not likely to occur in the foreseeable future, then foreign currency differences arising from such item from part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the translation reserve.

3.2 Financial instruments

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

Accounting Policy Applied before 1st January 2018

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

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

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

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

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

Available for sale financial assets

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

Loans and receivables

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

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

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

Held – to – maturity financial assets

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

Accounting policy applied after 1st January 2018

Classification and initial measurement

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

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

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

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

Business Model Assessment

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

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

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

Subsequent measurement

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

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

- The Group / the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- The Group / the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

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

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

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

De-recognition

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

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

(ii) Financial assets (insurance receivables)

Premium receivables

Premium receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. Premium receivables are derecognized when the de-recognition criteria for financial assets have been met.

Reinsurance receivables

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

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

Accounting policy applied before 1st January 2018

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

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

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

Accounting policy applied after 1st January 2018

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

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

The Group / Company non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Reinsurance Liabilities

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

3.3 Share capital

Ordinary shares

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

3.4 Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

ii) Subsequent Costs

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

(iii) Depreciation

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

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

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

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

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

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

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

(iv) Capital work- in -progress

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property

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

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

Leasehold buildings and structures 20 to 25 years

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

3.6 Intangible assets

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

(i) Recognition and measurement

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

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

ii) Subsequent expenditure

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

(iii) Amortization

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

Computer software 3 to 10 Years

iv) Capital work in progress

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

3.7 Inventories

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

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

3.8 Impairment

(i) Financial assets (including insurance receivables)

Accounting policy applied before 1st January 2018

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment (Continued)

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

Accounting policy applied after 1st January 2018

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

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

01. Debt investments measured subsequently at amortised cost or at FVTOCI;

02. Trade receivables;

03. Cash and bank balances; and

04. Contract assets;

In particular, the Group /Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group / Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. The Group / Company applies a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and contract assets. The Group / Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

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

ii) Non-financial Assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Insurance and investment contracts

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

Product classification

Insurance contracts

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

Subsequent classification

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

Product portfolio of the Group

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

3.10 Liabilities and provision

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

3.11 Insurance contract liabilities

(i) Insurance contract liabilities – life insurance

Measurement / de - recognition

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

Liability adequacy test (LAT)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Insurance contract liabilities – Non life insurance

Measurement

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

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

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

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

iii)Reserve for unearned premiums (UPR)

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

3.12 Revenue

3.12.1 Sale of goods and rendering of services (other than insurance)

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1st January 2018)	Revenue recognition under IAS 18 (applicable before 1st January 2018)
Sale of Goods	The performance obligation is satisfied when the goods are handed over to customers. The Group has credit periods varying from 30 – 90 days depending on the contract	Revenue from the sale of goods is recognized when the Company satisfies its performance obligation towards the customer.	Revenue from the sale of goods is recognized when the significant risks and rewards incidental to the ownership of the goods are transferred to the buyer.
Services Rendered	The performance obligation relating to the rendering of services is satisfied when the services are consumed by the customer	Revenue from the services rendered is recognized with reference to the time of services rendered.	Revenue from the services rendered is recognized when the performance obligation relating to the same is satisfied

3.12.2 Gross written premium (GWP)

(i) Non - life insurance GWP

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (Continued)

3.12.2 Gross written premium (GWP) (Continued)

(ii) Unearned premium reserve (UPR)

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

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

(iii) Life insurance GWP

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

(iv) Reinsurance premium

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

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

(v) Unearned reinsurance premium

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

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

(vi) Fees and commission income

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

(vii) Investment income

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

3.13 Benefits, claims and expenses recognition

3.13.1 Gross benefits and claims

(a) Non - life insurance

Gross claims expense include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR). The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Benefits, claims and expenses recognition (Continued)

3.13.1 Gross benefits and claims (Continued)

(b) Life insurance

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

3.13.2 Reinsurance claims

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

3.14 Acquisition cost

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

3.15 Operating expenses

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

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

3.16 Finance income and finance costs

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

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

3.17 Borrowing costs

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

3.18 Tax expense

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

Current tax

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

Deferred tax

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

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

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

Tax loss

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Lease payments

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

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

3.20 Deferred expenses

(i) Deferred acquisition costs (DAC)

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

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

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

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

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

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

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

3.21 Employee Benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

(c) Short-term benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.22 Events occurring after the reporting date

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

4. DETERMINATION OF FAIR VALUES

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

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(i) Trade and other receivables

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

(ii) Financial liabilities (non-derivative)

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

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group/Company has initially adopted IFRS 15 - "Revenue from contract with customers" and IFRS 9 – "Financial Instruments" on 1st January 2018. Under the transition method chosen, comparative information has not been restated to reflect the requirements of the new standards. The impact of initially applying these standards are summarized below.

(i) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time – requires judgment.

IFRS 15 did not have a material impact on the balances presented as at 1st January 2018.

(ii) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As result of the adoption of IFRS 9, the Group / Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Group / Company's approach was to include the impairment of trade, other and related party receivables in Selling and Marketing Expenses.

Consequently, the Company and the Group reclassified impairment losses amounting to MVR 12,841,676/- and MVR 49,806,888/- respectively recognized under IAS 39, from Selling and Marketing Expenses to impairment loss on trade, other and related party receivables in the statement of profit or loss and other comprehensive income for the year ended 31st December 2017.

The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balances of Retained Earnings and Non-controlling Interest.

Company

Decrease / (Increase)	Note	Amount MVR
Retained Earnings	b	241,683,183
Recognition of Provision for Impairment under IFRS 9		(36,252,477)
Related Tax Impact Reclassification of Provision for Impairment on Investment at FVOCI	c	(6,809,148)
Net Impact		**198,621,558**

Group

Decrease / (Increase)	Note	Retained Earnings MVR	Non-controlling Interest MVR	Total MVR
Recognition of Provision for Impairment under IFRS 9	b	262,079,541	32,745	262,112,286
Related Tax Impact		(30,519,859)	-	(30,519,859)
Reclassification of Provision for Impairment on Investment at FVOCI	c	(6,809,148)	-	(6,809,148)
Net Impact		**224,750,534**	**32,745**	**224,783,279**

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) IFRS 9 Financial Instruments (Continued)

a. Classification and measurement of financial assets and financial liabilities

The table below summarizes the original classification of financial assets under IAS 39 and the new classification under IFRS 9.

Group / Company

Financial statement Caption	Original classification under IAS 39	New classification under IFRS 9)
Investment in Equity Instruments	Available for Sale	FVOCI
Amounts Due from Related Parties	Loans and Receivables	AC
Trade and Other Receivables	Loans and Receivables	AC
Reinsurance Contracts	Loans and Receivables	AC
Other Financial Investments	Held to Maturity	AC

FVOCI – Financial Assets classified as Fair Value through Other Comprehensive Income

AC – Financial Assets measured at Amortized Cost

The above re-classifications have not changed the carrying amounts of the financial assets reported previously.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's / Group's accounting policies related to financial liabilities.

b. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets, and debt investments classified as FVOCI but not to the investments in equity instruments. "Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company / Group has determined that the application of IFRS 9's impairment requirements at 1st January 2018 results in an additional allowance for impairment is recognized as follows.

Charge / (Reversal)	Group MVR	Company MVR
Loss allowance as at 31st December 2017 under IAS 39	**391,564,847**	**240,153,184**
Additional impairment recognized as at 1st January 2018 on;		
Trade and other receivables	48,078,119	(24,094,437)
Amounts Due from Related Parties	214,034,167	265,777,620
Loss allowance as at 1st January 2018 under IFRS 9	**653,677,133**	**481,836,367**

Additional information about how the Company measures the allowance for impairment is described in financial instruments and risk management note.

c. Changes in fair value of Equity Investments

The Group / Company has reclassified the previously recognized impairment on the equity investments from retained earnings to fair value reserves as at 1st January 2018.

6. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new standards and amendments are effective for annual periods beginning after 1st January 2019 and early application is permitted. However, except as mentioned below the Group / Company has not early adopted the following new or amended standards in preparing these financial statements.

(i) International Financial Reporting Standard 9 - "Financial Instruments"

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

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1st January 2018. However, for an insurer that meets the criteria in paragraph 20B of IFRS 4 it provides a temporary exemption that permits, but does not require, the insurer to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1st January 2021.

6. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

(i) International Financial Reporting Standard 9 - "Financial Instruments" (Continued)

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

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

(a) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss in paragraphs 5.7.1(c), 5.7.7 – 5.7.9, 7.2.14 and B5.7.5 –B5.7.20 of IFRS 9; and

(b) its activities are predominantly connected with insurance, as described in paragraph 20D, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date as specified in paragraph 20G of IFRS 4.

Since Allied Insurance Company of Maldives Private Limited predominantly connected with Insurance activities, having considering the above criteria, the Company has elected to continue to apply IAS 39 rather than IFRS 9 up to annual periods beginning before 1st January 2021.

However, the financial statements of Allied Insurance Company of Maldives Private Limited has been prepared in line with IFRS 9 for the preparation of consolidated financial statements of the Group.

(ii) International Financial Reporting Standard 16 – "Leases"

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

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard. The Group is required to adopt IFRS 16 - "Leases" form 1st January 2019. The Group / Company has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated and separate financial statements, as described below.

a. Leases in which Group / Company is a lessee

The Group / Company will recognize new assets and liabilities for its operating leases of telecommunication towers. The nature of expenses related to those leases will now change because the Group / Company will recognize a depreciation charge for right-of-use asset and interest expense on lease liabilities.

Previously, the Group / Company recognized operating lease expense on straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there were a timing difference between actual lease payments and the expense recognized.

(iii) Other standards

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

- IFRIC 23 Uncertainty over Tax Treatment.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long – term interest in Associates and Joint Venture (Amendments to IAS 28)
- Plan Amendment, Curtailment or settlement (Amendments to IAS 19)
- Annual Improvement to IFRS Standards 2015 -2017 Cycle – various standards.
- Amendments to reference to conceptual Framework in IFRS Standards

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

6 OPERATING SEGMENTS

FOR THE YEAR ENDED 31 ST DECEMBER 2018

A.Basis of segmentation

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

The following summary describe the operations of each reportable segment.

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

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

Other operations include the development and operation of a tourist hotel, tourism related and other services. This segments does not meet the quantitative thresholds for a reportable segment in 2018 and 2017.

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

B. Information about reportable segments

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

FOR THE YEAR ENDED 31ST DECEMBER 2018

	Reportable segments							
	Trading MVR	Gas MVR	Insurance service MVR	Fuel, lubricant & crude Oil MVR	Fishery MVR	Total reportable segments MVR	Other segments MVR	Total MVR
Gross revenue	2,684,075,605	232,528,697	281,335,365	10,331,951,241	1,358,287,601	14,888,178,509	25,291,980	14,913,470,489
Inter-segment revenue	(22,386,404)	(9,914,740)	(36,080,813)	(3,951,046,645)	(15,868,720)	(4,035,297,322)	(5,001,761)	(4,040,299,083)
Segment revenue	2,661,689,201	222,613,957	245,254,552	6,380,904,596	1,342,418,881	10,852,881,187	20,290,219	10,873,171,406
Segment profit before tax	(26,036,074)	22,498,785	105,995,117	200,851,645	(198,595,681)	104,713,792	(24,587,679)	80,126,113
Interest income	5,587,308	-	9,998,495	-	-	15,585,803	-	15,585,803
Interest expense	(6,891,664)	(673,842)	-	(168,756,057)	(28,980,679)	(205,302,242)	-	(205,302,242)
Depreciation & amortization	(65,278,183)	(17,225,405)	(9,808,257)	(58,024,917)	(27,262,219)	(177,598,981)	-	(177,598,981)
Share of loss of associate	1,081,713	-	-	-	-	1,081,713	-	1,081,713
Share of profit of joint venture	9,942,973	-	-	-	-	9,942,973	-	9,942,973
Segment assets	1,259,889,520	242,880,198	740,484,717	4,134,013,734	729,065,854	7,106,334,023	558,928,284	7,665,262,307
Equity accounted investees	31,299,165	-	-	-	-	31,299,165	-	31,299,165
Capital expenditure	127,757,509	30,245,782	6,295,667	84,626,009	113,721,538	362,646,505	25,518,542	388,165,047
Segment liabilities	(1,082,251,123)	(47,267,505)	(567,159,526)	(3,055,422,231)	(781,442,522)	(5,533,542,907)	(127,586,249)	(5,661,129,156)

6 OPERATING SEGMENTS (Continued)

B. Information about reportable segments (continued)

FOR THE YEAR ENDED 31 ST DECEMBER 2017

	Reportable segments							
	Trading MVR	Gas MVR	Insurance service MVR	Fuel, lubricant & crude Oil MVR	Fishery MVR	Totalreportable e segments MVR	Other segments MVR	Total MVR
Gross revenue	2,590,988,057	232,072,191	274,684,391	7,664,255,252	1,333,090,966	12,095,090,857	18,306,014	12,113,396,871
Inter-segment revenue	(24,218,477)	(22,257,827)	(37,252,442)	(2,895,561,912)	(29,690,194)	(3,008,980,852)	(4,568,747)	(3,013,549,599)
Segment revenue	2,566,769,580	209,814,364	237,431,949	4,768,693,340	1,303,400,772	9,086,110,005	13,737,267	9,099,847,272
Segment profit / (loss)	(25,340,602)	47,376,306	53,657,596	212,902,543	(52,971,112)	235,624,731	(24,575,972)	211,048,759
Interest income	5,937,749	-	6,807,457	-	-	12,745,206	-	12,745,206
Interest expense	(3,348,061)	(2,494,161)	-	(95,389,441)	(37,047,770)	(138,279,433)	-	(138,279,433)
Depreciation & amortization	(56,325,665)	(14,802,638)	(9,695,778)	(21,547,058)	(26,571,440)	(128,942,579)	-	(128,942,579)
Share of profit of	1,838,697	-	-	-	-	1,838,697	-	1,838,697
Share of profit of joint venture	9,717,073	-	-	-	-	9,717,073	-	9,717,073
Segment assets	1,129,485,373	234,838,358	685,863,770	4,069,313,077	774,151,475	6,893,652,053	811,118,531	7,704,770,584
Equity accounted	33,274,479	-	-	-	-	33,274,479	-	33,274,479
Capital expenditure	97,032,223	37,562,733	17,079,124	346,842,873	48,992,036	547,508,989	16,334,474	563,843,463
Segment liabilities	(906,478,979)	(56,000,940)	(520,644,872)	(2,768,240,498)	(817,059,803)	(5,068,425,092)	(151,777,574)	(5,220,202,666)

C. Reconciliations of information on reportable segment to IFRS measures

	2018 MVR	2017 MVR
i Revenue		
Total revenue for reportable segments	14,888,178,509	12,095,090,857
Revenue for other segments	25,291,980	18,306,014
Elimination of inter - segment revenue	(4,040,299,083)	(3,013,549,599)
Consolidated revenue	10,873,171,406	9,099,847,272
ii Profit before tax		
Total profit before tax for reportable segments	104,713,792	235,624,731
Profit / (loss) before tax for other segments	(24,587,679)	(24,575,972)
Elimination of inter-segment profit	1,975,314	1,444,230
Dividend received from joint venture	(13,000,000)	(13,000,000)
Share of profit of equity - accounted investees	11,024,686	11,555,770
Consolidated profit before tax from continuing operations	80,126,113	211,048,760
iii Assets		
Total assets for reportable segment	7,106,334,023	6,893,652,053
Assets for other segments	558,928,284	811,118,531
Equity -accounted investees	31,299,165	33,274,479
Consolidated total assets	7,696,561,472	7,738,045,063
iv Liabilities		
Total liabilities for reportable segment	5,533,542,907	5,068,425,092
Liabilities for other segments	127,586,249	151,777,574
Consolidated total liabilities	5,661,129,156	5,220,202,666

6 OPERATING SEGMENTS (CONTINUED)

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

v. Other material items

FOR THE YEAR ENDED 31 ST DECEMBER 2018	Reportable segment totals	Adjustment	Consolidated totals
	MVR	MVR	MVR
Interest income	15,585,803	(2,536,926)	13,048,877
Interest expense	(205,302,242)	4,007,485	(201,294,757)
Capital expenditure	362,646,505	-	362,646,505
Depreciation and amortization	(177,598,981)	-	(177,598,981)
Impairment losses on non - financial assets	-	-	-
	(4,668,915)	1,470,559	(3,198,356)
FOR THE YEAR ENDED 31 ST DECEMBER 2017			
Interest income	12,745,206	(1,323,293)	11,421,913
Interest expense	(138,279,433)	1,323,293	(136,956,140)
Capital expenditure	547,508,989	-	547,508,989
Depreciation and amortization	(128,942,579)	-	(128,942,579)
Impairment gain on non - financial assets	-	-	-
	293,032,183	-	293,032,183

D. Geographic information

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

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

	2018	2017
	MVR	MVR
i. Revenue		
Male	9,772,814,465	8,285,250,187
Thilafushi	502,560,232	299,537,035
Hulhumale'	209,899,433	234,499,812
Other Islands	3,287,926,498	3,087,827,573
Overseas	1,140,269,861	206,282,264
Less : Inter-company transactions	(4,040,299,083)	(3,013,549,599)
	10,873,171,406	9,099,847,272

	2018	2017
	MVR	MVR
ii. Non - current assets		
Male	1,713,600,230	1,711,925,309
Thilafushi	120,131,865	134,491,709
Hulhumale'	533,811,737	763,840,188
Other Islands	644,126,013	504,380,489
Overseas	29,128	35,445
	3,011,698,973	3,114,673,140

E. Major customer

Revenue from one customer of the Fuel, lubricant and crude oil segment represented approximately MVR 1,544,239,434 (2017: MVR 1,263,220,213) of the Group's total revenues.

FOR THE YEAR ENDED 31 ST DECEMBER 2018

7 REVENUE

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Retail and wholesale	2,661,689,201	2,566,769,580	2,635,875,265	2,516,795,828
Insurance	245,254,552	237,431,949	-	-
Gas	222,613,957	209,814,364	-	-
Fuel and lubricants	6,380,904,596	4,768,693,340	6,755,244,250	4,980,948,600
Fishery	1,342,418,881	1,303,400,772	-	-
Other services	20,290,219	13,737,267	12,994,971	7,479,413
	10,873,171,406	9,099,847,272	9,404,114,486	7,505,223,841

8 OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Profit on disposal of property, plant and equipment	3,252,068	1,721,240	3,252,068	1,721,240
Income from vessels and fleets	4,690,401	5,124,959	4,670,116	4,920,651
Fines and claims received	10,139,483	10,778,022	8,133,761	9,236,232
Rent income	30,827,447	18,643,774	36,269,754	23,799,331
Discounts received	242,749	3,663,534	242,749	3,663,534
Reversal of provision for slow moving inventories	7,981,640	-	6,126,085	934,369
Agency fee	3,193,367	1,200,794	1,304,175	1,200,794
Miscellaneous income	20,281,865	36,778,560	4,461,130	9,108,754
	80,609,020	77,910,883	64,459,838	54,584,905

9 NET FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Finance income				
Interest income on loans granted	1,293,251	313,470	-	-
Interest income on Government credit scheme	5,587,308	5,937,749	5,587,308	5,937,749
Foreign exchange gain	1,491,218	147,241	-	-
Dividend income	4,968,185	3,243,004	43,109,833	42,099,866
Discounts on treasury bills	6,168,318	5,170,694	-	-
Other Finance income	6,523,882	7,442,023	-	-
	26,032,162	22,254,181	48,697,141	48,037,615
Finance costs				
Interest on bank borrowings	(39,096,935)	(46,922,399)	(23,146,777)	(24,295,516)
Interest on bank overdrafts	(27,132,362)	(22,456,663)	(13,427,999)	(5,541,615)
Interest on other borrowings	(135,065,460)	(67,577,078)	(139,072,945)	(68,900,371)
Foreign exchange loss	(2,382,343)	(1,088,888)	(2,060,016)	(640,041)
	(203,677,100)	(138,045,028)	(177,707,737)	(99,377,543)
Net finance costs	(177,644,938)	(115,790,847)	(129,010,596)	(51,339,928)

FOR THE YEAR ENDED 31 ST DECEMBER 2018

10 PROFIT BEFORE TAX

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Profit before tax is stated after charging all the expenses including the following;				
Depreciation on property, plant and equipment	170,039,808	122,584,771	102,689,935	59,688,083
Depreciation on investment properties	2,886,104	1,477,196	2,886,104	1,477,196
Amortization of intangible assets	4,673,069	4,880,612	1,782,805	2,205,879
Rental expenses	35,094,835	35,702,748	17,745,596	14,560,116
Directors' remuneration	8,512,041	6,959,445	1,151,656	1,161,500
Transportation	60,041,575	45,810,079	37,906,232	30,304,958
Audit fees	2,133,523	1,720,037	701,610	693,173
Receivable write off	4,764,390	5,536,271	3,780,430	2,185,275
Provision for Impairment of investment in hulhumale hotel	209,894,959	-	209,894,959	-
Provision for impairment of Property, Plant and Equipment	-	48,534,315	-	-
Provision for impairment of investment in subsidiaries	-	-	4,961,754	-
Provision for impairment of trade, other and related party receivable	65,818,485	49,806,888	24,042,049	12,841,675
Bank charges	22,981,038	9,813,970	19,822,773	7,093,396
Repair and maintenance	96,125,155	86,649,134	42,202,963	32,485,378
Advertisement and sales promotion expenses	56,707,178	61,938,973	26,945,332	36,789,516
Utilities	43,266,067	40,551,589	31,045,035	29,158,623
Personnel costs **(Note 10.1)**	718,039,617	666,607,927	357,661,050	340,800,010

10.1 Personnel costs

Salaries and wages	353,337,523	321,252,395	122,989,001	114,431,037
Staff welfare	63,440,289	53,167,631	19,688,853	18,131,033
Employer's contribution to government pension fund	15,182,749	14,393,076	7,479,954	7,116,455
Bonus, overtime and allowances	265,332,050	249,428,144	194,684,380	184,894,989
Employee retirement benefits	5,622,396	9,112,497	3,011,030	4,980,752
Staff training expenses	7,958,379	10,566,031	4,801,743	4,869,819
Other staff related expenses	7,166,231	8,688,153	5,006,089	6,375,925
	718,039,617	666,607,927	357,661,050	340,800,010

11 INCOME TAX EXPENSE

	Group		Company	
Items recognized in profit or loss	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
		(Restated)		
11.1 Current tax expense				
Current tax expense (Note 11.2)	60,992,044	52,418,255	39,316,856	33,408,493
Under provision in respect of prior years	5,507,428	106,265	5,507,428	-
	66,499,472	52,524,520	44,824,284	33,408,493
Deferred tax expense				
Deferred tax asset reversed / (recognized) (Note 11.3)	(15,649,139)	203,291	(17,669,677)	(8,578,229)
Deferred tax liability reversed (Note 11.4)	(315,924)	(340,404)	-	-
Income tax expense	50,534,409	52,387,407	27,154,607	24,830,264

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11 INCOME TAX EXPENSE (continued)

11.2 Reconciliation between accounting profit and taxable income:

	Group		Company	
	2018 MVR	**2017 MVR**	**2018 MVR**	**2017 MVR**
(Loss) / Profit before tax	(129,768,846)	211,048,759	41,566,471	236,112,001
Loss of subsidiary which is not subject to tax	228,249,370	77,435,500	-	-
Results of associate reported net of tax	(1,081,713)	(1,838,697)	-	-
Results of joint venture reported net of tax	(9,942,973)	(9,717,073)	-	-
Aggregate disallowable items	730,481,604	309,692,832	551,177,103	215,008,564
Aggregate allowable items	(411,047,029)	(234,478,260)	(330,568,698)	(225,923,532)
Loss of subsidiary claimed during the year	-	(2,411,244)	-	(2,411,244)
Tax free allowance	(276,787)	(276,787)	(62,500)	(62,500)
Total taxable income	406,613,626	349,455,030	262,112,376	222,723,289
Income Tax @ 15%	60,992,044	52,418,255	39,316,856	33,408,493

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

11.3 Deferred tax asset

	Group			Company	
	31/12/2018 MVR	**31/12/2017 MVR (Restated)**	**1/1/2017 MVR (Restated)**	**31/12/2018 MVR**	**31/12/2017 MVR**
Opening balance	55,704,943	56,080,312	55,877,222	60,325,618	51,405,611
Impact Due to Restatement **(Note 43.1.1)**	-	-	203,090	-	-
Adjustment due to Initial Application of IFRS 9 **(Note 5 (ii))**	30,519,859	-	-	36,252,477	-
Deferred tax asset recognized / (reversed) during the year	15,649,139	(203,291)	-	17,669,677	8,578,229
Deferred tax asset recognized / (reversed) in OCI	1,381,931	(172,078)	-	1,680,950	341,778
Closing balance	103,255,872	55,704,943	56,080,312	115,928,722	60,325,618

11.4 Deferred tax liability

	Group		Company	
	31/12/2018 MVR	**31/12/2017 MVR**	**31/12/2018 MVR**	**31/12/2017 MVR**
Opening balance	1,594,499	1,934,903	-	-
Deferred tax liability reversed during the year **(Note 11.7)**	(315,924)	(340,404)	-	-
Closing balance	1,278,575	1,594,499	-	-

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11 INCOME TAX EXPENSE (continued)

11.5 The Recognized Deferred tax asset is attributable to the following;

	Group					
	31/12/2018		31/12/2017		1/1/2017	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR (Restated)	Tax effect MVR (Restated)	Temporary difference MVR (Restated)	Tax effect MVR (Restated)
Property, plant and equipment	296,172,745	44,425,912	219,864,116	32,979,617	261,335,708	39,200,356
Intangible assets	(2,653,193)	(397,979)	(4,734,916)	(710,237)	(6,904,798)	(1,035,720)
Fair value reserve	2,920,774	438,116	(4,000,000)	(600,000)	-	-
Defined benefit obligation	40,174,012	6,026,102	35,857,216	5,378,582	24,984,024	3,747,604
Provisions on trade, other and related party receivable	351,758,142	52,763,721	124,379,870	18,656,981	94,453,813	14,168,072
	688,372,480	103,255,872	371,366,286	55,704,943	373,868,747	56,080,312

	Company			
	31/12/2018		31/12/2017	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR	Tax effect MVR
Property, plant and equipment	264,060,719	39,609,108	181,660,427	27,249,064
Intangible assets	-	-	(1,782,804)	(267,421)
Fair value reserve	7,920,774	1,188,116	-	-
Defined Benefit Obligation	32,462,393	4,869,359	28,430,575	4,264,586
Provisions on trade, other and related party receivable	468,414,259	70,262,139	193,862,592	29,079,389
	772,858,145	115,928,722	402,170,790	60,325,618

11.6 Un-Recognized Deferred Tax Asset

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

11.6.1 Maldives Industrial Fisheries Company Limited

	31/12/2018		31/12/2017		1/1/2017	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR (Restated)	Tax effect MVR (Restated)	Temporary difference MVR (Restated)	Tax effect MVR (Restated)
Property, Plant and Equipment	56,828,946	8,524,342	68,207,780	10,231,167	80,409,849	12,061,477
Intangible Assets	-	-	3,193	479	12,037	1,806
Accumulated Tax Losses	204,608,535	30,691,280	5,488,970	823,346	7,265,721	1,089,858
Defined Benefit Obligation	5,726,659	858,999	4,375,084	656,263	3,454,434	518,165
	267,164,140	40,074,621	78,075,027	11,711,255	91,142,041	13,671,306

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11 INCOME TAX EXPENSE (continued)

11.6.2 Fuel Supplies Maldives Private Limited

	31/12/2018		31/12/2017	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Provisions on trade, other and related party receivable	161,068,617	24,160,293	76,400,848	11,460,127

The above deferred tax assets are not recognized since the management is not certain whether these Companies will have sufficient taxable profits in the future against which these benefits could be claimed.

11.7 The Recognized Deferred tax liability is attributable to the following;

	Group			
	31/12/2018		31/12/2017	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property, plant and equipment	8,523,834	1,278,575	10,629,992	1,594,499

12 BASIC AND DILUTED EARNINGS PER SHARE

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

	Group		Company	
	2018	2017 (Restated)	2018	2017
Profit for the year attributable to the ordinary shareholders - MVR	(182,148,061)	154,653,269	14,411,864	211,281,737
Weighted average number of ordinary shares	1,126,910	1,126,910	1,126,910	1,126,910
Basic and diluted earnings per share - MVR	(161.63)	137.24	12.79	187.49

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13 PROPERTY, PLANT AND EQUIPMENT

13.1 Group

	Freehold land MVR	Freehold buildings MVR	Leasehold buildings MVR	Plant and machinery MVR	Vessels and fleet MVR	Motor vehicles MVR	Air conditioners MVR	Office equipment MVR	Furniture and fixtures MVR	Other assets MVR	Total 31/12/2018 MVR	Total 31/12/2017 MVR
Cost												
Opening balance	767,354,400	735,161,599	82,189,698	562,755,525	644,277,440	157,452,365	11,324,090	142,900,314	20,151,493	109,937,857	3,233,504,781	3,079,302,527
Additions during the year	-	18,535,964	-	20,773,639	51,066,453	23,077,759	1,377,269	10,384,332	1,018,031	22,680,052	148,913,499	61,171,401
Disposal during the year	-	(104,274)	-	(64,969)	(18,541,881)	-	(82,409)	(1,190,946)	(606,449)	(435,828)	(21,026,756)	(11,453,787)
Transferred from capital work in progress	6,832,353	73,157,323	9,362,835	155,814,004	273,038,618	16,562,063	4,740,714	111,885	-	29,254	539,649,049	104,484,640
Reclassification	-	-	-	1,480,250	-	-	-	-	-	(1,480,250)	-	-
Closing balance	774,186,753	826,750,612	91,552,533	740,758,449	949,840,630	197,092,187	17,359,664	152,205,585	20,563,075	130,731,085	3,901,040,573	3,233,504,781
Accumulated depreciation												
Opening balance	-	558,027,968	35,287,549	394,360,397	534,309,045	109,437,928	7,425,930	119,505,634	12,403,033	47,291,808	1,818,049,292	1,703,681,075
Charge for the year	-	32,517,425	5,791,195	28,318,424	48,477,853	21,296,567	2,834,519	12,529,843	2,043,348	16,230,634	170,039,808	122,584,771
Disposals during the year	-	(6,952)	-	(61,919)	(5,601,193)	-	(76,257)	(1,123,578)	(359,550)	(403,570)	(7,633,019)	(8,216,554)
Reclassfication	-	-	-	1,480,250	-	-	-	-	-	(1,480,250)	-	-
Closing balance	-	590,538,441	41,078,744	424,097,152	577,185,705	130,734,495	10,184,192	130,911,899	14,086,831	61,638,622	1,980,456,081	1,818,049,292
Net carrying value												
As at 31st December 2018	774,186,753	236,212,171	50,473,789	316,661,297	372,654,925	66,357,692	7,175,472	21,293,686	6,476,244	69,092,463	1,920,584,492	
As at 31st December 2017	767,354,400	177,133,631	46,902,149	168,395,128	109,968,395	48,014,437	3,898,160	23,394,680	7,748,460	62,646,049		1,415,455,489
Capital work in progress **(Note 13.1.1)**											203,585,158	564,473,099
Total											2,124,169,650	1,979,928,588

FOR THE YEAR ENDED 31ST DECEMBER 2018

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

13.1.1 Capital work in progress

Opening balance	564,473,099	271,338,027
Additions during the year	179,206,609	450,536,791
Transferred to property, plant and equipment	(539,649,049)	(104,484,640)
Write-off during the Year	(445,501)	(2,624,206)
Provision for Impairment	-	(48,534,315)
Transferred to Investment Property (CWIP)	-	(1,621,708)
Transferred to Intangible assets (CWIP)	-	(136,850)
Closing balance	203,585,158	564,473,099

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

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

13.1.4 During the year, the group has capitalised borrowing costs amounting to MVR 10,611,323 (2016: MVR 29,292,033) on qualifying assets. Borrowing costs were capitalised at the rate of 5.25% - 8.5%.

FOR THE YEAR ENDED 31ST DECEMBER 2018

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

13.2 Company

	Freehold land MVR	Buildings MVR	Plant and machinery MVR	Vessels and fleet MVR	Motor vehicles MVR	Air conditioners MVR	Office equipment MVR	Furniture and fixtures MVR	Other assets MVR	Total 31/12/2018 MVR	Total 31/12/2017 MVR
Cost											
Opening balance	767,354,400	424,893,601	66,695,014	188,273,722	104,806,271	10,006,304	73,752,903	6,923,883	11,607,133	1,654,313,231	1,603,674,037
Additions during the year	-	18,535,964	11,583,162	19,481,753	17,374,562	1,329,629	6,504,135	459,991	18,209,135	93,478,331	23,641,261
Disposal during the year	-	(104,274)	(58,869)	(18,541,881)	-	(82,409)	(748,553)	(89,630)	(348,438)	(19,974,054)	(8,332,949)
Transferred from capital work in progress	6,832,353	61,479,959	121,564,184	268,950,741	16,562,063	4,740,714	76,693	-	29,254	480,235,961	35,330,882
Closing balance	774,186,753	504,805,250	199,783,491	458,164,335	138,742,896	15,994,238	79,585,178	7,294,244	29,497,084	2,208,053,469	1,654,313,231
Accumulated depreciation											
Opening balance	-	296,196,232	62,531,376	153,785,631	65,925,385	6,399,064	60,874,835	5,745,653	11,607,133	663,065,309	609,740,561
Charge for the year	-	26,519,496	7,764,352	35,977,392	17,852,360	2,593,544	7,220,818	828,378	3,933,595	102,689,935	59,688,083
Disposals during the year	-	(6,952)	(58,869)	(5,601,193)	-	(76,257)	(705,030)	(87,297)	(348,438)	(6,884,036)	(6,363,335)
Closing balance	-	322,708,776	70,236,859	184,161,830	83,777,745	8,916,351	67,390,623	6,486,734	15,192,290	758,871,208	663,065,309
Net carrying value											
As at 31st December 2018	774,186,753	182,096,474	129,546,632	274,002,505	54,965,151	7,077,887	12,194,555	807,510	14,304,794	1,449,182,261	
As at 31st December 2017	767,354,400	128,697,369	4,163,638	34,488,091	38,880,886	3,607,240	12,878,068	1,178,230	-		991,247,922
Capital work in progress **(Note 13.2.1)**									16,972,406	16,972,406	431,645,765
Total									1,466,154,667	1,466,154,667	1,422,893,687

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13 PROPERTY, PLANT AND EQUIPMENT (Continued)

13.2.1 Capital work in progress

	Total 31/12/2018 MVR	Total 31/12/2017 MVR
Opening balance		
Additions during the year	431,645,765	101,531,521
Transferred to property, plant and equipment	66,008,101	369,542,181
Write-off during the Year	(480,235,961)	(35,330,882)
Transferred to Investment Property (CWIP)	(445,499)	(2,475,347)
Closing balance	-	(1,621,708)
	16,972,406	431,645,765

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

13.2.3 During the year, the company has capitalised borrowing costs amounting to MVR 7,973,676 (2017: MVR 28,334,250) on qualifying assets. Borrowing costs were capitalised at the rate of 5.25%.

STATE TRADING ORGANIZATION PLC

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 ST DECEMBER 2018

14 INVESTMENT PROPERTY

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Cost				
Opening balance	103,377,595	56,228,691	103,377,595	56,228,691
Transferred from capital work in progress	51,138,676	47,148,904	51,138,676	47,148,904
Closing balance	154,516,271	103,377,595	154,516,271	103,377,595
Accumulated depreciation				
Opening balance	56,395,652	54,918,456	56,395,652	54,918,456
Depreciation for the year	2,886,104	1,477,196	2,886,104	1,477,196
Closing balance	59,281,756	56,395,652	59,281,756	56,395,652
Net carrying amount	95,234,515	46,981,943	95,234,515	46,981,943
Capital work in progress (Note 14.1)	414,410,665	688,285,008	414,410,665	688,285,008
Total	509,645,180	735,266,951	509,645,180	735,266,951

14.1 Capital work in progress

	Group 31/12/2018 MVR	Group 31/12/2017 MVR	Company 31/12/2018 MVR	Company 31/12/2017 MVR
Opening balance	688,285,008	684,877,110	688,285,008	684,877,110
Additions during the year	53,991,207	48,935,094	53,991,207	48,935,094
Transferred from property, plant and equipment (CWIP)	-	1,621,708	-	1,621,708
Transfers to Investment Property	(51,138,676)	(47,148,904)	(51,138,676)	(47,148,904)
Waive off of lease rent payable **(Note 14.3)**	(66,831,915)	-	(66,831,915)	-
"Provision for impairment of investment in hulhumale hotel	(209,894,959)	-	(209,894,959)	-
Closing balance	414,410,665	688,285,008	414,410,665	688,285,008

14.2 Provision for impairment of investment in hulhumale hotel

	Group 31/12/2018 MVR	Group 31/12/2017 MVR	Company 31/12/2018 MVR	Company 31/12/2017 MVR
Provision for the year	209,894,959	-	209,894,959	-
Closing balance	209,894,959	-	209,894,959	-

Due to continous delay in completing the construction of the hotel in Hulhumale', the Board of Directors of the Company has decided to test the property in progress for impairment and recognized an impairment lossof MVR 209,894,959/-

The recoverable value of this investment property was based on fair value less cost to disposal estimated using discounted cash flows. The discounted rate of 4.5% is used in the estimation of the recoverable amount.The fair value of the Investment Properties are derived based on the recent market data available and is estimated at MVR 132,382,623 (2017: MVR 89,426,691) and the fair value of the investment properties which are classified under capital work in progress is MVR 414,410,665 (2017: MVR 688,285,008) as at 31st December 2018.

14.3 Hulhumale' Development Corporation Limited has decided to waveoff a lease rental payable amounting to MVR 66,831,915/- on the land used to construct the hotel in Hulhumale'. This amount is reversed during the year ended 31st December 2018.

14.4 Investment property comprises a number of commercial properties that are leased to third parties and proportion under the construction with the purpose of leasing to third parties.

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

14.5 During the year, the company has not capitalized any borrowing costs (2017: MVR 7,756,142) on qualifying assets relating to investment property.

14.6 Income earned from Investment Property

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

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Rent income	30,827,447	18,643,774	36,269,754	23,799,331
Direct expenses	(14,168,055)	(6,482,416)	(14,168,055)	(6,482,416)

FOR THE YEAR ENDED 31 ST DECEMBER 2018

15 INTANGIBLE ASSETS

15.1 GROUP

	Group		Company	
	Goodwill Consolidation MVR	Computer software MVR	Total 31/12/2018 MVR	Total 31/12/2017 MVR
Cost				
Opening balance	3,155,217	94,356,643	97,511,860	94,583,186
Additions during the year	-	3,158,232	3,158,232	-
Transferred from capital work In progress (Note 15.3)	-	640,156	640,156	2,928,674
Retirement during the year	-	(6,511,847)	(6,511,847)	-
Closing balance	3,155,217	91,643,184	94,798,401	97,511,860
Accumulated amortization				
Opening balance	-	85,133,377	85,133,377	80,252,765
Amortization during the year	-	4,673,069	4,673,069	4,880,612
Retirement during the year	-	(6,487,284)	(6,487,284)	-
Closing balance	-	83,319,162	83,319,162	85,133,377
Net carrying value	3,155,217	8,324,022	11,479,239	12,378,483
Capital work in progress **(Note 15.3)**			5,643,197	3,387,853
Total			17,122,436	15,766,336

15.2 COMPANY

	Computer software	
	31/12/2018 MVR	31/12/2017 MVR
Cost		
Opening balance	63,847,243	63,847,243
Closing balance	63,847,243	63,847,243
Accumulated amortization		
Opening balance	62,064,439	59,858,560
Amortization for the year	1,782,805	2,205,879
Closing balance	63,847,243	62,064,439
Net carrying value	-	1,782,804

15.3 Capital working progress

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	3,387,853	2,979,500	-	-
Additions during the year	2,895,500	3,200,177	-	-
Transferred from property, plant and equipment (CWIP) *	-	136,850	-	-
Transferred to intangible assets	(640,156)	(2,928,674)	-	-
Closing balance	5,643,197	3,387,853	-	-

FOR THE YEAR ENDED 31 ST DECEMBER 2018

15 INTANGIBLE ASSETS (Continued)

15.4 Impairment test of goodwill

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

	2018	2017
Business growth	16.14%	6.88%
Inflation	1.20%	2.30%
Discount rate	10.00%	10.00%
Margin	4.62%	5.17%

16 PREPAID LEASE RENT

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	149,055,245	36,068,280	33,753,738	36,068,280
Additions during the year	-	117,654,599	-	-
Amortization during the year	(4,667,634)	(4,667,634)	(2,314,542)	(2,314,542)
Closing balance	144,387,611	149,055,245	31,439,196	33,753,738
Analysis of lease rent				
Current	4,667,634	4,667,634	2,314,542	2,314,542
Non-current	139,719,977	144,387,611	29,124,654	31,439,196
	144,387,611	149,055,245	31,439,196	33,753,738

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

17 INVESTMENT IN SUBSIDIARIES

	Company	
	31/12/2018 MVR	31/12/2017 MVR
Maldive Gas Private Limited	61,200,000	61,200,000
Allied Insurance Company of the Maldives Private Limited	807,000	807,000
STO Maldives (Singapore) Private Limited	1,459,750	1,459,750
Fuel Supplies Maldives Private Limited	42,783,185	42,783,185
Maldives National Oil Company Limited	10,000,000	10,000,000
STO Hotels & Resorts Private Limited	999,900	999,900
Maldives Industrial Fisheries Company Limited (MIFCO) **(Note 17.2)**	-	-
Provision for impairment of investment in subsidiaries **(Note 17.1)**	(4,961,754)	-
	112,288,081	117,249,835

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17 INVESTMENT IN SUBSIDIARIES (Continued)

17.1 Provision for impairment of investment in subsidiaries

	Company	
	31/12/2018	**31/12/2017**
	MVR	**MVR**
Provision made during the year	4,961,754	-
Closing balance	4,961,754	-

Due to the continuous losses incurred by the subsidiaries, Maldives National Oil Company Private Limited ("MNOC") and STO Hotels and Resorts Private Limited ("STOHR"), the Board of Directors of the Company has assessed the recoverable value of the investment in those subsidiary Companies and recognized an impairment of MVR 4,961,774/- as follows,

	STOHR	**MNOC**	**Total**
	MVR	**MVR**	**MVR**
Cost of the Investment in Subsidiary	999,900	10,000,000	10,999,900
Estimated Recoverable Value	-	(6,038,146)	(6,038,146)
Provision for Impairment	999,900	3,961,854	4,961,754

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

17.2 During the year 2016, the group has acquired 100% control of Maldives Industrial Fisheries Company Limited (MIFCO) pursuant to the decision made by the cabinet of the Government of Maldives. The Government transferred the control of assets and management of MIFCO to the Group on 30th September 2016 without a consideration with a commitment from the Government of Maldives to inject a capital of MVR 333,632,560 in cash to MIFCO.

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18 EQUITY - ACCOUNTED INVESTEES

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Interest in associates (Note 18.1)	9,438,027	8,356,314	10,567,267	10,567,267
Interest in joint venture (Note 18.3)	21,861,138	24,918,165	4,700,000	4,700,000
	31,299,165	33,274,479	15,267,267	15,267,267

18.1 Investment in Associates

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	8,356,314	6,517,617	10,567,267	10,567,267
Share of profit for the year (net of tax)	1,081,713	1,838,697	-	-
Closing balance	9,438,027	8,356,314	10,567,267	10,567,267

Lafarge Maldives Cement Private Limited

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

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

	Lafarge Maldives Cement Private Limited	
	31/12/2018 MVR	31/12/2017 MVR
Percentage of ownership	25%	25%
Non current assets	19,499,716	23,171,577
Current assets	83,894,561	117,454,092
Current liabilities	(65,642,169)	(107,200,413)
Net assets (100%)	37,752,108	33,425,256
Group's share of net assets	9,438,027	8,356,314
Carrying amount of interest in associates	9,438,027	8,356,314
Revenue	103,969,797	106,094,313
Profit and other comprehensive income	4,326,852	7,354,789
Group's share of profit and other comprehensive income	1,081,713	1,838,697

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18 EQUITY - ACCOUNTED INVESTEES (Continued)

18.3 Investment in joint venture

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	24,918,165	28,201,092	4,700,000	4,700,000
Share of profit for the year (net of tax)	9,942,973	9,717,073	-	-
Dividend received	(13,000,000)	(13,000,000)	-	-
Closing balance	21,861,138	24,918,165	4,700,000	4,700,000

Maldives Structural Products Private Limited

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

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

	Maldives Structural Products Private Limited	
	31/12/2018 MVR	31/12/2017 MVR
Investment in joint venture		
Percentage of ownership	50%	50%
Non current assets	988,238	1,179,923
Current assets	66,676,019	62,872,850
Current liabilities	(23,941,982)	(14,216,445)
Net assets (100%)	**43,722,275**	**49,836,328**
Group's share of net assets	21,861,138	24,918,164
Carrying amount of interest in joint venture	**21,861,138**	**24,918,164**
Revenue	82,349,740	83,259,006
Depreciation and amortization	(161,828)	(200,433)
Interest expense	(1,265,129)	(2,923,779)
Income tax expense	(3,292,406)	(3,366,778)
Profit and other comprehensive income	**19,885,945**	**19,434,145**
Group's share of profit and other comprehensive income	**9,942,973**	**9,717,073**
Dividend received by the Group	**(13,000,000)**	**(13,000,000)**

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19 INVESTMENT IN EQUITY INSTRUMENTS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	56,740,800	22,865,800	12,740,800	12,740,800
Investments made during the year	-	30,000,000	-	-
Net change in fair value	(6,920,774)	3,875,000	(7,920,774)	-
Closing balance	49,820,026	56,740,800	4,820,026	12,740,800

Determining the fair value

Marketable equity securities are measured at fair value annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock exchange quoted bid prices. Other investments (unlisted securities) are measured at fair value based on the adjusted net assets of the investee company. Equity investments are classified as non- current assets, unless they are expected to be realized within twelve months of the reporting date or unless they are intended to be sold to raise operating capital.

19.1 Movement in investment in equity instruments

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
G.Dh Atoll Rayyithunge Cooperative Society	-	4,500,000	-	4,500,000
Maldives Stock Exchange Company Private Limited **(Note 19.2)**	2,240,800	3,840,800	2,240,800	3,840,800
Madivaru Holdings Private Limited **(Note 19.3)**	-	709,148	-	709,148
Maldives Security Depository	-	500,000	-	500,000
Dhivehi Raajjeyge Gulhun PLC **(Note 19.4)**	10,000,000	10,000,000	-	-
Ooredoo Maldives PLC **(Note 19.5)**	35,000,000	34,000,000	-	-
Addu International Airport Private Limited **(Note 19.6)**	2,579,226	10,000,000	2,579,226	10,000,000
	49,820,026	63,549,948	4,820,026	19,549,948
Provision for Impairment				
Opening balance	6,809,148	-	6,809,148	-
Adjustment due to Initial Application of IFRS 9 (Note 5 (ii))	(6,809,148)	-	(6,809,148)	-
Impairment for the year	-	6,809,148	-	6,809,148
Closing balance	-	6,809,148	-	6,809,148

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19 INVESTMENT IN EQUITY INSTRUMENTS (Continued)

19.2

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Cost				
G.Dh Atoll Rayyithunge Cooperative Society	4,500,000	4,500,000	4,500,000	4,500,000
Maldives Stock Exchange Company Private Limited **(Note 19.3)**	3,840,800	3,840,800	3,840,800	3,840,800
Madivaru Holdings Private Limited **(Note 19.4)**	709,148	709,148	709,148	709,148
Maldives Security Depository	500,000	500,000	500,000	500,000
Dhivehi Raajjeyge Gulhun PLC **(Note 19.5)**	10,000,000	10,000,000	-	-
Ooredoo Maldives PLC **(Note 19.6)**	30,000,000	30,000,000	-	-
Addu International Airport Private Limited **(Note 19.7)**	10,000,000	10,000,000	10,000,000	10,000,000
Provision for Impairment	-	(6,809,148)	-	(6,809,148)
	59,549,948	52,740,800	19,549,948	12,740,800
Net change in fair value				
Opening balance	4,000,000	4,000,000	-	-
Adjustment due to Initial Application of IFRS 9 **(Note 5 (ii))**	(6,809,148)	-	(6,809,148)	-
Net change in fair value for the year	(6,920,774)	-	(7,920,774)	-
Closing balance	(9,729,922)	4,000,000	(14,729,922)	-
Net Fair Value	49,820,026	56,740,800	4,820,026	12,740,800

19.3 The Company has purchased 8,000 no of shares of Maldives Stock Exchange Private Limited.

19.4 The Company has purchased 16,117 no of shares of Madivaru Holdings Private Limited.

19.5 The Company has purchased 125,000 no of shares of Dhivehi Raajjeyge Gulhun PLC.

19.6 The Group has purchased 1,000,000 no of shares of Addu International Airport Private Limited.

19.7 The Group has purchased 20,000 no of shares of Ooredoo Maldives PLC.

20 INVENTORIES

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Food stock	75,067,506	78,247,424	75,067,506	78,247,424
Fuel and lubricants	198,711,878	205,985,959	132,007,861	152,312,238
Home improvement and electronics	53,905,434	61,339,467	52,421,870	59,677,314
Construction materials	72,515,676	63,094,027	72,515,676	63,094,027
Pharmaceuticals	225,655,064	219,320,199	225,655,064	219,320,199
Fish & processed fish products	134,264,867	146,818,899	-	-
Spare parts	115,947,076	106,185,972	15,207,483	19,089,839
Retail shops	67,430,245	47,593,354	66,057,190	46,441,718
Others	35,765,448	26,985,906	33,810,209	25,032,352
Goods in transit	180,477,134	110,501,928	118,991,004	44,713,948
Less: provision for slow and non moving inventories **(Note - 20.1)**	(75,588,111)	(83,569,751)	(36,673,330)	(42,799,416)
	1,084,152,217	982,503,384	755,060,533	665,129,643

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20 INVENTORIES (Continued)

20.1 Provision for slow moving and non moving inventories

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	83,569,751	81,394,036	42,799,416	43,733,785
Provision made / (reversal) during the year	(7,981,640)	2,175,715	(6,126,086)	(934,369)
Closing balance	75,588,111	83,569,751	36,673,330	42,799,416

In 2018, inventories of MVR 8,204,144,154 (2017: MVR 6,563,756,392) were recognized as an expense during the period and included in 'cost of sales' of the Company.

In 2018, inventories of MVR 9,014,831,540 (2017: MVR 7,347,644,542) were recognized as an expense during the period and included in 'cost of sales' of the Group.

The Group reversed MVR 7,981,640 of a previous inventory provision in December 2017. The Company has sold all the goods that were considered for the provision to independent retailers in Maldives. The amount reversed has been included in 'other income' in the statement of profit or loss.

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

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Trade receivables	774,008,459	730,793,118	219,732,479	213,850,967
Due from policyholders	82,544,718	96,490,764	-	-
Less : provision for impairment loss **(Note 21.1)**	(445,737,414)	(321,486,380)	(102,396,183)	(90,385,315)
	410,815,763	505,797,502	117,336,296	123,465,652
Advances, prepayments and deposits	233,700,125	136,835,081	200,540,067	100,019,804
Government employee credit scheme	58,825,534	55,757,655	58,825,534	55,757,655
Staff advances and other loans	7,679,881	6,934,606	7,679,881	6,913,360
Advances paid for custom duty	5,163,828	8,488,188	5,163,828	8,488,188
Miscellaneous receivable	80,192,852	86,057,121	37,639,066	50,884,470
Less : unmatured interest	(2,504,126)	(2,739,944)	(2,504,126)	(2,739,944)
Less : provision for impairment loss **(Note 21.2)**	(44,653,467)	(57,674,850)	(40,969,276)	(56,237,911)
	338,404,627	233,657,857	266,374,974	163,085,622
Total trade and other receivable	749,220,390	739,455,359	383,711,270	286,551,274

21.1 Provision for Impairment of trade receivables

	Group 31/12/2018 MVR	Group 31/12/2017 MVR	Company 31/12/2018 MVR	Company 31/12/2017 MVR
Opening balance	321,486,380	284,395,990	90,385,315	86,751,950
Adjustment due to Initial Application of IFRS 9 **(Note 5 (ii)(b))**	62,757,737	-	(9,414,819)	-
Written off during the Year	-	(2,411,029)	-	-
Provision made during the year	61,493,297	39,501,419	21,425,687	3,633,365
Closing balance	445,737,414	321,486,380	102,396,183	90,385,315

21.2 Provision for impairment of other receivables

	Group 31/12/2018 MVR	Group 31/12/2017 MVR	Company 31/12/2018 MVR	Company 31/12/2017 MVR
Opening balance	57,674,850	46,604,046	56,237,911	42,521,210
Adjustment due to Initial Application of IFRS 9 **(Note 5 (ii)(b))**	(14,679,618)	-	(14,679,618)	-
Written off during the Year	-	(3,743,056)	-	-
Provision made / (reversed) during the year	1,658,235	14,813,860	(589,017)	13,716,701
Closing balance	44,653,467	57,674,850	40,969,276	56,237,911

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22 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
STO Maldives (Singapore) Private Limited	-	-	29,530,359	22,888,721
Maldive Gas Private Limited	-	-	3,056,514	9,172,834
Fuel Supplies Maldives Private Limited	-	-	1,244,709,947	817,701,084
Allied Insurance Company of the Maldives Private Limited	-	-	481,140	17,517,714
Maldives National Oil Company Limited	-	-	10,224	345,610
Maldives Industrial Fisheries Company Limited	-	-	103,368,848	55,965,500
STO Hotels & Resorts Private Limited	-	-	203,001,212	202,654,780
Lafarge Maldives Cement Private Limited	2,798	758,035	-	754,954
Maldives Structural Product Private Limited	4,000,000	-	4,000,000	-
Ministry of Health	142,162,482	97,406,963	142,162,482	97,406,963
Ministry of Finance and Treasury	94,340,203	222,428,432	94,340,203	132,884,248
State Electric Company Limited (STELCO)	115,285,751	137,611,973	115,196,654	137,566,183
Fenaka Corporation	748,025,278	528,611,638	89,439,223	121,762,710
Indira Gandi Memorial Hospital	268,476,909	180,209,881	268,476,909	180,209,881
Maldives Road Development Corporation	62,850,523	62,410,221	62,248,626	61,788,564
Addu International Airport Private Limited	217,749,797	198,012,292	216,155,826	196,418,321
Aasandha Private Limited	192,416,025	232,611,736	192,416,025	232,611,736
Hulhumale Hospital	27,146,295	27,428,065	27,146,295	27,428,065
Maldives Airport Company Limited	54,233,628	200,741,654	54,233,628	200,741,654
Ministry of Housing and Infrastructure	103,166,559	96,828,714	103,166,559	96,828,714
Ministry of Tourism	-	-	-	-
G.Dh Atoll Rayyithunge Cooperative Society	831,492	831,492	831,492	831,492
Rainbow Enterprises Private Limited	616,410	5,800,267	616,410	5,800,267
Champa Oil and Gas Company Private Limited	-	71,852	-	-
Marine Maldives Products Private Limited	13,010,881	12,378,778	-	-
Ukulas Private Limited	1,056,179	1,056,179	-	-
E-Biz Maldives Private Limited	-	4,447	-	4,447
Other Government entities	266,042,320	185,667,693	222,867,491	140,353,347
	2,311,413,530	2,190,870,312	3,177,456,067	2,759,637,789
Less : provision for impairment loss **(Note 22.1)**	(229,104,737)	(12,403,617)	(362,512,957)	(93,529,958)
Less : unmatured interest	(1,239)	(76,371)	(1,239)	(76,371)
Total amount due from related parties	2,082,307,554	2,178,390,324	2,814,941,871	2,666,031,460
Non - current	36,666,667	93,825,609	36,666,667	93,825,609
Current	2,045,640,887	2,084,564,715	2,778,275,204	2,572,205,851
	2,082,307,554	2,178,390,324	2,814,941,871	2,666,031,460

22.1 Provision for impairment of amounts due from related parties

Opening balance	12,403,617	16,920,508	93,529,958	98,038,349
"Adjustment due to Initial Application of IFRS 9 **(Note 5 (ii)(b))**"	214,034,167	-	265,777,620	-
Written off during the Year	-	(8,500)	-	-
Provision made / (reversed) during the year	2,666,953	(4,508,391)	3,205,379	(4,508,391)
Closing balance	229,104,737	12,403,617	362,512,957	93,529,958

Receivables from Maldives Industrials Fisheries Company Limited includes loan receivable of MVR 34,460,148 granted at an interest rate of 7.5% per annum.

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23 REINSURANCE CONTRACTS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Reinsurers' share of insurance liabilities	147,541,346	109,545,885	-	-
Reinsurance share of paid claim and prepaid reinsurance	24,504,035	28,583,782	-	-
Reinsurance share of incurred but not reported claims	6,945,008	5,728,610	-	-
Unearned premium	99,437,420	98,558,348	-	-
Gross receivables from reinsurance	278,427,809	242,416,625	-	-
Less : Provision for Re-insurance Receivables **(Note 23.1)**	(8,981,677)	(8,981,677)	-	-
Net receivables from reinsurance	269,446,132	233,434,948	-	-

23.1 Provision for Re-insurance Receivables

Opening balance	8,981,677	6,017,453	-	-
Provision made during the year	-	2,964,224	-	-
Closing balance	8,981,677	8,981,677	-	-

24 OTHER FINANCIAL INVESTMENTS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Investment in treasury bills	132,488,652	100,275,410	-	-
Corporate bonds	42,412,050	50,908,196	-	-
Investment in term deposit	22,812,752	356,216	-	-
	197,713,454	151,539,822	-	-
Opening balance	151,539,822	154,359,639	-	-
Purchased during the year	590,964,071	654,911,895	-	-
Matured during the year	(544,790,439)	(657,731,712)	-	-
Closing balance	197,713,454	151,539,822	-	-

The Group has invested MVR 130,666,536 (2017: MVR 99,792,885) in treasury bills issued by the Maldives Monetary Authority for a maturity value of MVR 100,840,000 (2016: MVR 100,840,000) at the rate of interest ranging from 3.5% to 4.6% per annum (2017: 3.5% to 4.6% per annum) with the maturity period of 30 days to 364 days (2017: 30 days to 364 days).

During the year, the Group has made an investment of MVR 41,000,000 (2017: MVR 50,000,000) in the short term corporate bonds issued by Housing development finance corporation PLC at the interest rate of 6.5% - 7.5% (2017: 6.25%) per annum. The Group has also made an investment of MVR 22,000,000 (2017: MVR 322,337) in term deposit at a rate of interest 4.6% - 4.7% (2017: 2.3%) with a maturity period of 364 days (2017: 91 - 364 days).

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Favorable balances				
Cash in hand	23,458,795	38,673,204	13,116,856	9,966,224
Balances at banks	310,562,990	388,310,680	118,572,224	178,749,299
	334,021,785	426,983,884	131,689,080	188,715,523
Unfavorable balances				
Bank overdrafts	(220,169,701)	(267,356,119)	(140,871,885)	(137,941,870)
Cash and cash equivalents for the purpose of cash flow statement	113,852,084	159,627,765	(9,182,805)	50,773,653

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26 SHARE CAPITAL AND RESERVES

A. SHARE CAPITAL AND SHARE PREMIUM

26.1 Authorized

The authorized share capital comprises 2,000,000 (2017: 2,000,000) ordinary shares of par value of MVR 50 per share.

Issued and fully paid

The issued and fully paid share capital comprises 1,126,910 (2017: 1,126,910) ordinary shares at a par value of MVR 50 per share (2017: MVR 50 per share)

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

26.2 Dividends and voting rights

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

26.3 Dividends per share

At the Annual General Meeting held on 30th May 2018, a dividend in respect of 2017 of MVR 55 per share (2017: declared dividend MVR 51 per share in respect of 2016) amounting to a total of MVR 61,980,050 (2017: declared MVR 57,472,410) was declared and approved by the shareholders and accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2018.

B. RESERVES

26.4 General reserve

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

26.5 Fair value reserve

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

26.6 Claim equalization reserve

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

26.7 Currency translation reserve

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

	Group		
	31/12/2018 MVR	31/12/2017 MVR (Restated)	1/1/2017 MVR (Restated)
Opening balance	18,452,871	15,433,179	15,548,263
Impact Due to Restatement **(Note 43.1.1)**	-	-	(115,084)
Adjustment due to Initial Application of IFRS 9 **(Note 5 (ii)(b))**	(32,745)	-	-
Share of profit of subsidiary	1,844,806	4,008,083	-
Share of profit of Other comprehensive income of subsidiary	3,769	11,609	-
Dividend paid to non controlling interest	(555,556)	(1,000,000)	-
Closing balance	19,713,145	18,452,871	15,433,179

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28 LOANS AND BORROWINGS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	1,756,375,438	1,760,203,121	1,218,006,952	1,212,755,105
Loans obtained during the Year	4,245,630,792	751,438,045	4,176,220,894	743,243,013
Repayments during the year	(3,674,436,295)	(755,265,728)	(3,648,610,689)	(737,991,166)
Closing balance	2,327,569,935	1,756,375,438	1,745,617,157	1,218,006,952
28.1 Sources of Finance				
Secured loans	1,486,134,756	823,847,634	1,034,867,773	377,584,357
Unsecured loans	400,685,795	412,105,208	270,000,000	320,000,000
Corporate bond (Note 28.8)	440,749,384	520,422,595	440,749,384	520,422,595
	2,327,569,935	1,756,375,437	1,745,617,157	1,218,006,952
28.2 Non - Current				
Bank borrowings	29,207,774	93,516,520	-	49,298,318
Other borrowings	151,368,249	103,784,198	25,208,148	-
Corporate bond	356,810,264	440,749,387	356,810,264	440,749,387
	537,386,287	638,050,105	382,018,412	490,047,705
28.3 Current				
Bank borrowings	1,025,891,670	349,156,732	1,000,407,622	328,286,040
Other borrowings	680,352,855	689,495,394	279,252,000	320,000,000
Corporate bond	83,939,123	79,673,207	83,939,123	79,673,207
	1,790,183,648	1,118,325,333	1,363,598,745	727,959,247

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28 LOANS AND BORROWINGS (Continued)

28.4 Terms and repayment schedule

Source of finance	Nominal interest rate	Year of maturity	Security	Group Carring value 31/12/2018 MVR	Group Carring value 31/12/2017 MVR	Company Carring value 31/12/2018 MVR	Company Carring value 31/12/2017 MVR
Nation Trust Bank PLC	7.50%	Revolving	Trade center building	52,121,858	56,063,793	52,121,858	56,063,793
Hongkong & Shanghai Banking Corporation	8.5% + LIBOR	Revolving	Government guarantee	132,977,137	83,391,360	132,977,137	83,391,360
Bank of Maldives PLC	10.00%	2019	Backed by STO's assets	38,915,705	74,311,096	38,915,705	74,311,096
Habib Bank Limited	8.50%	Revolving	Backed by Government guarantee, MVR & STO's assets	-	8,541,755	-	8,541,755
Habib Bank Limited	6.00%	2018	Backed by MVR	-	16,884,650	-	16,884,650
Ministry of Finance and treasury	Profit Share 65 : 35	2019	Un-secured.	150,000,000	150,000,000	150,000,000	150,000,000
Ministry of Finance and treasury	Profit Share 70 : 30	2019	Un-secured.	-	50,000,000	-	50,000,000
Ministry of Finance and treasury	Profit Share 60 : 40	2019	Un-secured.	120,000,000	120,000,000	120,000,000	120,000,000
Ministry of Finance and treasury	7.50%	2023	MIFCO assets procured / constructed under the facility	34,460,148	6,987,451	34,460,148	6,987,451
Maldives Islamic Bank	8.5% mark-up on cost	2019	Assignement of receivables from a customer	5,753,716	23,018,633	5,753,716	23,018,633
International Islamic Trade finance corporation	2.9% + LIBOR	2019	Letter of comfort from Ministry of Finance and treasury	770,639,209	108,385,619	770,639,209	108,385,619
Listed corporate bond	5.25%	2023	Government guarantee	440,749,384	520,422,595	440,749,384	520,422,595
Ministry of Finance and treasury (IDB Tsunami)	6.00%	2020	Government guarantee	66,296,583	63,239,985	-	-
Ministry of Finance and treasury	6.00%	2023	Government guarantee	94,881,915	91,505,239	-	-
Ministry of Finance and treasury	6.00%	N/A	Government guarantee	235,396,663	226,429,159	-	-
Ministry of Finance and treasury	4.00%	2022	Un-secured.	50,000,000	-	-	-
Ministry of Finance and treasury	Interest free	Revolving	Un-secured.	52,155,792	52,155,792	-	-
Ministry of Fisheries and agriculture	Interest free	2028	Un-secured.	5,964,804	7,035,411	-	-
Ministry of Fisheries and agriculture	Interest free	2024	Un-secured.	12,395,709	12,395,709	-	-
Bank of Maldives PLC	8.00%	2019	Leasehold rights of commercial plots & MIFCO assets	-	1,145,269	-	-
Bank of Maldives PLC	8.00%	2020	USD lien, leasehold rights of commercial plots & MIFCO assets	24,478,190	37,636,794	-	-
Bank of Maldives PLC	8.00%	2023	Leasehold rights of commercial plots & MIFCO assets	9,562,984	12,402,185	-	-
Bank of Maldives PLC	9.75%	2021	MIFCO vessels and government guarantee	10,452,298	13,904,647	-	-
Habib Bank Limited	9.00%	N/A	MIFCO vessels	10,198,350	-	-	-
Green World Private Limited	5.00%	2019	Un-secured.	-	13,432,804	-	-
Loan received from World Wise	Interest free	3 years from shipment BL	Un-secured.	10,169,490	7,085,492	-	-
				2,327,569,935	1,756,375,438	1,745,617,157	1,218,006,952

28.5 Bank borrowings of the Group / Company will mature by September 2028 and bear an average interest rate of 6.00% annually (2017: 6.05% annually).

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

28.7 As at the reporting date the Group / Company has pledged MVR Nil (2017: MVR 18,573,115) as collateral for the US$ loans taken from banks.

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

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29 DEFINED BENEFIT OBLIGATION

	Group			Company	
	31/12/2018 MVR	31/12/2017 MVR (Restated)	1/1/2017 MVR (Restated)	31/12/2018 MVR	31/12/2017 MVR
Opening Balance	40,232,300	30,761,082	25,952,717	28,430,575	23,630,093
Impact Due to Restatement **(Note 43.1.1)**	-	-	4,808,365	-	-
Current Service Cost	3,851,237	7,610,570	-	1,738,445	3,893,768
Interest Cost	1,771,159	1,501,926	-	1,272,585	1,086,984
Deficit for the Year	2,439,950	2,978,381	-	3,285,558	2,278,521
	48,294,646	42,851,959	30,761,082	34,727,163	30,889,366
Less: Payments During the Year	(2,393,975)	(2,619,659)	-	(2,264,770)	(2,458,791)
Closing Balance	45,900,671	40,232,300	30,761,082	32,462,393	28,430,575

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

	Group			Company	
	31/12/2018 MVR	31/12/2017 MVR (Restated)	1/1/2017 MVR (Restated)	31/12/2018 MVR	31/12/2017 MVR
Amount Recognized in Profit or Loss					
Current Service Cost	3,851,237	7,610,570	-	1,738,445	3,893,768
Interest Cost	1,771,159	1,501,926	-	1,272,585	1,086,984
	5,622,396	9,112,496	-	3,011,030	4,980,752
Amount Recognized in Other Comprehensive Income					
	2,439,950	2,978,381		3,285,558	2,278,521
Deficit for the Year	2,439,950	2,978,381	-	3,285,558	2,278,521

29.2 The retirement benefit obligation of the Company and the subsidiary Maldives Gas Private Limited is estimated based on the calculation performed by the Management. The subsidiaries, Allied Insurance Company of Maldives Private Limited and Maldives Industrial Fisheries Company Limited have engaged a qualified actuary to estimate the retirement benefit obligation. The projected unit credit method is used to determine the present value of the defined benefit obligation. Key assumptions used in the calculation are as follows,

	Group			Company	
	31/12/2018	31/12/2017	1/1/2017	31/12/2018	31/12/2017
Expected Salary Increment	1.88% - 4.22%	1.88% - 3.69%	1.88% - 3.69%	4.22%	3.69%
Discount Rate	4% - 4.6%	4% - 4.6%	4% - 4.6%	4.60%	4.60%
Staff Turnover Factor	1% - 17.35%	1% - 17.35%	1% - 17.35%	7.21%	7.00%

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30 TRADE AND OTHER PAYABLES

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Trade payables	1,800,963,851	1,992,639,058	1,698,376,035	1,776,090,272
Accrued expenses	42,846,793	34,108,435	30,983,926	25,601,151
Lease rent accrual	46,875,156	33,072,169	2,465,556	10,867,369
Dividend payable	299,766,167	248,118,887	297,116,167	245,468,887
Other payable	237,274,509	234,688,524	137,449,542	99,088,285
	2,427,726,476	2,542,627,073	2,166,391,226	2,157,115,964

31 DEFERRED INCOME

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Opening balance	44,481,492	20,937,766	55,530,068	-
Received during the year	11,480,242	31,444,033	-	57,677,788
Recognized during the year	(8,757,293)	(7,900,307)	(1,930,854)	(2,147,720)
	47,204,441	44,481,492	53,599,214	55,530,068
Analysis of deferred income				
Realization within one year	8,467,181	7,831,218	1,930,854	1,930,854
Realization After one year	38,737,260	36,650,274	51,668,360	53,599,214
	47,204,441	44,481,492	53,599,214	55,530,068

31.1 Deferred revenues related to the rent received in advance from tenants and registration fees received from customers for the initial purchase of gas cylinders. Rent advances are initially recognized in liabilities as deferred income and credited to profit or loss as revenue over the period to which rent advances are related to. On receipt of the registration fees, they are included in liabilities as deferred revenue and are credited to profit or loss as revenue on a straight line basis over 5 years.

32 INSURANCE CONTRACTS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Claims reported and loss adjustment	240,052,242	188,733,187	-	-
Claim incurred but not reported (IBNR)	12,215,519	10,073,178	-	-
Provision for unearned premiums	180,308,904	185,317,211	-	-
Unappropriated policyholders fund	18,356,230	13,724,133	-	-
Provision for unearned reinsurance commission	26,886,676	28,262,833	-	-
Total insurance liabilities, gross	477,819,571	426,110,542	-	-

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33 CURRENT TAX LIABILITIES

	Group		Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	MVR	MVR	MVR	MVR
Opening balance	15,771,010	15,685,739	13,082,671	7,925,936
Tax provision for the year	60,992,044	52,418,255	39,316,856	33,408,493
Tax paid during the year	(52,866,689)	(52,439,249)	(35,253,604)	(28,251,758)
Adjustment in respect of prior years	5,507,428	106,265	5,507,428	-
Closing balance	29,403,793	15,771,010	22,653,351	13,082,671

34 AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	MVR	MVR	MVR	MVR
STO Maldives (Singapore) Private Limited	-	-	-	102,130,493
Maldive Gas Private Limited	-	-	-	10,743,595
Fuel Supplies Maldives Private Limited	-	-	226,860	228,132
Allied Insurance Company of the Maldives Private Limited	-	-	105,536,078	63,291,321
Maldives National Oil Company Limited	-	-	-	365,173
Maldives Industrials Fisheries Company Limited	-	-	-	41,489,869
STO Hotels & Resorts Private Limited	-	-	-	180,846
Lafarge Maldives Cement Private Limited	31,188,044	40,786,574	31,188,044	40,786,574
Maldives Structural Product Private Limited	26,818,102	16,423,494	26,818,102	16,423,494
Addu International Airport Private Limited	24,904	290,289	24,904	290,289
Ministry of Housing and Infrastructure	329,932	299,932	329,932	299,932
Maldives Pension Administration Office	1,258,569	1,201,164	1,258,569	1,201,164
Fenaka Corporation Limited	4,303,483	556,158	4,303,483	556,158
Housing Development Corporation Limited	9,937,604	58,265,519	9,937,604	58,265,519
Rainbow Enterprises Private Limited	66,632	70,281	66,632	70,281
Champa Oil and Gas Company Private Limited	555,556	1,000,000	-	-
Other Government entities	9,573,167	6,760,782	9,527,316	6,620,243
	84,055,993	125,654,193	189,217,524	342,943,083

Payable to Allied Insurance Company of the Maldives Private Limited includes the demand loan of MVR 48,119,710 at an interest rate of 5% per annum.

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

35 CAPITAL MANAGEMENT

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

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

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

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35 CAPITAL MANAGEMENT (Continued)

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Total liabilities	5,661,129,156	5,220,202,666	4,350,812,750	3,953,051,183
Less: Cash and cash equivalent	(334,021,785)	(426,983,884)	(131,689,080)	(188,715,523)
Net debt	5,327,107,371	4,793,218,782	4,219,123,670	3,764,335,660
Total equity	2,035,432,316	2,517,842,397	1,990,133,143	2,252,657,417
Total capital employed	7,362,539,687	7,311,061,179	6,209,256,813	6,016,993,077
Gearing	72.35%	65.56%	67.95%	62.56%

The increase in gearing ratio of the Group during the 2018 is primarily due to increase in net debt of the group as a result of increase in liabilities of State Trading Organization PLC.

36 COMMITMENTS

	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Capital commitments				
Capital expenditure contracted as of the reporting date but not yet incurred	312,020,031	354,028,786	312,020,031	354,028,786
Shares subscribed as of the reporting date but not yet paid	10,000,000	10,000,000	10,000,000	10,000,000
	322,020,031	364,028,786	322,020,031	364,028,786

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

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36 COMMITMENTS (Continued)

36.2 Operating Leases

Leases as lessee

The Group / Company has entered into an agreement with Housing Development Corporation Limited on 31st July 2007 for developing, operating and managing a five star tourist hotel in Hulhumale. The lease rental commitment of the said project has been included in operating lease commitments.

Pursuant to the settlement agreement dated on 10th January 2017, a lease agreement was signed between STO Hotels & Resorts Private Limited and Ministry of Tourism for the lease of Ekulhivaru island (located in Noonu atoll) with a lease period 50 years for the development and operation of resort. The lease rental commitment payable for the Island has been included in operating lease commitments.

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

Future minimum lease payment	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Non-cancellable operating lease rentals payable for future years are as follows;				
Less than one year	63,577,281	47,028,071	32,808,409	38,706,518
1 to 5 years	234,738,751	228,691,532	111,001,206	105,715,408
More than 5 years	1,225,517,149	1,193,374,437	96,178,624	33,715,804
	1,523,833,181	1,469,094,040	239,988,239	178,137,730

Amount recognized in profit or loss	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Lease expense	35,094,835	35,702,748	17,745,596	14,560,116

Leases as lessor

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

Amount recognized in profit or loss	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Non-cancellable operating lease rentals receivable for future years are as follows;				
Less than one year	41,837,342	24,537,720	43,287,350	29,744,036
1 to 5 years	83,674,685	53,319,124	86,574,701	68,938,071
	125,512,027	77,856,844	129,862,051	98,682,107

Amount recognized in profit or loss	Group		Company	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Rent income	30,827,447	18,643,774	36,269,754	23,799,331

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37 CONTINGENT LIABILITIES

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

	31/12/2018 MVR	31/12/2017 MVR
Type of facilities		
• overdraft	3,855,000	3,855,000
• letter of credit	15,420,000	15,420,000
	19,275,000	19,275,000

(ii) Whiteline Private Limited has filed suit in High Court claiming for invoice amount of MVR 113,035.64 along with fine amount of MVR 47,475,000 which was not accepted by State Trading Organization PLC. The Civil Court of Maldives delivered a verdict against the claimant (in favor of STO) stating that the claimant has no sufficient evidence against STO to prove the case. The claimant appealed the case at High Court of Maldives. This case is in progress. In the event the Court holds in favor of the customers, the Group and the Company will need to recognize a liability in respect of this claim.

(iii) A customer has filed suit in Civil Court claiming compensation for damage amounting to MVR 3,149,792 which was not accepted by State Trading Organization PLC. This case is in progress. In the event the Court holds in favor of the customers, the Group and the Company will need to recognize a liability in respect of this claim.

(iv) This case concerns a claim relating to damages suffered by Alidhoo Resort(owned by Yacht Tours Maldives Private Limited) purportedly due to bad weather. Yacht Tours Maldives Private Limited is claiming an amount of US$ 22,784,838/59 under the Insurance policy No. 101/2014/617 from the Company. this case was reintroduced at the Civil Court following the decision of the High Court of Maldives in case 2016/HC-A/299, ordering the Civil Court to decide on the subject of the Claim. The Civil Court(Case No. 1794/Cv-C/2015) by Yacht Tours Maldives Pvt. Ltd.The decision was appealed by the Yacht Tours Maldives Pvt. Ltd. as the High Court of Maldives where the High Court ruled in favour of the Yacht Tours Maldives Pvt. Ltd. however the Company appealed the decision of the High Court at the Supreme Court of Maldives. the company's lawyers believe that the Company would prevail in the above litigation at the Supreme Court of Maldives.

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

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38 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

A. Accounting Classifications and fair values

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

AS AT 31ST DECEMBER 2018

	Carrying amount					Fair value		
Group			Amortized	Other financial				
Financial assets measured at fair value	FVTPL	FVOCI	Cost	liabilities	Total	Level 1	Level 2	Level 3
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Investment in Equity Instruments	-	49,820,026	-	-	49,820,026	46,000,000	-	3,820,026
	-	49,820,026	-	-	49,820,026	46,000,000	-	3,820,026
Financial assets not measured at fair value								
Other financial investments	-	-	197,713,454	-	197,713,454	-	-	-
Trade and other receivables	-	-	749,220,390	-	749,220,390	-	-	-
Amounts due from related parties	-	-	2,082,307,554	-	2,082,307,554	-	-	-
Reinsurance contracts	-	-	269,446,132	-	269,446,132	-	-	-
Cash and cash equivalents	-	-	334,021,785	-	334,021,785	-	-	-
	-	-	3,632,709,315	-	3,632,709,315	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	220,169,701	220,169,701	-	-	-
Loans and borrowings	-	-	-	2,327,569,935	2,327,569,935	-	-	-
Amounts due to related Parties	-	-	-	84,055,993	84,055,993	-	-	-
Insurance contracts	-	-	-	477,819,571	477,819,571	-	-	-
Trade and other payables	-	-	-	2,427,726,476	2,427,726,476	-	-	-
	-	-	-	5,537,341,676	5,537,341,676	-	-	-

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

A. Accounting Classifications and fair values(Continued)

AS AT 31ST DECEMBER 2017	Carrying amount						Fair value		
Group Financial assets measured at fair value	Designated at fair value MVR	Held to maturity MVR	Available for sale MVR	Loans and receivables MVR	Other financial liabilities MVR	Total MVR	Level 1 MVR	Level 2 MVR	Level 3 MVR
Investment in Equity Instruments	-	-	56,740,800	-	-	56,740,800	44,000,000	-	12,740,800
	-	-	56,740,800	-	-	56,740,800	44,000,000	-	12,740,800
Financial assets not measured at fair value									
Other financial investments	-	151,539,822	-	-	-	151,539,822	-	-	-
Trade and other receivable	-	-	-	739,455,359	-	739,455,359	-	-	-
Amounts due from related parties	-	-	-	2,178,390,324	-	2,178,390,324	-	-	-
Reinsurance contracts	-	-	-	233,434,948	-	233,434,948	-	-	-
Cash and cash equivalents	-	-	-	426,983,884	-	426,983,884	-	-	-
	-	151,539,822	-	3,578,264,515	-	3,729,804,337	-	-	-
Financial liabilities not measured at fair value									
Bank overdraft	-	-	-	-	267,356,119	267,356,119	-	-	-
Loans and borrowings	-	-	-	-	1,756,375,438	1,756,375,438	-	-	-
Amounts due to related parties	-	-	-	-	125,654,193	125,654,193	-	-	-
Insurance contracts	-	-	-	-	426,110,542	426,110,542	-	-	-

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

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

A. Accounting Classifications and fair values (Continued)

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

AS AT 31ST DECEMBER 2018

	Carrying amount					Fair value		
Company			Amortized	Other financial				
Financial assets measured at fair value	FVTPL	FVOCI	Cost	liabilities	Total	Level 1	Level 2	Level 3
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Investment in Equity Instruments	-	-	4,820,026	-	4,820,026	-	-	4,820,026
	-	-	4,820,026	-	4,820,026	-	-	4,820,026
Financial assets not measured at fair value								
Trade and other receivables	-	-	383,711,270	-	383,711,270	-	-	-
Amounts due from related parties	-	-	2,814,941,871	-	2,814,941,871	-	-	-
Cash and cash equivalents	-	-	131,689,080	-	131,689,080	-	-	-
	-	-	3,330,342,221	-	3,330,342,221	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	140,871,885	140,871,885	-	-	-
Loans and borrowings	-	-	-	1,745,617,157	1,745,617,157	-	-	-
Amounts due to related parties	-	-	-	189,217,524	189,217,524	-	-	-
Trade and other payables	-	-	-	2,166,391,226	2,166,391,226	-	-	-
Insurance contracts	-	-	-	4,242,097,792	4,242,097,792	-	-	-
Trade and other payables	-	-	-	2,427,726,476	2,427,726,476	-	-	-
	-	-	-	5,537,341,676	5,537,341,676	-	-	-

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

A. Accounting Classifications and fair values(Continued)

AS AT 31ST DECEMBER 2017	Carrying amount					Fair value		
Company Financial assets measured at fair value	Designated at fair value MVR	Available for sale MVR	Loans and receivables MVR	Other financial liabilities MVR	Total MVR	Level 1 MVR	Level 2 MVR	Level 3 MVR
Investment in Equity Instruments	-	12,740,800	-	-	12,740,800	-	-	12,740,800
	-	12,740,800	-	-	12,740,800	-	-	12,740,800
Financial assets not measured at fair value								
Trade and other receivables	-	-	286,551,274	-	286,551,274	-	-	-
Amounts due from related parties	-	-	2,666,031,460	-	2,666,031,460	-	-	-
Cash and cash equivalents	-	-	188,715,523	-	188,715,523	-	-	-
	-	-	3,141,298,257	-	3,141,298,257	-	-	-
Financial liabilities not measured at fair value								
Bank overdraft	-	-	-	137,941,870	137,941,870	-	-	-
Loans and borrowings	-	-	-	1,218,006,952	1,218,006,952	-	-	-
Amounts due to related parties	-	-	-	342,943,083	342,943,083	-	-	-
Trade and other payables	-	-	-	2,157,115,964	2,157,115,964	-	-	-
	-	-	-	3,856,007,869	3,856,007,869	-	-	-

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

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

b. Measurement of fair value

i. Valuation techniques and significant unobservable input

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

Financial Instruments measured at fair value

Type	Valuation Techniques	Significant unobservable input	Inter relationship between significant unobservable inputs and fair value measurement
Equity Investments	Adjusted net asset method	Investees financial data	NA

C. Financial Risk Management

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk management framework

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

(iii) Credit Risk

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

Comparative information under IAS 39

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

	Group Carrying amount		Company Carrying amount	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Trade and other receivables	749,220,390	739,455,359	383,711,270	286,551,274
Amounts due from related party	2,082,307,554	2,178,390,324	2,814,941,871	2,666,031,460
Reinsurance contracts	269,446,132	233,434,948	-	-
Other financial investments	197,713,454	151,539,822	-	-
Balances with banks and short term deposits	310,562,990	388,310,680	118,572,224	178,749,299
	3,609,250,520	3,691,131,133	3,317,225,365	3,131,332,033

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

(iii) Credit Risk (Continued)

Trade and other receivables

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

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

Impairment losses	31/12/2017	
Group	**Gross MVR**	**Impairment MVR**
The aging of trade, other receivables and related party receivables at the reporting date was:		
Not Past Due	1,165,666,652	1,732,459
Past Due 31-90 days	298,651,163	880,114
Past Due 91-180 days	245,927,763	1,418,604
Past Due 181-365 days	476,130,427	3,428,809
Past Due more than 365 days	1,123,034,525	384,104,860
Past Due more than 365 days	3,309,410,530	391,564,847

Impairment losses	31/12/2017	
Company	**Gross MVR**	**Impairment MVR**
The aging of trade, other receivables and related party receivables at the reporting date was:		
Not Past Due	1,471,800,580	106,898
Past Due 31-90 days	376,207,940	236,614
Past Due 91-180 days	187,395,601	663,586
Past Due 181-365 days	222,697,850	1,158,926
Past Due more than 365 days	934,633,947	237,987,160
	3,192,735,918	240,153,184

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

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

Other financial investments

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

Guarantees

The Group / the Company policy is to provide financial guarantees only to subsidiaries, joint venture and associates. As at 31 December 2018, the Company has issued corporate guarantees to Bank of Maldives PLC for the facilities obtained by Maldives Structural Products Private Limited. The details of corporate guarantees are disclosed in note 37.

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

(iii) Credit Risk (Continued)

Expected credit loss assessment under IFRS 9

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

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
Probability of default (PD)
Loss given default (LGD)
Exposure at default (EAD)

The following table provides information about the exposure to credit risk and ECLs for trade, other receivables and related party receivables as at 31st December 2018.

	Group			Company		
31st December 2018	Weighted Average Loss Rate	Gross Carrying Amount US$	Loss Allowance US$	Weighted Average Loss Rate	Gross Carrying Amount US$	Loss Allowance US$
Not past due or 1–30 days past due	2.2%	1,018,281,322	22,851,569	1%	1505079877	17718966
31–90 days past due	2.7%	377,449,863	10,220,424	1%	606378975	5043525
91 - 180 days past due	9.1%	283,603,847	25,794,245	8%	100674270	7676796
181–365 days past due	9.6%	546,036,514	52,357,757	9%	275721445	23502734
Above 365 days past due	45.9%	1,325,652,016	608,271,623	37%	1216676990	451936395
		3,551,023,562	719,495,618		3,704,531,557	505,878,416

	Group			Company		
1st January 2018	Weighted Average Loss Rate	Gross Carrying Amount US$	Loss Allowance US$	Weighted Average Loss Rate	Gross Carrying Amount US$	Loss Allowance US$
Not past due or 1–30 days past due	4%	1,165,666,652	40,882,611	2%	1,471,800,580	30,657,078
31–90 days past due	7%	298,651,163	20,020,023	1%	376,207,940	4,316,411
91 - 180 days past due	8%	245,927,763	20,325,922	5%	187,395,601	8,807,848
181-365 days past due	7%	476,130,427	35,334,700	8%	222,697,850	17,827,617
Above 365 days past due	48%	1,123,034,525	537,113,877	45%	934,633,947	420,227,413
		3,309,410,530	653,677,133		3,192,735,918	481,836,367

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

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

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

(iv) Liquidity risk

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

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

31st December 2018	Carrying amount	0-12 months	1-2 years	2-5 years	More than 5 years
	MVR	MVR	MVR	MVR	MVR
Group					
Financial liabilities (Non- derivative)					
Trade and other payables	2,427,726,476	2,427,726,476	-	-	-
Loans and borrowings	2,327,569,935	1,790,183,648	195,750,762	340,717,863	917,662
Amounts due to related parties	84,055,993	84,055,993	-	-	-
Insurance contracts	477,819,571	477,819,571	-	-	-
Bank overdrafts	220,169,701	220,169,701	-	-	-
Total	5,537,341,676	4,999,955,389	195,750,762	340,717,863	917,662

31st December 2017	Carrying amount	0-12 months	1-2 years	2-5 years	More than 5 years
	MVR	MVR	MVR	MVR	MVR
Group					
Financial liabilities (Non- derivative)					
Trade and other payables	2,542,627,073	2,542,627,073	-	-	-
Loans and borrowings	1,756,375,438	1,118,325,333	207,355,250	427,770,943	2,923,912
Amounts due to related parties	125,654,193	125,654,193	-	-	-
Insurance contracts	426,110,542	426,110,542	-	-	-
Bank overdrafts	267,356,119	267,356,119	-	-	-
Total	5,118,123,365	4,480,073,260	207,355,250	427,770,943	2,923,912

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

31st December 2018	Carrying amount	0-12 months	1-2 years	2-5 years	More than 5 years
	MVR	MVR	MVR	MVR	MVR
Company					
Financial liabilities (Non- derivative)					
Trade and other payables	2,166,391,226	2,166,391,226	-	-	-
Loans and borrowings	1,745,617,157	1,363,598,745	97,685,448	284,332,964	-
Amounts due to related parties	189,217,524	189,217,524	-	-	-
Bank overdrafts	140,871,885	140,871,885	-	-	-
Total	4,242,097,792	3,860,079,380	97,685,448	284,332,964	-

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

(iv) Liquidity risk (Continued)

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

(v) Market risk

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

(a) Interest rate risk

Profile

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

	Group Carrying amount		Company Carrying amount	
	31/12/2018 MVR	31/12/2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Variable rate instruments				
Financial Assets	80,000,000	120,000,000	80,000,000	120,000,000
Financial liabilities	(482,274,953)	(488,746,236)	(402,977,137)	(403,391,360)
	(402,274,953)	(368,746,236)	(322,977,137)	(283,391,360)
Fixed rate instruments				
Financial assets	254,034,862	212,878,565	90,781,556	60,005,162
Financial liabilities	(2,615,777,837)	(2,490,531,264)	(2,083,332,747)	(1,949,540,643)
	(2,361,742,975)	(2,277,652,699)	(1,992,551,191)	(1,889,535,481)

Cash flow sensitivity analysis for variable - rate instruments

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

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

(v) Market risk (Continued)

	Profit or loss		Equity net of tax	
Group				
31 st December 2018	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(4,022,750)	4,022,750	(3,419,337)	3,419,337
31 st December 2017				
Variable rate instruments	(3,687,462)	3,687,462	(3,134,343)	3,134,343

	Profit or loss		Equity net of tax	
Company				
31 st December 2018	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(3,229,771)	3,229,771	(2,745,306)	2,745,306
31 st December 2017				
Variable rate instruments	(2,833,914)	2,833,914	(2,408,827)	2,408,827

(b) Currency Risk

Exposure to currency risk

Group

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

	31/12/2018		
	US$	Euro	SGD
Cash and cash equivalents	6,200,961	3,583	36,225
Trade, amount due from related parties and other receivables	39,812,464	-	20,639
Reinsurance contracts	18,056,278	-	-
Trade, amount due to related parties and other payables	(108,592,526)	(105,860)	(888,495)
Loans and borrowings	(95,995,417)	-	-
Bank overdrafts	(13,062,774)	-	-
Net currency exposure	(153,581,013)	(102,277)	(831,631)

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

(v) Market risk (Continued)

Exposure to currency risk (Continued)

Group

	31/12/2017		
The Group's exposure to foreign currency risk was as follows based on notional amounts:	US$	Euro	SGD
Cash and cash equivalents	8,496,356	6,764	26,620
Trade, amount due from related parties and other receivables	36,770,870	1,836	8,831
Reinsurance contracts	15,720,923	-	-
Trade, amount due to related parties and other payables	(124,060,034)	(381,652)	(1,204,273)
Loans and borrowings	(62,968,988)	-	-
Bank overdrafts	(13,690,532)	-	-
Net currency exposure	(139,731,405)	(373,052)	(1,168,822)

Company

	31/12/2018		
The Company's exposure to foreign currency risk was as follows based on notional amounts:	US$	Euro	SGD
Cash and cash equivalents	1,014,651	3,583	-
Trade, amount due from related parties and other receivables	34,972,828	218,299	3,703
Trade, amount due to related parties and other payables	(105,521,078)	(105,889)	(857,906)
Loans and borrowings	(93,087,114)	-	-
Bank overdrafts	(9,135,661)	-	-
Net currency exposure	(171,756,373)	115,993	(854,203)

Company

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

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

(v) Market risk (Continued)

Exposure to currency risk (Continued)

	Average Rate		Reporting date spot rate	
The following significant exchange rate were applied during the year:	31/12/2018	31/12/2017	31/12/2018	31/12/2017
1 US$: MVR	15.42	15.42	15.42	15.42
1 Euro : MVR	18.01	17.25	17.65	18.36
1 SGD : MVR	11.40	11.08	11.29	11.51

Sensitivity analysis

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

Group	Profit or Loss	
	Strengthening	Weakening
31 st December 2018		
USD 5% movement	(118,410,961)	118,410,961
EURO 5% movement	(90,255)	90,255
SGD 5% movement	(469,425)	469,425
	(118,970,641)	118,970,641
31 st December 2017		
USD 5% movement	(107,732,913)	107,732,913
EURO 5% movement	(342,490)	342,490
SGD 5% movement	(672,760)	672,760
	(108,748,163)	108,748,163
Company		
31 st December 2018		
USD 5% movement	(132,424,164)	132,424,164
EURO 5% movement	102,358	(102,358)
SGD 5% movement	(482,166)	482,166
	(132,803,972)	132,803,972

Company	Profit or Loss	
	Strengthening	Weakening
31 st December 2017		
USD 5% movement	(122,062,211)	122,062,211
EURO 5% movement	(179,659)	179,659
SGD 5% movement	(680,168)	680,168
	(122,922,038)	122,922,038

FOR THE YEAR ENDED 31 ST DECEMBER 2018

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

39 EVENTS AFTER THE REPORTING DATE

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommends a First and Final dividend of MVR.58/- per Ordinary share for the year ended 31st December 2018. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting

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

40 DIRECTOR'S RESPONSIBILITY

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

41 INVESTMENT IN SUBSIDIARIES

The Company is the parent company for the following subsidiary companies

	Country of incorporation	No of shares		Shareholding	
		2018	2017	2018	2017
Maldive Gas Private Limited **(Note 41.1)**	Republic of Maldives	61,200	61,200	90.00%	90.00%
Allied Insurance Company of the Maldives Private Limited **(41.2)**	Republic of Maldives	299,998	299,998	99.99%	99.99%
STO Maldives (Singapore) Private Limited **(Note 41.3)**	Singapore	200,000	200,000	100.00%	100.00%
Fuel Supplies Maldives Private Limited **(Note 41.4)**	Republic of Maldives	15,299	15,299	99.99%	99.99%
Maldives National Oil Company Limited **(Note 41.5)**	Republic of Maldives	99,999	99,999	99.99%	99.99%
STO Hotels & Resorts Private Limited **(Note 41.6)**	Republic of Maldives	9,999	9,999	99.99%	99.99%
Maldives Industrial Fisheries Company Limited (MIFCO) **(Note 41.7)**	Republic of Maldives	1,439,725	1,439,725	99.99%	99.99%

41.1 Maldive Gas Private Limited

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

41.2 Allied Insurance Company of the Maldives Private Limited

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

41.3 STO Maldives (Singapore) Private Limited

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

41.4 Fuel Supplies Maldives Private Limited

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

41.5 Maldives National Oil Company Limited

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

41.6 STO Hotels & Resorts Private Limited

The company was engaged in the operation of an airport.

41.7 Maldives Industrial Fisheries Company Limited (MIFCO)

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

FOR THE YEAR ENDED 31 ST DECEMBER 2018

42 RELATED PARTY TRANSACTIONS

42.1 Group

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2018 MVR	2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Maldives Structural	Joint venture	Sale of goods	64,830	63,642	(22,818,102)	(16,423,494)
Product Private		Purchase of goods	(57,150,129)	(56,665,368)		
Limited		Dividend received	13,000,000	13,000,000		
		Payment received	(9,064,830)	(13,072,573)		
		Payment made	46,755,521	61,989,036		
Lafarge Maldives	Associate	Purchase of goods	(85,987,763)	(104,556,727)	(31,185,246)	(40,028,539)
Cement Private		Payment made	99,266,619	93,974,395		
Limited		Transportation charges paid	(3,909,818)	-		
		Rebate received	229,492	-		
		Sales of goods	316,140	254,251		
		Payment received	(1,071,377)	(538,277)		
		Rent received	-	238,111		
Ministry of Finance	Majority	Food subsidy income	294,066,756	188,739,703	94,340,203	222,428,432
and Treasury	shareholder	Fuel subsidy	548,457,805	71,136,176		
		Sale of goods	74,685	345,068		
		Payment received	(970,687,475)	(387,443,764)		
Ministry of Health	Affiliate	Sale of goods	213,620,111	149,552,122	142,162,482	97,406,963
	company	Payment received	(168,864,592)	(168,522,607)		
State Electric	Affiliate	Service obtained	(19,620,448)	(18,928,401)	115,285,751	137,611,973
Company (STELCO)	company	Payment made	19,351,683	20,148,801		
		Payment received	(1,048,266,611)	(969,083,325)		
		Sale of goods and fuel	1,026,209,154	1,010,003,660		
Indira Gandhi Memorial Hospital	Affiliate	Sale of goods	356,030,197	325,658,612	268,476,909	180,209,881
	company	Payment received	(267,763,169)	(288,536,230)		
		Service obtained (utility bills)	-	(267,625)		
		Payment Made	-	244,212		
Rainbow Enterprises	Affiliate	Purchase of goods	(575,485)	(426,278)	549,778	5,729,986
Private Limited	company	Sale of goods	2,781,725	7,799,021		
		Payment made	579,134	368,864		
		Interest	713,237	(9,182)		
		Payment received	(8,678,819)	(2,681,894)		
Maldives Road	Affiliate	Sale of goods	460,062	50,194,852	62,850,523	62,410,221
Development Corporation	company	Fine charged	-	-		
		Payment received	(19,760)	(2,694,924)		
Hulhumale Hospital	Affiliate	Sale of goods	(62,920)	1,325,836	27,146,295	27,428,065
	company	Payment received	(218,850)	(231,503)		

FOR THE YEAR ENDED 31 ST DECEMBER 2018

42 RELATED PARTY TRANSACTIONS (Continued)

42.1 Group (Continued)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2018 MVR	2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Ministry of Housing	Affiliate	Sale of goods	22,229,680	62,941,732	102,836,627	96,528,782
and Infrastructure	company	Service obtained	(183,810)	(162,230)		
		Payment made	153,810	165,230		
		Payment received	(15,891,835)	(41,077,177)		
Fenaka Corporation Limited	Affiliate	Sale of goods and fuel	634,349,385	507,853,184	743,721,795	528,055,480
	company	Sale of foreign currency	-	-		
		Service obtained	(7,361,651)	(9,470,643)		
		Interest received	8,313,346	-		
		Payment made	3,614,325	9,442,280		
		Payment received	(423,249,090)	(319,519,797)		
Maldives Airport	Affiliate	Sale of goods	906,406	1,425,034	54,233,628	200,741,654
Company Limited	company	Sale of fuel	1,547,119,022	1,268,663,113		
		Payment received	(1,694,533,454)	(1,149,849,109)		
Addu International	Affiliate	Sale of goods	25,532,192	32,548,699	217,749,797	198,012,292
Airport Private Limited	company	Payment received	(5,794,687)	(4,905,428)		
Aasandha Private Limited	Affiliate	Sale of goods	326,413,727	306,230,283	192,416,025	232,611,736
	company	Services provided	101,927	101,927		
		Payment received	(366,711,365)	(170,125,309)		

42.1.1 Transactions with Key Management Personnel

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

	2018 MVR	2017 MVR
Short term employee benefits	10,690,377	8,682,390

42.1.2 Collectively, but not individually, significant transactions.

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

FOR THE YEAR ENDED 31 ST DECEMBER 2018

42 RELATED PARTY TRANSACTIONS (Continued)

42.2 COMPANY

Name of the related party	Relationship	Nature of the transaction	Amount 2018 MVR	Amount 2017 MVR	Balance outstanding due from / (to) 31/12/2018 MVR	Balance outstanding due from / (to) 31/12/2017 MVR
Allied Insurance	Subsidiary	Sale of goods	184,972	250,899	(105,054,938)	(45,773,607)
Company of the		Service obtained	(29,786,377)	(29,784,349)		
Maldives Private		Advance received	(51,889,168)	-		
Limited		Interest paid	(2,536,924)	(1,323,293)		
		Payment made	41,967,712	21,379,772		
		Claims received	3,701,527	2,932,581		
		Payment received	(47,120,260)	(22,887,812)		
		Rent received	1,087,354	1,910,780		
		Transferred to deferred income	-	32,523,615		
		Dividend received	25,109,833	20,099,866		
Maldive National	Subsidiary	Expense Reimbursement	29,787	1,999	10,224	(19,563)
Oil Company Limited		Service obtained	-	-		
Maldive Gas	Subsidiary	Sale of goods	1,694,402	2,483,597	3,056,514	(1,570,761)
Private Limited		Purchase of goods	(8,516,028)	(22,688,817)		
		Dividend received	5,000,000	9,000,000		
		Rent received	1,632,672	1,552,665		
		Payment made	30,055,123	26,070,837		
		Advance paid	-	(514,500)		
		Payment received	(25,238,894)	(12,863,730)		
Fuel Supplies Maldives	Subsidiary	Sale of fuel	3,295,667,224	2,250,525,094	1,244,483,087	817,472,952
Private Limited		Purchases of fuel	(455,151,052)	(323,258,487)		
		Payment made	699,044,693	363,695,953		
		Service obtained	(219,645)	(2,198,036)		
		Rent received	3,818,709	2,651,458		
		Rebate paid on fuel sales	(28,095,161)	(7,044,673)		
		Payment received	(2,872,852,056)	(1,994,379,759)		
		Receivables transferred	-	(120,000,000)		
		Government subsidy payable	(210,200,816)	(26,738,770)		
		Transportation charges paid	(5,001,761)	(4,457,258)		
STO Maldives	Subsidiary	Purchases of fuel	-	(165,618,412)	29,530,359	(79,241,772)
(Singapore)		Purchases of goods	(7,704,699)	(13,675,994)		
Private Limited		Service obtained	-	(2,822,102)		
		Service provided	11,838,232	10,610,837		
		Payment made	118,929,144	84,264,471		
		Interest	(1,470,561)	-		
		Payments received	(12,819,985)	(4,549,566)		

FOR THE YEAR ENDED 31 ST DECEMBER 2018

42 RELATED PARTY TRANSACTIONS (Continued)

42.2 COMPANY (Continued)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2018 MVR	2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Maldives Industrial	Subsidiary	Sale of goods	12,802,331	7,807,987	103,368,848	14,475,631
Fisheries Company		Loan given	27,472,697	6,987,451		
Limited		Purchase of goods	(14,334,084)	(57,902,725)		
		Capital commitment payable	129,860,466	(40,316,282)		
		Payment made	588,787,585	727,459,086		
		Payment received	(13,452,779)	(6,788,624)		
		Purchase of foreign currency	(642,242,999)	(681,564,000)		
STO Hotels & Resorts	Subsidiary	Expense Reimbursement	346,432	1,552,094	203,001,212	202,654,780
Private Limited						
Maldives Structural	Joint venture	Purchase of goods	(57,150,129)	(56,665,368)	(22,818,102)	(16,423,494)
Product Private		Dividend received	13,000,000	13,000,000		
Limited		Payment received	(9,000,000)	(13,008,931)		
		Payment made	46,755,521	61,989,036		
Lafarge Maldives	Associate	Purchase of goods	(85,987,763)	(104,532,389)	(31,188,044)	(40,031,620)
Cement Private Limited		Payment made	99,266,619	93,950,057		
		Transportation charges paid	(3,909,818)	-		
		Rebate received	229,492	-		
		Sales of goods	-	40,651		
		Payment received	(754,954)	(295,593)		
		Rent received	-	238,111		
Ministry of Finance	Majority	Food subsidy income	294,066,756	188,739,703	94,340,203	132,884,248
and Treasury	Shareholder	Fuel subsidy	548,457,805	71,136,176		
		Sale of goods	74,685	345,068		
		Payment received	(881,143,291)	(193,355,388)		
Ministry of Health	Affiliate	Sale of goods	213,620,111	149,552,122	142,162,482	97,406,963
	company	Payment received	(168,864,592)	(168,522,607)		
State Electric	Affiliate	Service obtained	(17,723,642)	(16,815,830)	115,196,654	137,566,183
Company (STELCO)	company	Payment made	17,454,876	18,362,105		
		Payment received	(1,046,886,193)	(968,369,411)		
		Sale of goods and fuel	1,024,785,430	1,009,303,987		

FOR THE YEAR ENDED 31 ST DECEMBER 2018

42 RELATED PARTY TRANSACTIONS (Continued)

42.2 COMPANY (Continued)

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2018 MVR	2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Indira Gandhi Memorial	Affiliate	Sale of goods	356,030,197	325,658,612	268,476,909	180,209,881
Hospital	company	Payment received	(267,763,169)	(288,536,230)		
		Service obtained (utility bills)	-	(267,625)		
		Payment made	-	244,212		
Rainbow Enterprises	Affiliate	Purchase of goods	(575,485)	(426,278)	549,778	5,729,986
Private Limited	company	Sale of goods	2,781,725	7,799,021		
		Payment made	579,134	368,864		
		Interest	713,237	(9,182)		
		Payment received	(8,678,819)	(2,681,894)		
Maldives Road	Affiliate	Sale of goods	460,062	49,573,195	62,248,626	61,788,564
Development Corporation	company	Fine charged	-	-		
		Payment received	-	(2,694,924)		
Hulhumale Hospital	Affiliate	Sale of goods	(62,920)	1,325,836	27,146,295	27,428,065
	company	Payment received	(218,850)	(231,503)		
Fenaka Corporation	Affiliate	Sale of foreign currency	-	-	85,135,740	121,206,552
Limited	company	Sale of goods	2,871,300	5,117,192		
		Service obtained	(7,361,651)	(9,358,162)		
		Receivables transferred	-	120,000,000		
		Interest received	8,313,346	-		
		Payment made	3,614,325	9,329,799		
		Payment received	(43,508,132)	(3,354,482)		
Maldives Airport	Affiliate	Sale of goods	906,406	1,425,034	54,233,628	200,741,654
Company Limited	company	Sale of fuel	1,547,119,022	1,268,663,113		
		Payment received	(1,694,533,454)	(1,149,849,109)		
Addu International	Affiliate	Sale of goods	25,183,966	32,144,820	216,155,826	196,418,321
Airport Private Limited	company	Transferred from Gan Airport		-		
		Payment received	(5,446,461)	(4,412,520)		
Ministry of Housing	Affiliate	Sale of goods	22,229,680	62,941,732	102,836,627	96,528,782
and Infrastructure	company	Service obtained	(183,810)	(162,230)		
		Payment made	153,810	165,230		
		Payment received	(15,891,835)	(41,077,177)		
Aasandha Private Limited	Affiliate	Sale of goods	326,413,727	306,230,283	192,416,025	232,611,736
	company	Payments received	(366,609,438)	(170,023,382)		

42.2.1 Transactions with key management personnel

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

	2018 MVR	2017 MVR
Short term employee benefits	3,329,992	2,884,445

42.2.2 Collectively, but not individually, significant transactions.

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

FOR THE YEAR ENDED 31 ST DECEMBER 2018

43 RESTATEMENT OF COMPARATIVE BALANCES

43.1 GROUP

As per the contractual arrangement the subsidiary, Maldives Industrial Fisheries Company Limited (MIFCO) has with the employees at Kooddoo Fisheries Complex and Felivaru Fisheries Complex and the staff handbook of the subsidiary Maldive Gas private Limited, the two companies are liable to pay a lump sum amount to their employees at their retirement. This policy is required to be reported in the financial statements as per International Accounting Standard 19 - "Employee Benefits". However, the two Companies have not recorded this liability in the past. This error is now corrected by restating the amounts presented as at 1st January 2017 and 31st December 2017 as required by the IAS 8 - "Changes in Accounting Policies, Estimates and Errors". The following note summarizes the impacts on the financial statements of the Companies due to the restatements and reclassifications made by the Company during the year ended 31st December 2018.

43.1.1 *As at 1st January 2017*

a. *Statement of Financial Position*

	Group		
	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Impact on Retained Earnings	1,641,852,151	(4,490,191)	1,637,361,960
Impact on Non-controlling interest	15,548,263	(115,084)	15,433,179
Impact on Total Equity	2,421,534,189	(4,605,275)	2,416,928,914
Impact on Defined Benefit Obligation	25,952,717	4,808,365	30,761,082
Impact on Total Non Current Liabilities	988,618,350	4,808,365	993,426,715
Impact on Deferred Tax Assets	55,877,222	203,090	56,080,312
Impact on Total Non Current Assets	2,499,337,366	203,090	2,499,540,456

43.1.2 *31st December 2017*

a. Statement of Financial Position

	Group		
	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Impact on Retained Earnings **(Note A)**	1,686,664,450	(5,634,081)	1,681,030,369
Impact on Total Equity	2,523,476,478	(5,634,081)	2,517,842,397
Defined Benefit Obligation **(Note A)**	34,376,042	5,856,258	40,232,300
Impact on Total Non Current Liabilities	710,670,920	5,856,258	716,527,178
Impact on Deferred Tax Asset	55,482,766	222,177	55,704,943
Impact on Total Non Current Assets	3,114,673,140	222,177	3,114,895,317

Note A

	Group		
	1/1/2017 MVR	31/12/2017 MVR	Total MVR
Recognition of Defined Benefit Obligation	4,808,365	1,047,893	5,856,258
Recognition of Deferred Tax Asset	(203,090)	(19,087)	(222,177)
	4,605,275	1,028,806	5,634,081

FOR THE YEAR ENDED 31 ST DECEMBER 2018

43 RESTATEMENT OF COMPARATIVE BALANCES (Continued)

43.1 GROUP (Continued)

b. Statement of Comprehensive Income

	Group		
	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Profit or Loss for the Year			
Administrative Expenses	(579,853,722)	(1,058,902)	(580,912,624)
Tax Expense for the Year	(52,426,980)	39,573	(52,387,407)
Impact on Profit for the Year	159,680,681	(1,019,329)	158,661,352
Other Comprehensive Income			
Deficit for the Year	(2,989,390)	11,009	(2,978,381)
Recognition of Deferred Tax Asset	448,408	(20,486)	427,922
Impact on Other Comprehensive Income	734,018	(9,477)	724,541
Impact on Total Comprehensive Income	160,414,699	(1,028,806)	159,385,893
Earnings per share	138.12	(0.90)	137.22

c. Statement of Cash Flows

	Group		
	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Operating profit before working capital changes	**568,287,575**	**1,058,902**	569,346,477

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

7

Executive Team Profile

Executive team

a. Husen Amru Mohamed Rashad **Chief Executive Officer & Managing Director**

b. Mohamed Mihad
Executive Director / Chief Financial Officer

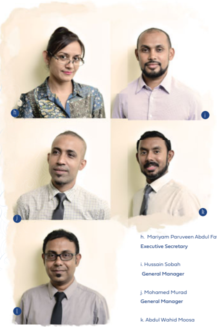
c. Dr. Ibrahim Mahfooz **Chief Internal Auditor**

d. Ahmed Shifan
Senior General Manager

e. Aishath Shaffana Rasheed
General Manager / Company Secretary

f. Musthafa Azmy
Chief Information Officer

g. Mariyam Nuzla
General Manager



h. Mariyam Paruveen Abdul Faththah
Executive Secretary

i. Hussain Sobah
General Manager

j. Mohamed Murad
General Manager

k. Abdul Wahid Moosa
General Manager

l. Mohamed Nizam
General Manager

a.Husen Amru Mohamed Rashad
Chief Executive Officer & Managing Director

Husen Amru Mohamed Rashad was appointed as the Chief Executive Officer and Managing Director of the Company on 30th November 2018.

He currently serves at the Board of various STO Group Companies, including position of Chairman of Maldives Industrial Fisheries Company Ltd and Lafarge Maldives Cement Pvt Ltd. He is also a Board of Director of Addu International Airport Pvt Ltd representing STO shareholdings in the Company.

Husen Amru Mohamed Rashad has held the position of Chief Executive Officer of Maldives Transport and Contracting Company PLC from September 2010 till February 2012. In addition to that he has served the Government in positions such as Deputy Under-Secretary of Economic Development Unit at the President's Office and was a member of Privatization Committee formed by President's Decree in 2018.

He has also had various key positions in the field of Politics, as the Chairperson of 100 days Committee during the transition period in 2018 and played a major role in development of the 100 days action plan for the first 100 days of the current Government. He is currently a member of National Council and Economic Committee of the Ruling Party of Maldives. Furthermore, he is a successful entrepreneur.

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

b.Mohamed Mihad
Executive Director & Chief Financial Officer

Mohamed Mihad joined STO in 2009 as an accountant, continuing onto gaining experience and knowledge in the field of finance and audit, resulting in the designation of the post of Chief Financial Officer of the Company. He was appointed to the Board of Directors as an Executive Director on 28th March 2016. He also played a key role in the ERP implementation project of the Company, acting as a core team lead of the SAP ERP finance module and has also served as a Senior Auditor for 4 years. Mihad is a member of the Chartered Institute of Management Accountants. He was the Chairman to the Board of Fuel Supplies Maldives Pvt Ltd and currently is a Director at Maldives Industrial Fisheries Company Ltd.

c.Dr. Ibrahim Mahfooz
Chief Internal Auditor

Dr. Ibrahim Mahfooz joined STO in 1996 and worked in Accounting and Finance Department until 1999. From then, he moved to Internal Audit and has been the Chief Internal Auditor of the Company since July 2010. Dr. Mahfooz is a member of the Association of Certified Fraud Examiners (CFE) USA and a fellow of the Association of Chartered Certified Accountants (FCCA) UK. From mid-2003 to mid-2004, he worked at Ernst and Young where he worked at various assignments at different companies in the Maldives and in Sri Lanka.

Dr. Mahfooz obtained his Doctorate in Business Administration from the University of Newcastle, Australia, Master of Business Administration from the Charles Stuart University, Australia and Bachelor of Arts with Honours in Accounting and Finance from the Oxford Brookes University, UK.

d.Ahmed Shifan
Senior General Manager

Ahmed Shifan joined STO in the year of 2003 and is currently the Head of Department of Medical Services. Prior to this he had served in many key positions of the Company such as the Head of Department for Supermart, Regional Sales, Home Improvement, Electronics, Store Operations, Information Communications Technology, and Administration & Human Resource Department.

He was also involved in the key role of the SAP HCM implementation project of the Company, as the Project Manager. He has served as the Chairman of the STO Recreation Club (STORC) from 2014 to 2017.

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

Shifan holds a Master of 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 Middlesex

University, UK. He is also a Fellow of the Royal Institution of Gas Engineers (RIGE), Singapore since 2016.

e. Aishath Shaffana Rasheed General Manager / Company Secretary

Aishath Shaffana Rasheed joined STO in 2004. She serves as the Company Secretary of the Company since 2007. Shaffana is also the head of department for Company Secretariat and Legal Affairs.

Shaffana holds a Master of Business from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University of Australia.

f.Musthafa Azmy General Manager

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

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

g.Mariyam Nuzla General Manager

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

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

h.Mariyam Paruveen Abdul Faththah Executive Secretary

Mariyam Paruveen Abdul Faththah is the Executive Personal Assistant to the Managing Director and the Head of Managing Directors Bureau, where she also oversees the public relations and media function of the Company.

She joined STO in the year 1998 after working in the Ministry of Construction and Public Works from 1995 till 1997. During her 20 years of service in STO she has filled positions as Officer in Administration and later worked as Head of Department of STO Supermart. Paruveen holds a BA Honours in Business Administration in collaboration with University of Hertfordshire, UK. She is also Board Director of Maldive Gas Pvt Ltd.

i.Hussain Sobah General Manager

Hussain Sobah joined STO in the year of 2003 and has since been involved in many important projects of the Company, such as the All Island Pharmacy Project in 2014 and the takeover of IGMH stock management in the year of 2010. Currently Sobah serves as the Head of Department for People's Choice, which include functioning of home improvement, supermart, regional sales and staple foods segment of the Company.

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

j.Mohamed Murad General Manager

Mohamed Murad joined STO in the year of 1998 and has hence acquired substantial knowledge and experience in strategic leadership and operational knowledge with over 15 years of experience in the Company. He served as the Head of Department for Home Improvement and Electronics is currently the Head of Department of Risk Management.

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

k.Abdul Wahid Moosa
General Manager

Hussain Abdul Wahid Moosa joined the Company in the year of 2009.He has a vast array of knowledge and experience in the field of construction, maritime studies, chartering and shipping management. Wahid served as the Head of Department for Construction Materials / Transport for years and he is currently the Head of Department to Fuel, Logistics and Construction of the Company.

He the current Chairman of the Board of Director for Fuel Supplies Maldives Pvt. Ltd and Lafarge Maldives Cement Pvt Ltd.

Wahid holds a bachelor's degree of Business (Management and Marketing) from the Edith Cowan University, Australia. He has also completed various maritime related courses such as the Certificate to conduct ISO 9001:2015 Quality Management System Audit from the Bureau VERITAS, French Classification Society in Singapore.

l.Mohamed Nizam
General Manager

Mohamed Nizam previously served as the Chief Risk Officer (CRO) of the Company, until early 2019, when he was appointed the Head of Department for Procurement. He joined the Company in the year 2010 as Finance Manager and prior to joining Risk Management, he was a Senior Information System Manager of ICT department, responsible for core business software management and enhancement.

He is presently a Director of Allied Insurance Company of the Maldives and Maldives Industrial Fisheries Company Limited. Nizam also was a former director and acting Managing Director of Fuel Supplies Maldives Pvt Ltd. He also represented STO at Maldives Stock Exchange and Maldives Securities Depository until 2017.

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

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General Information

Name of company
State Trading Organization plc.

Company registration number
C-186/2001

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

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

Board of Directors as at 31.12.2018
Hussain Salim Mohamed (Chairman)

Ahmed Shaheer (Managing Director until 15.11.2018)

Husen Amru Mohamed Rashad (Managing Director from 30.11.2018)

Mohamed Mihad (Executive Director / Chief Financial Officer)

Amir Mansoor (Non-Executive, Independent Director)

Dr. Aishath Rafiyya (Non-Executive, Independent Director)

Mariyam Zaahiya (Non-Executive, Independent Director)

Mohamed Farshath (Non-Executive, Independent Director until 30.05.2018)

Aishath Fazeena (Non-Executive, Independent Director from 30.05.2018)

Board of Directors as at 01.04.2019
Husen Amru Mohamed Rashad (Managing Director)

Mohamed Mihad (Executive Director / Chief Financial Officer)

Amir Mansoor (Non-Executive, Independent Director)

Mariyam Zaahiya (Non-Executive, Independent Director)

Aishath Fazeena (Non-Executive, Independent Director)

Committees as at 01.04.2019
Audit & Risk Committee
Amir Mansoor (Chairman)

Aishath Fazeena (Member)

Corporate Governance & Compliance Committee
Aishath Fazeena (Chairperson)

Mariyam Zaahiya (Member)

Nomination & Remuneration Committee
Mariyam Zaahiya (Chairperson)

Amir Mansoor (Member)

Auditors
KPMG,

Mialani, 2nd Floor, Henveiru

Sosun Magu

Malé

Republic of Maldives

Bankers
Bank of Ceylon, Malé

Bank of Maldives plc, Malé

Habib Bank Limited, Malé

HSBC, Hong Kong

Maldives Islamic Bank, Malé

Nations Trust Bank, Colombo

State Bank of India, Malé

The Mauritius Commercial Bank (Maldives) Private Limited

International Islamic Trade Finance Corporation

Registered address

State Trading Organization plc.

Kan'baa Aisa Rani Hingun,

Maafannu,

Malé 20345

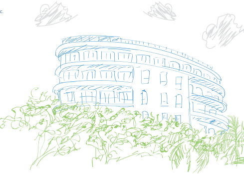
Republic of Maldives

Call Centre: +960334333

Fax: +9603344533

Email: info@stomaldives.net

Website: www.sto.mv



Share details

Unauthorized capital	Paid-up capital	Premium
100,000,000	56,345,500	27,8[illegible]4,500

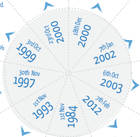
Group of companies

Name of company: Maldive Structural Products Pvt.Ltd.
Area of business: Roofing materials manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 50%
Rainbow Investment 50%

Name of company: Fuel Supplies Maldives Pvt.Ltd.
Area of business: Fuel distribution
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
MNOC 0.01%

Name of company: Lafarge Maldives Cement Pvt.Ltd.
Area of business: Cement manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 25%
Lafarge(Zurich) 75%

Name of company: Maldive Gas Pvt.Ltd.
Area of business: Gas distribution
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 90%
Champa Oil and Gas 10%



Name of company: STO Maldives (Singapore) Pte.Ltd.
Area of business: Trading
Incorporated in: Singapore
Operated in: Singapore
Shareholders: STO 100%

Name of company: Maldives National Oil Company Ltd.
Area of business: Fuel trader
Incorporated in: Maldives
Operated in: Singapore
Shareholders: STO 99.99%
Allied 0.01%

Name of company: Maldives Industrial Fisheries Company Ltd.
Area of business: Fish canning and its by-product manufacturer
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
Allied 0.01%

Name of company: Allied Insurance Company of Maldives
Area of business: Insurance
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
MGPL 0.01%

Name of company: STO Hotels & Resorts Pvt.Ltd.
Area of business: Tourism sector
Incorporated in: Maldives
Operated in: Maldives
Shareholders: STO 99.99%
FSM 0.01%

Allied Insurance Company of the Maldives Pvt. Ltd.

City Square, 3rd floor

Chaandhanee Magu, Malé 20156

Maldives

T: +960 334 1001

F: +960 332 5035

E: info@allied.mv

Website: www.allied.mv

Fuel Supplies Maldives Pvt Ltd

STO Aifaanu Building, Block A,

4th Floor,

Boduthakurufaanu Magu, Malé 20026,

Maldives

T: +960 3336655

F: +960 3313881

E: info@fuelmaldives.net

Website: www.fuelmaldives.com

Maldive Gas Pvt. Ltd.

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

Orchid Magu, Malé 20188,

Maldives

T: +960 333 5614

F: +960 3335615

E: info@maldivegas.com

Website: www.maldivegas.com

Maldives National Oil Company Ltd.

STO Head Office Building, 7th Floor

Kan'baa Aisa Rani Hingun, Malé 20345,

Maldives

T: +960 3344300

F: +960 3344533

E: info@mnoc.com.sg

Website: www.mnoc.com.mv

Maldives Structural Products Pvt. Ltd.

G. Marline Spike Building, 2/10

Alikilegefaanu Magu, Malé 20117

Maldives

T: +960 3337720

F: +960 3337721

E: msroof@dhivehinet.net.mv

Maldives Industrial Fisheries Company Ltd.

MIFCO Head Office Building

Hilaalee Magu, Malé 389

Maldives

T: +960 3323923 +960 3323955

E: info@mifco.com.mv

Website: www.mifco.com.mv

STO Hotels & Resorts Pvt. Ltd.

STO Head Office Building, 6th Floor,

Kan'baa Aisa Rani Hingun, Malé 20345

Maldives

T: +960 3344388 +960 3344374

F: +960 3344599

E: hotels@stomaldives.net

STO Maldives (Singapore) Pte. Ltd.

#39-10 International Plaza,

10 Anson Road 079903,

Singapore

T: (65) 6324 4668

E: stosing@stomaldives.com.sg

5 Year Group financial review

MVR, Million	2018	2017	2016	2015	2014
Earnings					
Revenue	10,873	9,100	6,939	7,313	9,171
Gross Profit	1,509	1,435	1,375	1,505	1,390
Operating Profit	247	315	578	678	761
Profit before tax**	80	211	490	520	573
Profit/Loss for the year **	30	159	429	435	480
Share Data					
Price per share, at year end, MVR	400	350	500	500	400
Earnings per share, MVR **	25	137	377	382	424
Dividend per share, MVR*	58	55	51	57	76
Net assets per share, MVR	1,807	2,234	2,145	1,946	1,651
No. of shares	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
Key Ratios					
Return on equity, %	(7.9)	6.4	18.6	21.5	29.2
Return on capital employed (ROCE)	3.4	4.3	9.2	13.5	15.9
Equity/asset ratio, %	26.4	32.5	34.3	38.4	34.1
Net debt/equity ratio	2.6	1.9	1.6	1.3	1.6
Interest coverage ratio	1.2	2.3	5.1	4.5	4.5
Dividend yield, at year end, %	14.50	15.71	10.20	11.40	19.00
Financial Position and Cash Flow					
Total assets	7,697	7,738	7,053	5,715	5,461
Equity	2,035	2,518	2,417	2,193	1,860
Non-current liabilities	623	717	993	845	404
Trade, other and related party receivables	2,832	2,918	2,388	1,946	1,857
Inventories	1,084	983	1,034	706	706
Trade, other and related party payables	2,512	2,668	2,237	1,681	1,751
Net Operating cash flow	(218)	290	616	381	19

* Proposed dividend for 2018

** Unadjusted for Hulhumale' Hotel impairment for 2018

State Trading Organization plc.
Kan'baa Aisa Rani Hingun, Maafannu, Malé 20345, Republic of Maldives,
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Website: www.sto.mv