

# 1ST QUARTER REPORT

## 2012

30th April 2012

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## Company Performance

The first quarter of 2012 has been a challenging quarter.

With the changes that took place in the Government, the Company had also had to face several changes in Board, Management and planning.

The current economic, social and political changes have also affected the Company vastly and these challenges have in-turn disrupted the Company performance during the first quarter.

## Major Policies and Guidelines implemented

The following policies and guidelines were implemented during past quarter.

- Changes to the current procurement policy and competitive bid-

ding procedure.

- Introduced the Company Dividend Policy.

## Achievements and Milestones

- STO Supermart was renovated, rearranged and reopened.
- A new and modern paint showroom was officially opened at STO Home Improvement.
- STO won the bid to supply jet fuel to Ibrahim Nasir -GMR International Airport for a period of 1 year. This is the second time STO has managed to achieve this bid.

# Business Developments

Notable projects pertaining to business development that are underway and their status, include:-

## Radisson Hotel Project

Concrete Structural work of this project has been assigned to Amin Construction on 14th October 2011. Currently ongoing foundation laying process. The Company is also engaged in the evaluation of the proposals received for project interior, architect, landscape and M&E.

## S. Hulhumeedhoo 4-Storey Building

Currently undergoing finishing work of this project.



## Umar Shopping Arcade Building

The first tender opened for construction of this project was cancelled due to unavailability of competitive pricing. Currently in the process of preparing for re-tender.

## K. Thilafushi Warf

It has been re-tendered to find a contractor for this project.

## Male' Service Centre

Currently undergoing redesigning of this project.

## B.Eydhafushi Shop

All structural works of B.Eydhafushi Shop has been completed and handed over to STO Sales & Marketing for the stacking of inventory.

## Addu Service Centre

Currently undergoing concept designing of this project.

## Renovation of K. Funadhoo Sea Wall

After appointing a consultant for the project, currently undergoing selection of a contractor for the project.

## K.Funadhoo Fuel Jetty Extension

After the completion of detail design work, currently undergoing appointment of project contractor.

## Fire Alarm Installation within the Company

Currently undergoing wiring process of setting the alarm system. Have already set up system at STO Staple Foods.

## Relocation of Rice godown from S.Gan to S. Hithadhoo

Have appointed a contractor for this project. However, since the site has still not been cleared, no work is in progress.

## STO Home Improvement Exterior and Interior Work

Currently in the Process of appointing a contractor for this project.

## H.Dh.Kulhudhuffushi Pharmacy

The pharmacy was open for service on January 2012.



# Corporate Social Responsibility

The Company takes careful effort to engage itself in the Corporate Social Responsibility. As such, following are the different CSR activities STO participated in and contributed to, during the past quarter.

## Financial Assistance

### Kuda Kudhinge Hiyya

STO continued funding of its commitment to the Kudakudhinge Hiyya Orphanage by sponsoring 'in-kind' one of the childcare staff for a period of one year since June 2011.

### Parents Awareness Program

STO took part in creating awareness among parents about child abusing by contributing to a 'parents awareness camp' held at Addu City on February 3rd and 4th (organized by Child Abusing Prevention Society) where they were able to get an insight about the issue and find ways to prevent it while providing protection for such children.



### Veshi Jamiyyaa

STO supported child education by contributing to the 'Digital Education Program' conducted by Veshi Jamiyya where children can learn ways of modern technology which can act as a stepping stone towards a working life.

## Product Assistance

### Drug Rehabilitation Centre

To assist in the rehabilitation of the young generation from drug related issues and to provide effective services to help them get back in to the society, STO provided cement to the drug rehabilitation center for the very much needed repair works of the facility.

## Sponsorships

### Deaf Association of Maldives

STO supported the Maldivian deaf community by sponsoring their annual festival "DEAFest 2012" in order to promote awareness and integration among society. The festival is scheduled to be held from 6th to 8th of June 2012.

## Others

### Earth Hour 2012

STO participated in "Earth Hour 2012" on 31st March 2012 by turning off non-essential lights between 8:30-9:30pm in various buildings of STO to raise awareness towards the need to take ac-

tion on climate change.

STO received acknowledgement for contributions rendered to The Maldives Police Services during 2011.



# Marketing & Promotions

## Promotions

### Eco Campaign

This event was organized by the Ministry of Housing and Environment to encourage the use of eco-friendly and biodegradable bags instead of plastic bags. The Ministry collaborated with the three biggest business tycoons: STO, Bright Brothers and Maldives Industrial Fisheries Company.

The Eco campaign started on the 1<sup>st</sup> of January 2012 at STO Supermart which will continue for six months.

### Cloth bag Campaign

During this campaign, 1500 cloth bags were distributed to customers from STO Supermart. Those who brought them back got a 2% discount from their shopping.



### Devondale Moo Chocolate Milk Campaign

This campaign was held on 8th January 2012 in order to promote Devondale Chocolate milk.

Flyers and free Devondale Moo chocolate milk packets were distributed near schools. The following schools were visited during the campaign;

- Hiriya School
- Thaajudheen School
- Maafannu Madharusa
- Iskandhar School
- Aminiya School
- Jamaludheen School
- Billabong High International School



### Chocolate Week

STO's annual event, Chocolate Week, was held again this year from 12th to 18th February 2012, with more discounts, coupons and chocolate. Three suppliers took part, along with STO. Old and new

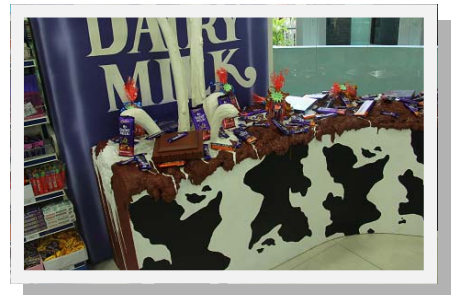
chocolate brands and products were displayed, to delight the visiting customers. The event also featured music by a two piece band at STO Supermart.

### Purity Special Offer

This campaign was carried out to promote purity brand products where every purchase received a complementary FOC item along as a special offer.

Products used for special offer included;

- Purity 4<sup>th</sup> food beef noodles bale 250ml
- Purity 4<sup>th</sup> food beef alphabet lasagna 250ml



A purity bag was bundled with every 4 bottles of the aforementioned products. Simultaneously FOC items were randomly offered with every 5 purity bottles purchases.

### Devondale Butter and Cheese Special Offer

In this promotion, a buy one get one free pricing strategy was used which was found to be very successful in promoting the products.

The products that were included in the offer included Devondale Dairy Soft Butter, Devondale Light Butter, Devondale Extra Soft Butter and Devondale Light 'N Easy Cheddar Cheese. The offer took place from 16th February till the stock ran out.

#### Purity and Kruger Special Offer

This promotion focused on promoting Kruger Impress Baby Milk Powder. In this promotion, Kruger impress baby milk products were given away with every purchase of baby products from the Supermart. The offer was further extended to the Wholesale customers, by offering 1 case free for every purchase of MVR 5000.00 worth goods.

The promotion started on 27th February and will go on till stock lasts.



#### Tom Milk Special offer

In this promotion, for every MVR 50.00 spent at the Supermart and

every MVR 5000.00 spent at wholesale center, free Tom milk products were offered. The duration of this offer was from 1st March till 30th March 2012.

#### Fragata Special Offer

This offer gave away a Fragata Olive Oil Traditional 250ml bottle for every purchase that was made above MVR 100.00. This promotion continued from 13th February 2012 till 25th February 2012.

#### KDD Juice Offer

In this promotion, a KDD product was given away for every purchase of MVR 150.00. The duration of this offer was extended due to the increased demand.



#### Visit and Win Tasting

Visit and Win with Tasting was a combination of two promotional strategies to attract customers and to make them aware of the products sold at the Supermart. Collaborating with the Faculty of Hospitality and Tourism Studies, an array of recipes and tasting samples were offered, which were given out every Thursday night at STO Supermart, along with the

recipe cards, product information and coupons for each dish. Customers who visited during the tasting session (lasting from 21:00 till 22:00) and customers who made purchases at the Supermart were offered to taste the dishes. The event comprised of four sessions where samples of nine brands dealt at Supermart were displayed.

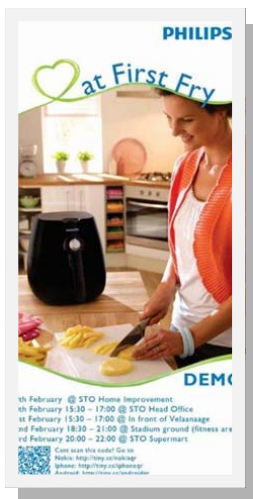






### Love at First Fry Campaign

This promotion was run to promote awareness of Philips Air Fryer. This was one of the most successful events held resulting in a huge boost in the Air Fryer Sales. Demo sessions of the product were held at many locations such as Stadium fitness ground, STO Head Office, Home Improvement, & STO Trade Centre.



### Power with Makita

With the aim of promoting Makita Power tools, a special promotion was carried out from 1st February till 29th February 2012. In this promotion customers were given demos of Makita products along with a lucky draw for the purchases they made on the products. This promotion also emphasized on promoting "Better after sale service and Product availability" for customers, on Makita products.

For every MVR.500.00 spent on Makita Power tools, customers received a coupon where they had the chance to enter a Grand lucky draw.

Lucky draw prizes offered included;

1st prize - Makita gift pack worth MVR20,000.00

2nd prize—Makita bicycle

3rd prize—Makita gift voucher worth MVR.5000.00.

### Blend it with Philips

This special offer will be carried out from 20th March – 20th April 2012. In this promotion, customers who purchased an Air fryer are entitled for a free blender. As the sales of Philips Air fryer have already increased in the past 2 months, it is believed that this offer would further enhance the sales of air fry.



### Philips for the Living Room

In order to promote Philips home theatre systems, a special promotion was carried out. This promotion started on the 1st March and was initially due on the 5th of April. However due to the increase in demand, mainly by credit scheme customers, this promotion has been extended till 30th April. Discounts and free gifts are also distributed with certain home theater systems and TV's, as part of this promotional offer.

### Philips BBQ Week

This event was organized and carried out in order to create more awareness of Philips grill products. Demo sessions were carried out from 18th -25th March 2012, at different locations. Chicken skewers, sausage, veggies and garlic

bread were made during the demo session and distributed to people.



### Philips Surprise

This special offer was held mainly to promote Philips kitchen appliances. This offer was held for both retail and wholesale customers. The offer took place from 1<sup>st</sup> – 31<sup>st</sup> March 2012. FOC items were bundled with selected Philips DAP products.



### Cool Cool Hitachi

The “Cool Cool Hitachi” Promotion is believed to increase sales of Hitachi Air Conditions & Refrigerators during the season. This Promotion will be held from 20<sup>th</sup> March to 20<sup>th</sup> May 2012, in STO Home Improvement as well as regional outlets. In this promotion, for every MVR.1000.00 worth purchase of Hitachi Air condition or Refrigerator, customers will receive a coupon where they have a chance to enter a grand lucky draw.



### Nippon Big Paint Promotion

This promotion, focused on promoting Nippon paint is being carried out at STO home improvement and regional outlets, where customers receive a coupon for every MVR1000.00 and above purchase made on Nippon paint. Apart from this, a game zone has

been set up at Nippon showroom, where customers who purchase paint and other products from the outlet are entitled to participate in these games and win exciting prizes. This promotion will be carried out from 1<sup>st</sup> March till 30<sup>th</sup> April 2012.



## Sponsorships

### Main Sponsorship for Victory Sports Club

As practiced in the previous years, Victory Sports Club football team was sponsored by Hitachi for the year 2012 as well.



### “Bodurey 2012” by Dhekedhekeves Production

Entertainment show by Dhekedhekeves production to promote their upcoming new releases was sponsored by Hitachi. The event was held on 29th January 2012 at MNBC one.

### Football Tournament by BG Sports Club

Football tournament organized by BG sports club on 25th January 2012, was sponsored by Kruger.

### AFC Match

The AFC match where VB Addu FC played with Kuwait FC on 21st March 2012 was sponsored by STO on VTV.

### AFC Challenge Cup 2012

STO co-sponsored the national football tournament 2012.



### 1st International School Netball Tournament

This tournament was sponsored (main sponsor) by Bonduelle. The tournament was held from 29<sup>th</sup> March till 9<sup>th</sup> April 2012 at the MCSE Indoor Court. 27 teams from 14 schools participated in this tournament. Bonduelle banners were placed at the tournament site.

### Club Vyansa Main Sponsorship

STO took on the main Sponsorship for club VYANSA, for one year. This club was sponsored by Al mudhish and the logo was placed on player jersey's, press interviews, and billboard in Villingili.



### Iskandhar School Golden Jubilee Carnival

This carnival was held from 29 March 31 March 2012. The event was sponsored on behalf of Makita and Nippon.

### MYE International “MYE Loyalty Card”

Co-sponsored the MYE international loyalty card. All materials used during the tournament will include STO logo on it.

### “Love Story” Film



Co-sponsored the film love story by Noor and Movies, released on 27<sup>th</sup> of March 2012. All materials used during the event will have our advertisements and logo on them.

### Badminton Youth Development Program Partner

In order to provide assistance in establishing and promoting among youth, STO will participate in the program from 2012 till 2014.

### Haveeru Sports Awards 2012

STO was the main partner of the event Haveeru Sports Awards 2012. All materials used during promotion of this event will have



our advertisements and logo.



### Club All Youth Linkage

STO took on the main Sponsorship by Nippon for one year.

### FAM Awards 2012

STO took on the main sponsorship of the event which commemorates national football progress. Makita, Hitachi, Philips and Nippon Brands were used to sponsor the tournament. All materials used during promotion of the event will have our advertisements and logo.



### Maakana Show

STO is also the main sponsor of Maakana show produced by Cellmin Animation Studio. This is considered one of the most popular television shows in Maldives.



### Club Valencia Main Sponsorship

STO is also the main sponsor of Club Valencia. This club is sponsored by Philips.



### Cricket Board of Maldives

STO has taken on the main sponsorship for the 20-20 cricket tournament, Ramazan Carnival and School cricket league to be held at Ekuveni track .



### Maaziya Football Club

STO is also the main sponsor for Maaziya FC. This club has been sponsored by Makita.

### Home Affairs and Recreation Futsal Tournament

This event was sponsored by Kruger. All materials used during the promotion of this tournament will have our advertisements and logo included.



Training on Taxation  
24 & 31 March 2012



Training on Dhivehi  
language and writing  
skills  
1st to 10th April 2012

## Human Resources

At the end of 2011, the Company had a total workforce of 1069 employees, of which 903 or 84.5% were Maldivians and 166 or 15.5% were expatriates. At the end of 1st quarter the no. of local employees increased by 0.3% while no. of foreign employees reduced by same percentage.

Below table indicates the number of employees, both local and foreign, during the past quarter.

|   | Local Staff | For-<br>eign<br>Staff | Total Staff |
|---|-------------|-----------------------|-------------|
| No. of staff at the end of 2011                       | 903         | 166                   | 1069        |
| No. of staff employed during 1st quarter              | 46          | 9                     | 55          |
| No. of staff resigned / terminated during 1st quarter | 38          | 12                    | 50          |
| No. of staff at the end of 1st quarter                | 911         | 163                   | 1074        |

## Training and Development

The following trainings and development programs were carried out during the past quarter.

### SAP Trainings (overseas)

- SAP training MM module, Bangalore

### Short local trainings

- Seminar on Food Safety and HACCP
- Seminar on Safety at work and OHSAS

### Short term overseas

- Novartis Selling Skills Training
- Administering and Deploying System Centre Configuration 2012 Training

- Basic Course in Marine Cargo Insurance Training
- Statistics Seminar

### STO Scholarship 2012 (overseas)

- BA (Hons) in Mechanical and Manufacturing Engineering (1 candidate)

### STO Scholarship 2012 (Local)

- Bachelors degree (12 candidates)
- MBA (4 candidates)

In addition to the above, ICT staff had attended a 2 day workshop on Axis Academy Training / Fundamental Axis Camera Test.

## STORC Activities

No STORC activities were carried out during the quarter.

# Board and its Committee

## Activities

### Board and its meetings

The Board of Directors went through several changes within the past quarter. Consequent to the changes that took place within the government, the Board Chairman along with 3 other Directors, have been removed from their duties in the Board.

Due to these changes, the Company faced difficulties in conducting meetings and making important strategic decisions. Especially, with the Annual General Meeting date close by, the Company faced difficulties in making necessary arrangements.

Despite this, the Company managed to hold 6 Board meetings and 3 Committee meeting during the quarter. Below table indicates the Directors attendance to the Board meetings and the date of their removal from the Board.

| Name             | Position in Board | Attendance | %   | Removed Date   |
|------------------|-------------------|------------|-----|----------------|
| Farooq Umar      | Chairman          | 3/3        | 100 | 09/02/2012     |
| Shahid Ali       | Managing Director | 6/6        | 100 | Still in Board |
| Sana Mansoor     | Director/CFO      | 6/6        | 100 | Still in Board |
| Mohamed Ahmed    | Director          | 5/5        | 100 | 06/03/2012     |
| Ahmed Arif       | Director          | 6/6        | 100 | 09/04/2012     |
| Arif Abdul Samad | Director          | 6/6        | 100 | 09/04/2012     |
| Masood Ali       | Director          | 6/6        | 100 | Still in Board |

According to the Company Articles of Association, the quorum of the Board constitutes of the majority of the Directors including the public share representa-

tive Director and one of the two executive Directors in the Board.

It also states that in the absence of the Chairman, the Directors may elect a person to conduct the meeting, from within the Directors present. As such, since the removal of Board Chairman, the Directors have practiced this by electing a member from within the Board, to act the Chairman of the meeting.

With the last changes that were brought to Board, currently, the Board constitutes of only 3 Directors and there is no quorum to conduct any Board meetings.

### Major Decisions made by the Board

Some of the major decisions made by the Board during the past quarter include;

- Discussion on the new Company Strategic Plan.
- Endorsed proposed changes to the procurement policy and competitive bidding procedure.
- Endorsed the Dividend Policy.
- Approved the New Director induction pack.
- Discussed on the number and constitution of the current Board of Directors.
- Decided to distribute bonus for the employees from last years profit.
- A date and procedure was finalized to conduct the evaluation of the Company, Board, Chairman, Managing Director, individual Directors, Committees and the Company Secretary. However, due to the removal of Board Chairman and the uncertainty of the fact that the other Directors may/ may not remain in office, the evaluation faced delays. It was finally carried out and endorsed during early second quarter.
- The employee loan policy was approved.



## Committee Meetings

Each committee held 1 meeting during the quarter. Members attendance to the meetings and major decisions made were as follows.

### Audit Committee

Major decisions made at the meeting include presentation and finalization of ERM implementation date within the Company, evaluation of the proposals received to provide internal audit for subsidiaries and joint ventures and deciding on the payment terms for external auditors.

| Name             | Position | Attendance | %   |
|------------------|----------|------------|-----|
| Masood Ali       | Chairman | 1/1        | 100 |
| Ahmed Arif       | Member   | 1/1        | 100 |
| Arif Abdul Samad | Member   | 1/1        | 100 |
| Mohamed Ahmed    | Member   | 1/1        | 100 |

### Nomination and Remuneration Committee

The Committee had met up mainly to research and discuss on the management proposed salary revision plan.

| Name             | Position | Attendance | %   |
|------------------|----------|------------|-----|
| Arif Abdul Samad | Chairman | 1/1        | 100 |
| Ahmed Arif       | Member   | 1/1        | 100 |
| Mohamed Ahmed    | Member   | 1/1        | 100 |

### Corporate Governance and Compliance Committee

This meeting was held with the Auditors who were conducting last years Corporate Governance Audit. No major decisions were made, however, discussions were held on the various CG issues faced dur-

ing past year.

| Name          | Position | Attendance | %   |
|---------------|----------|------------|-----|
| Ahmed Arif    | Chairman | 1/1        | 100 |
| Masood Ali    | Member   | 1/1        | 100 |
| Mohamed Ahmed | Member   | 1/1        | 100 |

### Preparations for the Annual General Meeting

The Company is in the constant process of trying to conduct the Company Annual General Meeting within the first five months of the year and also to publish the Annual Report within the first four months of the year.

As such, the Company has already given notice for the submission of interest for Directorship (public) for the 2012-2013 term. A total of 5 applicants have submitted forms. Also, the Company has sent required request to the government, asking to make their appointments to Board Directorships.

The Company Annual Report is in its phase of completion now. Annual accounts are also in the process of compilation.

However, there are few delays, due to the fact that the Company currently has no quorum of the Board to convene any meetings. As such, this would seriously effect the preparations to the Annual General Meetings.

# Corporate Governance Compliance

|  |      | provisions     |  |
|--|------|----------------|--|
| Effective Board                          | 1.1  | Non - Complied | During the past quarter, there were only 6 Directors in the Board.   |
| Composition of Board                     | 1.2  | Non - Complied | And currently there are only 3 Directors in the Board.   |
| Nomination/re-election of Directors      | 1.3  | Complied       | Nominations and re-elections are made at the Annual General Meeting, after the end of each financial year.<br><br>The Company has given a 21 days notice for the submission of interest for Directorship (Public) 2012-2013. 5 candidates have submitted their interest. However, no further developments have been made since currently the Board and its committees are not functional due to insufficient number of Directors in the Board. |
| Separation of Chairman and MD            | 1.4  | Complied       | Chairman and MD are separate persons in the Company. The Chairman is considered an independent Director considering the guideline stated in the CG code.   |
| Roles of Chairman and MD                 | 1.5  | Complied       | The roles of Chairman and MD are stated separately in their charter. These charters are reviewed annually.   |
| Duties of the Board                      | 1.6  | Complied       | Board Directors roles are separately states in their charter. These charters are reviewed annually.  |
| Training                                 | 1.7  | Complied       | No trainings were conducted during the last quarter. However, trainings on CG, finance, law and risk management have been budgeted for the year.   |
| Committees                               | 1.8, | Complied       | Board has 3 sub committees. They are R&N committee, Audit committee and CGC committee.   |
| Remuneration policy                      | 2.1  | Complied       | The Company has approved and acts upon a board approved remuneration policy for Directors and employees.   |
| Evaluation of Board performance          | 2.2  | Complied       | This evaluation was supposed to be carried out late January. However, due to removal of Chairman from the Board and sudden changes that took place in the government, evaluation was delayed further till April 2012.  |
| Board remuneration disclosure            | 2.3  | complied       | A lump sum figure of Board and top management remuneration is disclosed in the Annual report published at the end of each financial year.  |
| Management constitution                  | 3.1  | Complied       | The management team constitutes of MD, executive directors, and the key managers of the company.   |
| Roles and responsibilities of management | 3.2  | Complied       | descriptions are placed at HR to separate their roles. The management team is given constant guidance by the Board on promoting high standards of CG. All executives and managers are required to submit their conflict of interest and disclosure statements to the MD.   |

# Corporate Governance Compliance

|                           | provisions |          |   |
|---------------------------|------------|----------|---|
| Access to information     | 3.3        | Complied | <p>Board and its committees has the authority to request information from the management that are deemed necessary for decisions made at Board.</p> <p>They also have the authority to obtain at the company's expense, outside legal or any other professional advice on any matter deemed necessary for effective performance of their duties.</p>  |
| Internal Audit            | 4.1        | Complied | The company's internal audit department reports directly to the audit committee and administratively to MD. All audit activities, reports, plans, management responsiveness to reports and resource availability is monitored by the audit committee.   |
| External Audit            | 4.2        | Complied | Audit Committee is responsible for making recommendations on the appointment, re-appointment and removal of external auditors and approving their remuneration. The appointment of External Auditors are affirmed at the AGM. In appointing an external audit party, their independence, qualification, and free of conflict of interest is considered. The Audit committee reviews the annual audit plan and meets with the auditors, regularly. |
| Internal Controls         | 4.3        | Complied | The Board ensures that the management maintains a sound system of internal controls to safeguard the shareholders investments and company assets. Audit committee annually reviews several of these internal control measures enforced in the company. A separate section on the internal controls and steps taken are disclosed in the Annual report by Board.   |
| Company Secretary         | 5          | Complied | The Company Secretary keeps an annual record of the company's compliance and liability to the CG code and other legal requirements. CS also maintains adequate registers of the Board, shareholders, minutes and interests in the company.  |
| Shareholders              | 6.1        | Complied | The rights of the shareholders are periodically reminded through notices, annual reports and AGM.   |
| Shareholder Communication | 6.2        | Complied | Pertinent information is disclosed on company matters, through company website, interviews, press releases, press conferences, quarterly reports, annual report and AGM's.  |
| General Meetings          | 6.3        | Complied | AGM's are held at the end of each financial year, to brief shareholders on company performance through previous year.   |
| Voting Rights             | 6.4        | Complied | Shareholders are brief on their voting rights from time to time. Shareholders are allowed to vote in their absentia through proxy voting.   |

# Corporate Governance Compliance

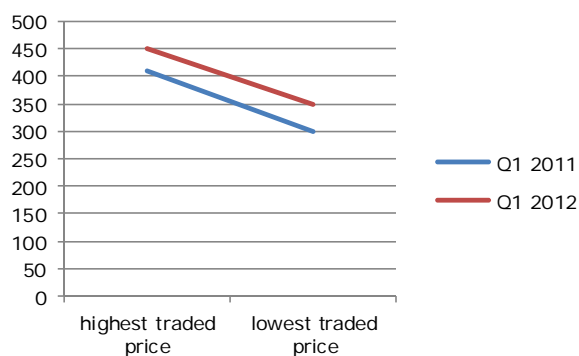
|   | provisions |              |  |
|---|------------|--------------|--|
| Disclosure  | 7.1        | Complied     | The Board ensures that the Annual report of the Company is compiled in accordance with the Companies Act, Listing Rules, CG code and other regulations that the Company has to abide to.   |
| Financial Statements                                      | 7.2        | Complied     | Financial Statement are prepared in accordance with the IAS reporting standards. The balance sheet and P&L statements are reviewed and signed by the Chairman, MD and CFO to certify true and fair accounts of the Company.  |
| Non-financial Statements                                  | 7.3        | Complied     | Each year, remuneration, conflict of interest, HR, Share, Business Development and other activities of the Company are annually disclosed in the Annual report.  |
| Voluntary Provision: Systems to raise concerns            | 8          | Complied     | The Board and Management ensures that an appropriate process is put in place to enable employees and management to raise their concerns. These means are regularly informed to the employees and disclosed in the annual report.   |
| Voluntary Provision: Investors and media relations        | 9          | Complied     | The company encourages media and investor relations by promoting good CG.  |
| Quarterly report  | 9.4        | Complied     | STO publishes their quarterly report on website since 2011.  |
| Voluntary Provision: Individual Board member remuneration | 10         | Not Complied | Individual Director and top management remuneration is not disclosed in the annual report, considering the high demand and effect it could have on the industry. However, a global figure of both Board and top management remuneration is disclosed in the annual report. |



# Share Performance

|                           | 1st Quarter 2012 (calculated based on 2012 unaudited financials) | 1st Quarter 2011 |
|---------------------------|--|------------------|
| Highest transaction price | 450  | 410              |
| Lowest transaction price  | 350  | 300              |
| Last transaction Price    | 450  | 350              |
| Market Capitalization     | 507,109,500.00   | 394,418,500      |
| WATP                      | 394.74   | 362.47           |
| EPS                       | 37.90  | 28.26            |
| Dividend Yield            | 15.11  | 19.42            |
| Price / Earning ratio     | 4.26   | 3.32             |

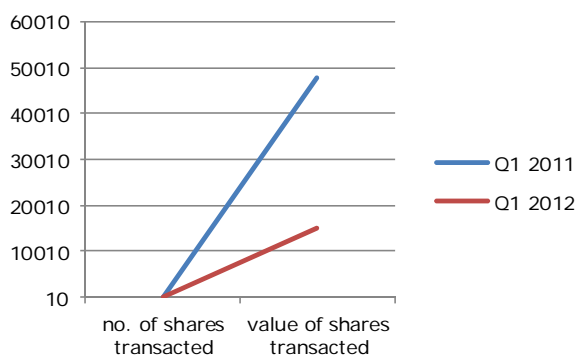
2011 vs. 2012 highest & lowest trade price compared



In 2012, STO market share increased since only STO shares were traded during the 1st quarter.

When comparing 2011 and 2012 1st quarter highest and lowest share price, it is observed that although the price ranges have been maintained in the same level, 2012 figures are more complementary.

2011 vs. 2012 no. of shares & value of shares compared



However, in 2012, the no. of shares traded were less than the no. of shares traded in the 2011 1st quarter. As such, the value of traded shares in 2011 was 28.78% more when compared to 2012.

## Income Statement (Unaudited)

|  | Year to Date (MVR) | 1st Quarter (MVR)  |
|--|--------------------|--------------------|
| Turnover   | 2,062,860,383      | 2,062,860,383      |
| Cost of Sales  | (1,912,702,347)    | (1,912,702,347)    |
| <b>Gross Profit</b>  | <b>150,158,036</b> | <b>150,158,036</b> |
| Other income   | 5,948,317          | 5,948,317          |
| Operating Expenses   | (90,538,627)       | (90,538,627)       |
| Operating Profit   | 65,567,726         | 65,567,726         |
| Financial Income/(Expenses)  | (22,855,765)       | (22,855,765)       |
| <b>Net Profit before Depreciation, provision, impairment and tax</b> | <b>42,711,961</b>  | <b>42,711,961</b>  |

## Balance Sheet (Unaudited)

|                                       | Year to Date (MVR)   | 1st Quarter (MVR)    |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Non Current Assets                    | 1,363,393,821        | 1,363,393,821        |
| Current Assets                        | 3,308,006,813        | 3,308,006,813        |
| <b>Total Assets</b>                   | <b>4,671,400,634</b> | <b>4,671,400,634</b> |
| <b>Equity &amp; Liabilities</b>       |                      |                      |
| Equity                                | 1,016,146,231        | 1,016,146,231        |
| Non Current Liabilities               | 308,985,960          | 308,985,960          |
| Current Liabilities                   | 3,346,268,443        | 3,346,268,443        |
| <b>Total Equity &amp; Liabilities</b> | <b>4,671,400,634</b> | <b>4,671,400,634</b> |

# Cashflow Statement (Unaudited)

|   |                      |
|---|----------------------|
| <b>Profit before tax</b>  | <b>12,601,845</b>    |
| <b>Adjustments for:</b>   |                      |
| Depreciation  | 13,249,640           |
| Interest income   | (2,846,482)          |
| Commission on treasury bills  | (5,303,341)          |
| Interest expense  | 59,633,671           |
| Dividend income   | (27,696,379)         |
| Profit on sale of assets  | 148,786              |
| <b>Changes in working capital</b>                                     |                      |
| Inventories (increase) / decrease                                     | 148,737,825          |
| Trade and other receivables (increase) / decrease                     | (148,079,904)        |
| Trade and other payables (decrease) / increase                        | (651,114,050)        |
| <b>Cash generated from operations</b>                                 | <b>(600,668,388)</b> |
| Cash generated from operations  | (600,668,388)        |
| Interest paid   | (59,633,671)         |
| Zakath paid / Tax Paid  | (21,464,112)         |
| <b>Net cash generated from / (used in) operating activities</b>       | <b>(681,766,170)</b> |
| <b>Cashflow from investing activities</b>                             |                      |
| Purchases of PPE  | (18,219,133)         |
| Sales proceeds from fixed assets                                      | 10,700               |
| Investment in treasury bills  | 180,000,000          |
| Investments in fixed deposits   | 47,873,517           |
| Interest received   | 2,846,482            |
| Commission on treasury bills  | 5,303,341            |
| Dividends received  | 27,696,379           |
| Net cash used in investing activities                                 | 245,511,286          |
| <b>Cashflow from financing activities</b>                             |                      |
| Proceeds from borrowings  | 880,089,831          |
| Repayments from borrowings  | (691,944,414)        |
| Dividends paid to company shareholders                                | (94,899)             |
| Net cash (used in) / generated from financing activities              | 188,050,518          |
| Net increase/(decrease) in cash, cash equivalents and bank overdrafts | (248,204,366)        |
| <b>Cash and cash equivalents at the beginning of the period</b>       | <b>601,728,151</b>   |
| <b>Cash and cash equivalents at the end of the period</b>             | <b>353,523,785</b>   |



**State Trading  
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## Declaration

### Company's Act Compliance

The Company has abided compliance to the Company's Act its regulations throughout the quarter.

### Listing Rules Compliance

The Company has abided compliance to Listing rules and its requirements within the quarter.

### CDOI regulations Compliance

The Company has abided compliance to CDOI regulations and its requirements within the quarter.

### Corporate Governance Compliance

The Company has abided compliance to the CG Code and its requirements within the quarter.