

1st Quarter  
Report 2013

30th April 2013

**State Trading Organization**  
evolving with you



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# 1st Quarter Milestones

## STO 48<sup>th</sup> Anniversary

STO held its 48th anniversary celebration on 11 January 2013, at Dharubaaruge.



## SAP – HCM Go-Live

SAP HCM went live on 30 January 2013. The ceremony was held at Marble Hotel Conference room.



## STO Hithadhoo Pharmacy Inauguration

STO Hithadhoo Pharmacy service was commenced on 9 February 2013.

## New P&R Department Inauguration

STO Planning and Replenishment Department new office was opened by the Managing Director, on 18 March 2013. The department is now located at 3<sup>rd</sup> floor of STO Trade Centre.

## Jet Fuel Supply Agreement Signing with Maldives Airports Company Ltd

The project to Supply Aviation Fuel (Jet A-1) and Marine Gas Oil (MGO) was jointly signed between STO Plc and MACL at a ceremony held on 31 February 2013 at STO head office.



## Revised the Company Vision & Mission

The Board of Directors and Management, at the strategic meeting held on 21st March 2013, approved to revise the Vision & Mission Statement of the Company. As such;

The revised vision is;

Be a leading business creating enduring value for all stakeholders, whilst being a catalyst of economic growth and supporting sustainable development.

And the revised mission is;

To be committed in providing customers with reliable products and services at affordable prices through an efficient distribution network, whilst ensuring the security of essential commodities and maximizing shareholder returns.

# Business Developments

Project	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	Current Status	Project Start date	E. Project End date
1 Radisson Blu - Hulhumale'	█	█	█								Project Concrete Structural Works Completed. M&E works Mobilization Ongoing. Tender Process Ongoing for Project Exterior Glazing Works, Interior Works, IT , AV works and Architectural Works.	June 2007 (initially started) 14th October 2011	Dec-14
2 S. Hulhumeedhoo Building   Electrification Works	█	█	█	█	█	█	█	█	█	█	Project Completed and Operational. Setup of Electricity Ongoing.	Jan-11	Dec-12
3 Proposed 10 Storey Building at Umar Shopping Arcade											Negotiating with Allied insurance for a Possible JV project.	2009	Jun-14
4 Construction of Wharfs at Thilafushi											Tender process for hiring a Contractor.	Dec-09	NA
5 K. Funadhoo Seawall repair	█	█	█	█	█	█	█	█	█	█	Project construction works completed. Project Closing Phase ongoing.	Aug-12	Apr-13
6 Relocation of Rice Godown from S.Gan to S. Hithadhoo	█	█	█	█	█	█	█	█	█		Construction ongoing. (Floor concrete works, Roofing Ongoing)	Jun-11	May-13
7 Home improvement Interior											Project Awarded for Contractor. Construction works to start on May 2013	NA	Jul-13

# Marketing Activities & Sponsors

## Warehouse Sale 1

Supermart & electronic items were proposed for sale in this promotion. The Warehouse Sale started in January at STO Supermart and continued for six months.

## Chocolate Week

STO's annual event Chocolate Week was held in February targeting sale on chocolate and confectionaries as always.

## Warehouse Sale 2

This sale took place in March again offering special discounts on Supermart and electronic items.

## Heyya Makiya Promotion

With the aim of promoting the Makita Power tools, this promotion was held in March.

## Launching of Hitachi Beauty Products

A new range of Hitachi brand, Hitachi beauty products was introduced. An official launching ceremony on Hitachi

Beauty products was held at Traders Hotel Ball Room in February. These beauty products are to acquire beautiful skin especially to the ladies and to enjoy facial treatments at home.

## Hitachi Beauty Products Promotion

After the grand launching ceremony of Hitachi Beauty products, a promotion was held in March. The product is "Japan's No.1 beauty gadget", the HadaCRiE Cool which brings skincare to a whole new level. What the Hitachi HadaCRiE cool provides is a multi-tasking facial cleaning and massage system that will simplify and improve your skincare routine.

## Launching of Hitachi Free Delivery Service

With the main objective to increase the sales of Hitachi Refrigerators, Hitachi Free Delivery Service was launched in January.

## Hitachi Refrigerator Promotion

With the launching of free delivery service on Hitachi Refrigerators, a promotion was held on those for a month in January.

## Launching of Hitachi French Bottom Freezer

Built with the 'Tomorrow Together' philosophy in mind, the Hitachi Inverter French Bottom Freezer Refrigerators known for its energy efficient innovations in the market as it provides 25% less energy consumption compared with the usual pre-set electronically controlled refrigerators have been introduced with a launching ceremony held on the 30<sup>th</sup> of March 2013 in Social Center.

## Launching of Hitachi Front Load Washing Machine

A new series of Hitachi Front Load Washing Machine was launched in the Build Expo Fair in Dharubaaruge in Janu-

ary. Designed for your peace of mind, the Big Drum 510 Front Load washing machine does its job quietly and efficiently. With a bigger diameter drum of 510mm, it generates a powerful beat washing effect that removes dirt and stains even more effectively.

### Launching of Hitachi Air Purifier and Philips Hi Fi System

During the Living Expo Fair held at Dharubaaruge, a launching ceremony was held to introduce the Philips Mini Hifi Sound System and Hitachi Air Purifier. Hitachi Air Purifier is an environment friendly product which includes unique features as Allergen-Free HEPA Filter and Hitachi Unique Proactive Filtration.

### Philips Promotion on Beauty Products

Philips promotion on beauty products was held to attract customers and to make them aware of the products range available on Philips. The promotion was held in February.

### Love at First Fry

A promotion on Philips Airfryer “Love at first fry with Philips” was held at STO Home Improvement in March. With the promotion, demo sessions also were held in various locations including Hulhumale, Villingili and Home Improvement. This is one of the most successful promotions which created a huge increase in sale of Philips Airfryer.

## Sponsors

- General Build Expo 2013 - by Nippon, Hitachi, Makita, Philips and Construction Materials
- Club AYL Youth Linkage - by Nippon
- Victory Sports Club main Sponsor - by Hitachi
- Maziya Sports Club - by Makita
- Club Valencia main Sponsor - by Philips
- Maldives Living Expo - by Philips, Nippon, Hitachi, Makita and Supermart brands
- BG Sports Club - by Kruger
- Club New Radiant - by STO Supermart
- Maldives Football Association - Display STO brands at the grounds
- “Save the Beach”, cleaning program - by Kruger
- Piston Motor Racing Cup - by STO brands
- Football Association Maldives Awards 2012 -by STO

# Human Resources

## Staff

At the end of 1st quarter, the Company had a total workforce of 1218 staff.

Below table indicates the number of staff, both foreign and local, in the past quarters.

	Local	Foreign	Total
No. of staff at beginning of Jan 2013	989	213	1202
No. of staff employed during Jan - Mar 2013	48	1	49
No. of staff resigned / terminated during Jan – Mar 2013	29	4	33
No. of staff at end of Mar 2013	1008	210	1218

## In house trainings / Local short trainings

- Team Building and Leadership Training
- Fraud & Forensic Accounting
- International Business Seminar

## STO Scholarships 2013 (Short and long term - Local courses)

- Bachelor of Business (Human resources) – 1 staff
- Advanced Diploma in Marketing / Business Management (3 staff)
- Diploma in Business Management / Marketing – 2 staff
- Certificate in Business Management – 4 staff
- Associate degree in Business Management ( 3 staff)
- Advanced certificate in pharmacy course – 01 candidate

## Short term overseas courses

- DELL storage and PowerEdge workshop for disaster recovery setup
- Advanced Charter Parties course
- SAP data transfer training

# Social Responsibility

## One Billion Rising

STO supported the prevention of violence against women, and was a supporter of the international campaign 'One Billion Rising' event organized by Hope for Women to create awareness and fight against such acts.

Among the events held on 14th February 2013 was the Run for Charity, where STO staff participated and helped raise funds.

Further, STO staff had assisted in promoting the campaign by taking part in the one billion rising flash mob, at the Republican Square.

## World Cancer Day

STO showed its support towards eradication of cancer and the enrichment of the quality of life of people living with cancer by taking part in the Cancer Day Walk on 1st February 2013, organized by the Cancer Society of Maldives.

## Earth Hour Celebration

To demonstrate Maldivians stand against global warming and climate change, STO actively took part in the Earth Hour Celebration by switching off all the lights of STO shops/units/departments between 8:30-9:30pm on 23rd March 2013, during which staff had gathered at STO head office to mark the hour with lit candles.

## Kuda Kudhinge Hiyaa

STO continued funding of its commitment to the Kudakudhinge Hiyaa Orphanage by providing salaries and allowances 'in kind' to one of the childcare staff for a period of one year from June 2012.

## Maldives Autism Association

To provide assistance for children with autism, STO facilitated in the operations of the Maldives Autism Association by providing financial assistant to manage the association's activities.





# Board & Committee Activities

# Board Meetings

## Board Meetings

The current composition of the Board of Directors is still not in constituent with the Articles of Association (AOA) of the Company or the Corporate Governance Code (CG Code) of CMDA. The current Board consists of only one Executive Director. The Company has raised concern on this issue, to the relevant authorities.

There were no changes made to the Board during the quarter.

Eight meetings were held during the quarter. Some of the major decisions made by the Board, during the quarter include;

- Write off bad debts
- Approved the land use plan of the Company
- Hold a strategic day with Management
- To establish a system for the investors to raise concerns through the website
- Conducted the Board Evaluation
- Revised the Company Vision and Mission Statement

## Board Evaluation

An internal online evaluation was carried out for the Chairman, Managing Director, Directors (Peer Evaluation), Committees and the Company Secretary. The results were evaluated, commented and presented to the Board Directors to form an action plan.

## Board Meeting Attendance

	Attendance	%	Type of Director
Abdulla Faiz	8/8	100%	Non-Executive / Independent
Shahid Ali	8/8	100%	Executive / Non-Independent
Ahmed Niyaz	8/8	100%	Non-Executive / Independent
Vizaad Ali	8/8	100%	Non-Executive / Independent
Amir Mansoor	5/8	63%	Non-Executive / Independent
Abdul Hadi Hussain Fulhu	8/8	100%	Non-Executive / Independent
Mohamed Farshath	8/8	100%	Non-Executive / Independent

## Preparation for Annual General Meeting 2012

The Company is in the constant process to complete and publish the Annual Accounts, Directors Report and Auditor's Report within the deadlines. As such, 2012 Annual General Meeting Notice along with the Annual Report has been published on the Company website and an announcement has been made through the media for the Shareholder information.

The Company's Annual General Meeting 2012 will be held on 16th May 2013, at Traders Hotel Ball Room.

# Committee Meetings

## Audit Committee

There were 2 Audit Committee held in the 1st Quarter. Some of the major decisions made by the Committee in this quarter include;

- Agreeing on the external audit process
- Internal Audit 2012 plan and its results
- External Audit proposal review

## Audit Committee Attendance

	Attendance	%
Abdul Hadi Hussain Fulhu	2/2	100%
Vizaad Ali	1/2	50%
Ahmed Niyaz	2/2	100%

## Nomination & Remuneration Committee

There were 2 Nomination & Remuneration Committees held in the 1st Quarter. Some of the major discussions held in the Committee in this quarter include;

- Studied on establishing an ERP unit within the organization
- Studied on reviewing the Company Structure

- Information on the Public Shareholder Directorship candidates
- Approved the Public Shareholder Directorship Evaluation Form
- Informed Committee on the CMDA endorsed Proxy Guideline

## Nomination & Remuneration Committee

### Attendance

	Attendance	%
Vizaad Ali	2/2	100%
Amir Mansoor	2/2	100%
Abdul Hadi Hussain Fulhu	2/2	100%
Mohamed Farshath	1/2	50%

Director Mohamed Farshath did not participate in the meeting held to discuss on the public shareholder directorship applicants information.

## Corporate Governance & Compliance

### Committee

There was 1 Corporate Governance & Compliance Committee held in the 1st Quarter. Some of the major discussions held in the Committee in this quarter include;

- Discussed on the committee decisions compliance
- Reviewed the Dividend Policy
- Approved the benefits to Staff other than Salary

## Corporate Governance & Compliance

### Committee Attendance

	Attendance	%
Mohamed Farshath	1/1	100%
Amir Mansoor	1/1	100%
Ahmed Niyaz	1/1	100%

# Corporate Governance Compliance

Provisions			
Effective Board	1.1	Not Complied	Although there are seven Directors sitting in the Board, the composition of the Board does not conform to the Company Articles of Association and CG Code, since there is still only one Executive Director.
Composition of Board	1.2	Not Complied	A 21 day notice period was given to the shareholders to submit names for Directorship. The major shareholder was informed through letter.
Nomination/re-election of Directors	1.3	Complied	The NR Committee interviewed the Directorship interested candidates 2013/2014, for Board appointments and made recommendations to the Board. The information on qualifying candidates were announced for the perusal of Shareholders.
Separation of Chairman and MD	1.4	Complied	The Chairman and MD are separate persons in the Company. The Chairman is considered an independent director.
Roles of Chairman and MD	1.5	Complied	The roles of Chairman and MD are stated separately in their charter. The Charters were last reviewed and signed during 3rd quarter 2012.
Duties of the Board	1.6	Complied	Board Directors roles are separately stated in their charter. The Charter was last reviewed and signed during 3rd quarter 2012.
Training	1.7	Complied	The Audit Committee members attended the 3 Day Seminar in Beginning Auditor Tools and Techniques organized by the Institute of Internal Auditors in Singapore. The Board also went through a refresher course on the most relevant laws and regulations by the lawyers of the Company.
Committees	1.8	Complied	In compliance with the CG Code, STO Board has an Audit Committee and a Nomination and Remuneration Committee in place. In addition to this, the Company also has a Corporate Governance and Compliance Committee.
Remuneration policy	2.1	Complied	The Nomination and Remuneration Committee act as one, since almost the same Directors sit in all Committees of the Board.
			The Company has approved and acts upon a board approved remuneration policy for Directors and employees.

<b>provisions</b>			
Evaluation of Board performance	2.2	Complied	Board evaluation for the year 2012 was carried out in the 1st quarter. The results have been evaluated, commented and presented to Board in order to form action plan.
Board remuneration disclosure	2.3	Complied	A lump sum figure of Board and top management remuneration is disclosed in the Annual report.
Individual Board Member Remuneration Disclosure	2.4	Partially Complied	The individual remuneration of Board Members are disclosed in the 2012 Annual Report. However, due to the discrepancies of the remuneration in the current job market, the Board has decided not to disclose the individual remuneration of top management.
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	Job descriptions are placed at HR for every employee. 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.
Access to information	3.3	Complied	Board and its committees have authority to request information from the management that are deemed necessary for decisions made at meetings. 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.
Internal Audit	4.1	Complied	The company's internal audit department reports directly to the Audit Committee and administratively to MD.
External Audit	4.2	Complied	Audit Committee is responsible for making recommendations on the appointment, re-appointment and removal of external auditors. The Committee also negotiates their remuneration for the year. 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 proposals for External Audit 2013 was reviewed within the 1st Quarter. Recommendations have now been made to the Board and will be published for Shareholder information on 30th April 2013.  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. Information on Internal Controls are disclosed in the Annual Report.



## Provisions

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 Directors interests in the company.
Shareholders	6.1	Complied	The rights of the shareholders are periodically reminded through notices, annual reports, website 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 annually, to brief shareholders on company performance of 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.
Disclosure	7.1	Complied	The Board ensures that the Annual Report of the Company is in compliance with the Articles of Association, 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 IFRS reporting standards. The balance sheet and P&L statements are reviewed and signed by the Chairman, MD, CFO and the public representative Director 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 is disclosed in the Annual Report.
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. As such, the Company has a Fraud Response and a Whistleblower Policy in effect.
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 the quarterly report on website, since 2011.

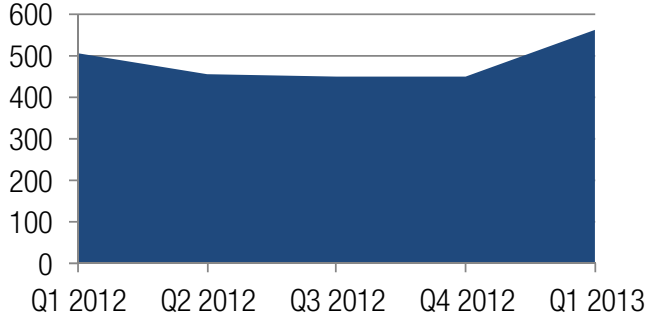
# Share Information



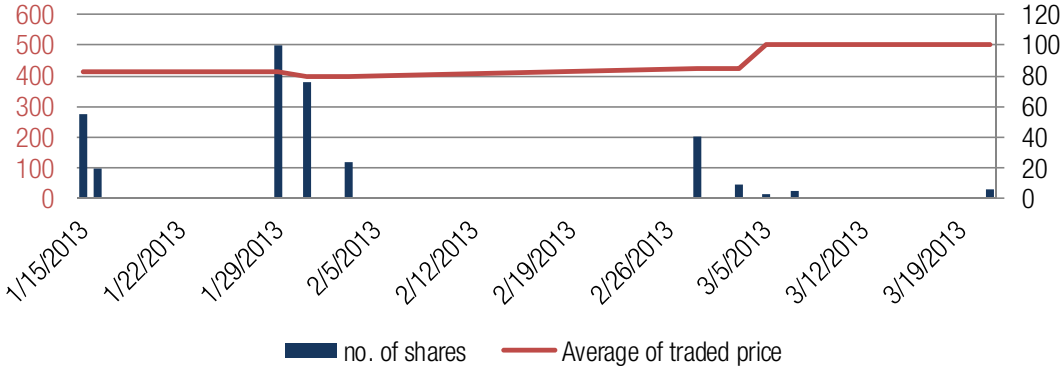
# Share Information

	1st Quarter 2013	4th Quarter 2012
Highest Trade Price	500	400
Lowest Trade Price	400	360
Last Trade Price	500	400
WATP	414.5	383.47
Market Capitalization	563.46	450.76
EPS	28.44	82.49
Dividend Yield	17.5	18.00
Price / Earning Ratio	19.81	4.85

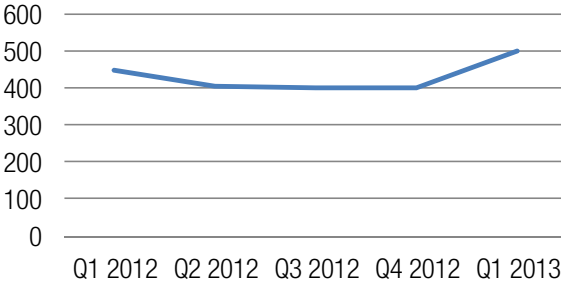
Market Capitalization



Share Trading



Last Traded Price



# Financials

# Balance Sheet (Unaudited)

Figures in MVR

	Year to Date 01/01/2013 to 31/03/2013	1st Quarter 2013	1st Quarter 2012
<b>ASSETS</b>			
Non Current Assets	1,570,330,770	1,570,330,770	1,363,393,821
Current Assets	3,704,464,930	3,704,464,930	3,308,006,813
Total Assets	<b>5,274,795,700</b>	<b>5,274,795,700</b>	<b>4,671,400,634</b>
<b>EQUITY &amp; LIABILITIES</b>			
Equity	1,126,220,692	1,126,220,692	1,016,146,231
Non Current Liabilities	704,884,763	704,884,763	308,985,960
Current Liabilities	3,443,690,245	3,443,690,245	3,346,268,443
TOTAL EQUITY & LIABILITIES	<b>5,274,795,700</b>	<b>5,274,795,700</b>	<b>4,671,400,634</b>



# Income Statement (Unaudited)

Figures in MVR

	Year to Date 01/01/2013 to 31/03/2013	1st Quarter 2013	1st Quarter 2012
Turnover	2,812,675,301	2,812,675,301	2,062,860,383
Cost of Sales	(2,521,800,510)	(2,521,800,510)	(1,912,702,347)
Gross Profit	<b>290,874,791</b>	<b>290,874,791</b>	<b>150,158,036</b>
Other Income	13,045,537	13,045,537	5,948,317
Operating Expenses	(144,337,664)	(144,337,664)	(90,538,627)
Operating Profit	159,582,664	159,582,664	65,567,726
Financial Income / (Expenses)	(127,535,357)	(127,535,357)	(22,855,765)
<b>Net Profit before Tax</b>	<b>32,047,307</b>	<b>32,047,307</b>	<b>42,711,961</b>



# Cash flow Statement

	1 <sup>st</sup> Quarter 2013	1 <sup>st</sup> Quarter 2012
Profit before tax	32,047,307	12,601,845
Adjustments for:		
Depreciation	15,110,620	13,249,640
Interest Income	(4,023,460)	(2,845,482)
Interest Expense	55,897,785	59,633,671
Dividend Income	(1,529,900)	(27,696,379)
Provision for Bad Debts	30,000,000	-
Provision for Inventories	1,553,897	-
Changes in Working capital		
Inventories - (Increase) / decrease	98,681,280	148,737,825
Trade & Other receivables - (Increase) / Decrease	(72,813,370)	(148,079,904)
Trade & Other Payables - (Decrease) / Increase	709,685,382	(651,114,050)
Cash generated from Operations	<b>864,609,540</b>	<b>(600,668,388)</b>
Cash flow from operating activities		
Cash generated from Operations	<b>864,609,540</b>	<b>(600,668,388)</b>
Interest paid	(55,897,785)	(59,633,671)
Tax Paid	(12,922,079)	(21,464,112)
<b>Net cash generated from/(Used in) operating activities</b>	<b>795,789,676</b>	<b>(681,766,170)</b>
Cash flow from Investing activities		
Purchases of PPE	(105,974,737)	(18,219,133)
Interest Received	4,023,460	2,846,482
Dividends received	1,529,900	27,696,379
<b>Net Cash used in Investing activities</b>	<b>(100,421,377)</b>	<b>245,511,286</b>
Cash flow from Financing activities		
Net Borrowings	(474,680,459)	188,050,518
<b>Net cash (used in) / Generated from financing activities</b>	<b>(474,680,459)</b>	<b>188,050,518</b>
Net Increase/(Decrease) in cash, cash equivalents and Bank overdrafts	220,687,840	(248,204,366)
Cash & Cash equivalents at beginning of the quarter	350,887,182	601,728,151
Cash & Cash equivalents at the end of the quarter	<b>571,575,022</b>	<b>353,523,785</b>

# Declaration

## Company's Act Compliance

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

## Listing Rules Compliance

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

## CDOI Regulation Compliance

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

## Corporate Governance Compliance

Details of compliance to code is stated in page 12-15.

The Company was neither fined nor under any other penalty, in reference

to the above mentioned regulations, during the past quarter. The Company had paid required tax to MIRA within the allocated time.

## MQRR Compliance

This report has been prepared in compliance with the Minimum Quarterly Reporting Requirements of CMDA.

State Trading Organization PLC

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