

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of State Trading organization PLC

Report on the Audit of the Financial Statements

Our opinion

We have audited the financial statements of State Trading organization PLC (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group) which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2024, and of their financial performance and their cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the Key audit matter
The Company and the Group:	
<p>Recognition of revenue from retail and wholesale business</p> <p>Refer to the material accounting policy notes 3.17 and Note 7 to the consolidated financial statements.</p> <p>During the year ended 31 December 2024, the Company has recognised revenue from retail and wholesale business amounting to MVR 15,396,681,394.</p> <p>Revenue from retail and wholesale business represent 99.7% and 91% of the Company's and the Group's revenue respectively for the year ended 31 December 2024 and is material to the financial statements.</p> <p>STO operates in wider geographical area and records wholesale and retail revenue in large volume of smaller transactions using automated point of sale systems.</p> <p>We focused on this area because wholesale and retail revenue are complex due to large volume of transactions with lower values recognised using automated systems occurring in wider geographical areas.</p>	<p>Our audit approach included both control testing and substantive procedures performed as follows:</p> <ul style="list-style-type: none"> i) Understanding and evaluating the design, implementation and operating effectiveness of key controls over initiating, recording, processing and reporting of revenue transactions across all significant revenue streams in relation to retail and wholesale business; ii) Identified the relevant Information Technology (IT) systems installed and operated for capturing and processing revenue transactions and evaluated the effectiveness of Information Technology General Controls and IT application controls over revenue recognition with the assistance of our IT specialists; iii) Tested significant wholesale revenue transactions on a sample basis during the year, to assess that the revenue had been recognised in accordance with the contractual terms in the correct accounting period and the requirements of the relevant accounting standard; iv) Performed reconciliations of the Point of Sales ("POS") records of retail revenue to the general ledger; v) Tested significant retail revenue transactions on a sample basis during the year, to assess that the revenue had been recognised in the correct accounting period and in accordance with the requirements of the relevant accounting standard;

Key audit matter	How our audit addressed the Key audit matter
	<p>vi) Examined material manual journal entries and other adjustments processed to revenue; and</p> <p>vii) Assessed the adequacy of the disclosures made in the consolidated financial statements in relation to revenue from retail and wholesale business.</p>

The Group:

Valuation of insurance contract liabilities

Refer to the material accounting policy in Note 3.11.2 and Notes 26.1 and 36 to the consolidated financial statements.

As at 31 December 2024, the Group has reserved insurance contract liabilities of MVR 411,642,945 MVR 48,130,664 and MVR 60,331,842 for Non-life insurance, Life insurance and Takaful insurance respectively.

The Group's insurance contract liabilities represent a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with IFRS 17, which involve the use of a complex valuation models and significant management assumptions.

Considerable judgment is applied by the management in this regard, and there is inherent uncertainty in those assumptions. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Group and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires complex calculation and measurement of unobservable market inputs.

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

- i) Assessed the appropriateness of the valuation methodologies used, by applying our industry knowledge and experience to compare whether the methodologies and changes in methodologies (where applicable) are in line with recognised actuarial practices and expectation derived from market experience;
- ii) Evaluated whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17.
- iii) Assessed reasonableness of the key assumptions. Our assessment included:
 - Obtaining an understanding of and testing the management controls in place to ensure the accuracy and completeness of data used in deriving assumptions;
 - Examining the approach used by management expert to derive the assumptions, and assess its appropriateness by applying our industry knowledge and experience;

Key audit matter	How our audit addressed the Key audit matter
<p>Auditing of certain valuation models and significant assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.</p> <p>Accordingly, this was considered a key audit matter.</p>	<p>iv) Tested the inputs and source information underlying the determination of the discount rates.</p> <p>v) Assessed the adequacy of the disclosures made in the financial statements.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Mohamed Siraj Muneer.

For DELOITTE PARTNERS
MALE`



Mohamed Siraj Muneer

Partner

30th April 2025