



First Quarter
Report
2014

Milestones

Save MVR 50 Million in 2014 and Saafu STO

These 2 ambitious campaigns were launched in January 2014 at the STO head office. All Male'-based staff participated as well as the Board, MD and senior management. Special guest, Minister of Economic Development Mr. Mohamed Saeed, commended the company's efforts in his speech. These campaigns are to run throughout the year.

STO 49th Anniversary Function

Event was held in February at Dharumavantha School. The countdown to 50th year was officially launched at this event.

Fuvahmulah Airport Night Landing Inauguration

Event was organized by Ministry of Transport and Communication in association with STO. The night landing was inaugurated by the minister.

MOU: Signed between STO and Agriculture Ministry for distribution of farming supplies in the atolls through STO regional shops.

Villimalé Pharmacy Opening

In March, STO opened its pharmacy at Villimalé. This is one of the first pharmacies inaugurated among the 58 pharmacies planned to be opened across the country



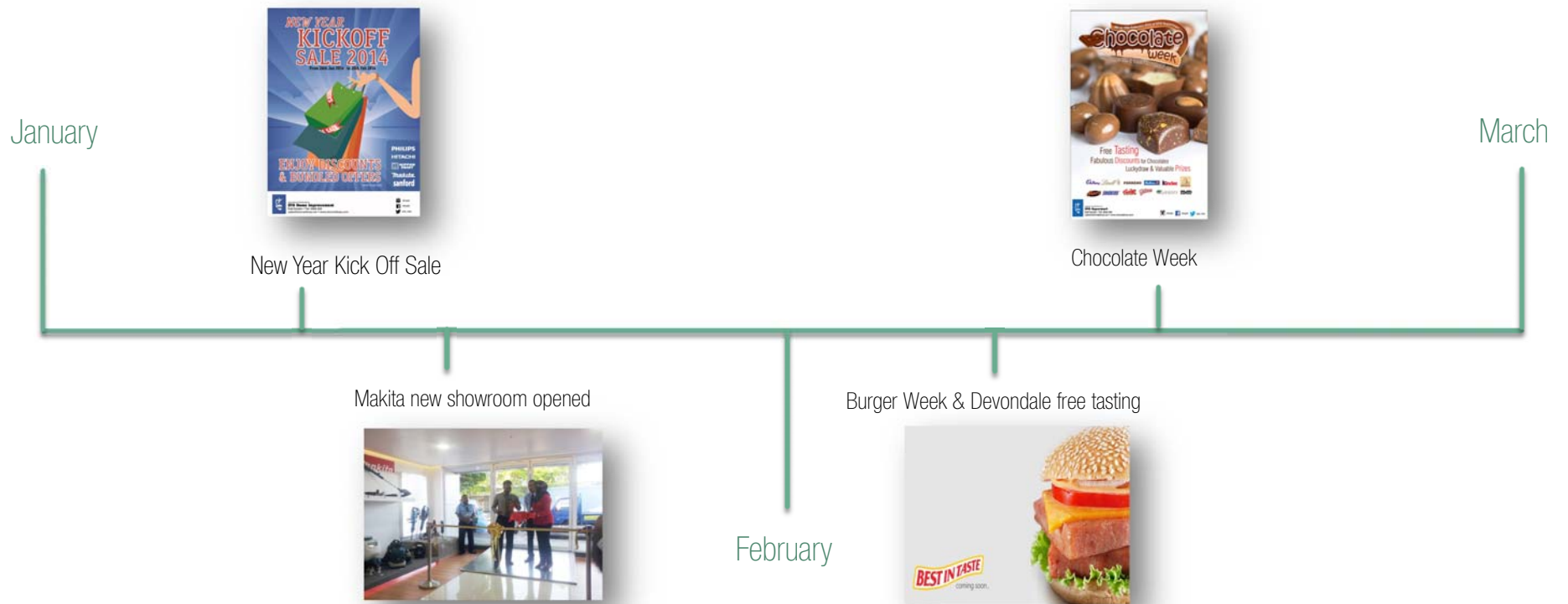
Business Development

Following are the major business development projects ongoing and its status.

Project	% Completed	Details	Start Date	Est. End Date
Radisson Hotel Project	30%	Hotel to partially open with 150 rooms in early 2015.	June 2007 (initially started), 14th October 2011 (structural Works)	Early 2015
Relocation of Rice Godown from S.Gan to S.Hithadhoo	100%	Project completed.	Jun-11	Jan-14
Home improvement Interior	90%	Philips and Makita area completed.	Sep-13	Apr-14



Marketing Activities



Human Resources

	Foreign	Local	Total
No. of staff at beginning of Jan 2014	1052	211	1263
No. of staff Employed during Jan – Mar 2014	36	5	41
No. of staff Resigned / Terminated during Jan – Mar 2014	61	5	66
No. of staff at end of Mar 2014	1027	211	1238

Short term overseas courses;

- Training on Hitachi split inverter air condition, refrigerator, washing machine and pump
- Factory and Hands-on training for VRV Air conditioning system
- 4 day MBA for oil & gas executives

In-house trainings;

- Firefighting refresher trainings
- Fire Awareness trainings
- Dhivehi language (written and spoken) training

Long term courses;

- Bachelor of Business course
- Bachelor of Law



STORC ACTIVITIES

STO Family day Evening- 14th February 2014

STO Family Day Evening was held on 14th February 2014 at STO Head office in order to have an event designed for staff, along with their families and loved ones. The major purpose of this event was to gather all STO staff and their families at one common location and strengthen the relationship among staff.



One Day Futsal Fiesta- 1st March 2014

STORC One Day Futsal Fiesta was organized by STORC Futsal Club. The Tournament was held on 1st March 2014 at FAM Turf Ground. The main objective of the tournament was to create togetherness unity among employees

Earth Hour Celebration 2014- 29th March 2014

STO Recreation Club celebrated Earth Hour 2014 at STO head office on 29th March 2014. The event was celebrated at STO regional outlets as well.



Sign Language Course- 23rd March 2014

STO Recreation Club initiated to teach sign language to interested employees. The course was conducted in collaboration with Deaf Association of Maldives.

BOARD

ACTIVITIES

Board Directors / Changes to Board

There were no changes made to the Board of Directors of the Company. The Company still continues its operations with six Directors in the Board. Relevant authorities have been notified on the non-compliance and its consequences.

Board Meetings

A total of 7 board meetings were held during the quarter and their attendance to the meetings were as indicated in the table below.

Major Board Decisions

Some of the major board decisions taken by the Board during this quarter include;

- Appointed members to subsidiary boards
- Approve write off documents
- Approved 2014-2016 budget
- New board committees were appointed
- Approved to sell BML and Dhiraagu shares held in the Company
- Appointed Deputy Chief Financial Officer
- Changes were approved to procurement policy
- Reviewed and approved bonus policy
- Reviewed and approved conflict of interest and declaration policy
- Approved some major investment plans
- Reviewed Board performance in 2013
- Approved Retirement Policy

Shareholding Structure

No changes were brought to the shareholding structure of the Company. As such the Government holds 81.6% while the Public holds 18.3%.

Director	Position in the Board	%	Attendance	Type of Director
Ahmed Niyaz	Chairman	100	7/7	Independent, Non-Executive
Adam Azim	Managing Director	100	7/7	Executive
Ahmed Shaheer	Director	100	7/7	Executive
Amir Mansoor	Director	85.7	6/7	Independent, Non-Executive
Abdul Hadi Hussain	Director	100	7/7	Independent, Non-Executive
Mohamed Farshath	Director	100	7/7	Independent, Non-Executive

Audit Committee

There were 02 Audit Committee meetings held during the quarter and the Directors attendance to the meetings were as follows.

Director	%	Attendance
Abdul Hadi Hussain (Chairman)	100	2/2
Amir Mansoor	100	2/2
Mohamed Farshath	100	2/2

Major Committee Decisions

Some of the major committee decisions include;

- Reviewed Chief Internal Auditor and Internal Audit Departments Performance
- Met with External Auditors
- Reviewed and approved internal audit work plan
- Reviewed progress on internal audit work plan
- Discussed on audit reports submitted

Nomination and Remuneration Committee

There were 02 NR Committee meetings held during the quarter and the Directors attendance to the meetings were as follows.

Director	%	Attendance
Amir Mansoor (Chairman)	100	2/2
Mohamed Farshath	100	2/2
Abdul Hadi Hussain	100	2/2

Major Committee Decisions

Some of the major committee decisions include;

- Reviewed retirement policy
- Reviewed bonus policy
- Reviewed conflict of interest and disclosure policy
- Discussed and approved board directorship announcements and letter to Privatization and Corporatization Board

Corporate Governance Committee

There was 01 Audit Committee meetings held during the quarter and the Directors attendance to the meetings were as follows.

Director	%	Attendance
Mohamed Farshath (Chairman)	100	1/1
Amir Mansoor	100	1/1
Abdul Hadi Hussain	100	1/1

Major Committee Decisions

Some of the major committee decisions include;

- Committee Charters were reviewed
- Reviewed changes brought to the CMDA Corporate Governance Code



CORPORATE GOVERNANCE COMPLIANCE

	Provision	Compliance	Details
Effective Board	1.1	Non -Complied	Currently there are only 6 directors in the Board and deviates from clause 46 of Articles of Associate of the Company where it states that there must be 7 directors in the Board. None of the Directors hold directorship in more than 3 public listed companies. Currently there are 2 executive directors and 4 non-executive, independent directors in the Board.
Composition of Board	1.2	Non -Complied	
Nomination/re-election of Directors	1.3	Complied	A 21 day notice period was given to the shareholders to submit names for Directorship. The major shareholder was informed through letter. Information on Directorship candidates will be announced with AGM notice.
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.
Duties of the Board	1.6	Partially Complied	Board Directors roles are separately stated in their charter. There are no women directors in the Board, yet. The Board hold at least one non-executive directors meeting, annually.
Training	1.7	Complied	Trainings attended by Directors during last quarter include; Training on Critical Thinking and Leadership, Training on Budgeting, forecasting and planning, Training on Leadership, Critical thinking and Innovation and Institute of Directors and Secretaries training on Board Directorship.
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. The Nomination and Remuneration Committee act as one, since almost the same Directors sit in all Committees of the Board.
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	Board evaluated the performance of the Company, the Board, the Chairman, MD, individual Directors, Board Committees and the Company Secretary for the year 2013 was carried out in the 1st quarter. The results were reviewed and discussed in the Board.
Board remuneration disclosure	2.3	Complied	A lump sum figure of Board and top management remuneration was disclosed in the Annual report last year and will be done same for this year.
Individual Board Member Remuneration Disclosure	2.4	Partially Complied	The individual remuneration of Board Members were disclosed in the 2012 Annual Report. However, due to discrepancies of 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 employees of the organization are now required to submit their conflict of interest and disclosure statements to the Company.
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	The Audit Committee makes recommendations on selecting an external auditor to the Company which is taken to the AGM for shareholder affirmation.
Internal Controls	4.3	Complied	The Audit Committee reviews the internal controls set within the Company and ensures that it is reported in the Annual Report.
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.

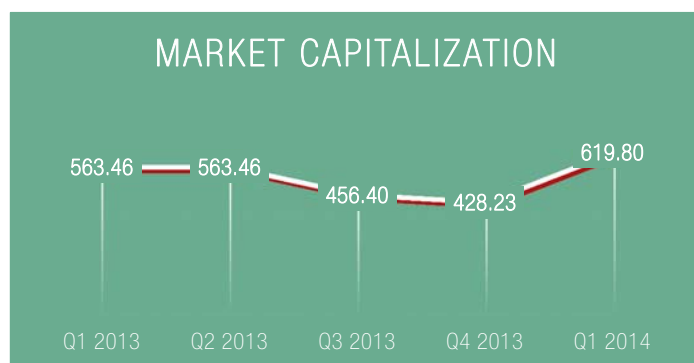


Voting Rights	6.4	Complied	Shareholders are briefed on their voting rights from time to time. Shareholders are allowed to vote in their absentia through proxy voting.
Disclosure	7.1	Complied	The Board ensures that the Annual Report of the Company is in compliance with the Articles of Association, Companies Act, Listing Rules, CG code and other regulations that the Company has to abide to.
Financial Statements	7.2	Complied	Financial Statements 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 and interim updates are disclosed through Quarterly 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.
Investors and media relations	9	Complied	The company encourages media and investor relations by promoting good CG.
Quarterly newsletter	9.4	Complied	STO discloses on its business and activities through its quarterly reports, news briefings, etc.
Sustainability Reporting	10	Complied	STO publishes it Sustainability Reporting through its annual report.



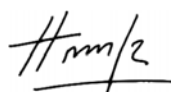
SHARE PERFORMANCE

	1 st Quarter 2014	4 th Quarter 2013
Highest Trade Price	550	400
Lowest Trade Price	550	380
Last Trade Price	550	380
WATP	550	391.1
Market Capitalization (in Millions)	619.80	428.2
Dividend Yield	14%	20%
Price Earnings Ratio	4.67	11.36
Earnings per Share	117.67	33.45



BALANCE SHEET (Unaudited)

	1 st Quarter 2014	4 th Quarter 2013
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,318,784,127.05	1,304,885,920.64
Investment in Subsidiaries	117,249,834.51	117,249,834.51
Investment in Associates	10,567,267.00	10,567,267.00
Investment in Joint Venture	4,700,000.00	4,700,000.00
Available-for-sale Financial Assets	137,365,800.00	160,222,400.00
Deferred Tax Asset	26,026,724.00	26,026,724.00
Total Non-Current Assets	1,614,693,752.56	1,623,652,146.15
CURRENT ASSETS		
Inventories	446,750,873.53	797,599,075.86
Trade and Other Receivables	1,346,372,666.86	1,874,043,920.40
Cash and Cash Equivalents	796,196,559.89	354,327,531.89
Total Current Assets	2,589,320,100.28	3,025,970,528.15
Total Assets	4,204,013,852.84	4,649,622,674.30
EQUITY		
Share Capital	56,345,500.00	56,345,500.00
Share Premium	27,814,500.00	27,814,500.00
General Reserve	794,138,394.43	794,138,394.43
Fair Value Reserve	19,113,088.00	19,113,088.00
Retained Earnings	331,315,511.68	197,233,615.65
Total Equity	1,228,726,994.11	1,094,645,098.08
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	549,203,732.42	-
Current Liabilities		
Current Tax Liabilities	1,362,584.76	2,556,976.86
Derivative Financial Instruments	15,823,265.96	17,890,509.71
Trade and Other Payables	1,780,923,502.89	2,437,575,863.69
Borrowings	627,973,772.70	1,096,954,225.96
Total Current Liabilities	2,426,083,126.31	3,554,977,576.22
Total Liabilities	2,975,286,858.73	3,554,977,576.22
Total Equity and Liabilities	4,204,013,852.84	4,649,622,674.30



Mohamed Mihad
Deputy Chief Financial Officer



Adam Azim
Managing Director

INCOME STATEMENT (Unaudited)

	1 st Quarter 2014	4 th Quarter 2013
Revenue	2,102,362,042	2,136,868,907
Cost of Sales	(1,816,080,633)	(1,877,634,247)
Gross Profit	286,281,410	259,234,660
Other Operating Income	22,339,974	9,701,162
	308,621,384	268,935,822
Selling and Marketing Costs	(58,218,135)	(33,270,383)
Administrative Costs	(80,158,574)	(82,422,965)
Other Operating Expenses	(541,866)	(151,346)
Operating Profit	169,702,809	153,091,128
Finance Costs	(37,094,456)	(121,684,713)
Profit Before Tax	132,608,353	31,406,415
Business Profit Tax Expense		
Profit After Tax	132,608,353	31,406,415
Attributable to:		
Equity Holders of the Parent	132,608,353	31,406,415
Non-Controlling Interest		
	132,608,353	31,406,415
Earnings per Share Attributable to Equity Holders of the Parent	117.67	27.87



CASH FLOW STATEMENT (Unaudited)

	1 st Quarter 2014	4 th Quarter 2013
Cash flow from Operating Activities		
Profit Before Business Profit Tax	135,874,938.05	31,406,415.08
Adjustments for:		
Depreciation	14,148,733.52	17,499,128.14
Interest Income	(3,223,653.59)	(3,087,786.36)
Interest on Fixed Deposits	(5,211,114.40)	(670,185.60)
Interest Expense	53,235,735.64	128,331,012.67
Dividends Received	(17,999,880.00)	(2,888,328.14)
Provision for Bad Debts	24,343,775.00	(6,587,916)
Provision for Slow Moving Inventories	(2,197,852.40)	(5,133,363.16)
Provisions for impairment of Assets	-	671,374.97
Profit of Sale of Assets	-	(3,025.53)
Changes in Working Capital		
Inventories- (increase) / decrease	350,683,638.73	(458,016,405.04)
Trade and other Receivables- (increase)/ decrease	503,618,703.18	64,313,311.52)
Trade and other Payables- (decrease) / increase	(659,311,689.19)	39,401,033.85
Cash flow from Operating Activities	393,961,334.54	(194,764,733.60)
Interest Paid	(53,235,735.64)	(128,331,012.67)
Business Profit Tax Paid	-	-
Net Cash Generated / (Used in) Operating Activities	340,725,598.90	(323,095,746.27)
Cash flow from Investing Activities		
Purchase of PPE	(27,998,633.96)	(15,913,028.33)
Sale of BML Shares	22,856,600.00	7,999,810.00
Interest Received	3,223,653.59	3,087,786.36
Interest on Fixed Deposits	5,211,114.40	670,185.60
Dividends Received	17,999,880.00	2,888,328.14
Net Cash Generated / (Used in) Investing Activities	21,292,614.03	(1,266,918.23)
Cash flow from Financing Activities		
Net Borrowings	(259,412,118.90)	(466,363,762.81)
Dividends Paid	-	-
Net Cash Generated / (Used in) Financing Activities	(259,412,118.90)	(466,363,762.81)
Net (Decrease) / Increase in Cash and Cash Equivalents	102,606,094.03	(790,726,427.31)
Cash, Cash Equivalents & Bank Overdraft - Beginning of Quarter	65,616,693.16	856,343,120.47
Cash, Cash Equivalents & Bank Overdraft - End of the Quarter	168,222,787.19	65,616,693.16

DECLARATION

Compliance to the Maldives Company's act 10/96

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

Compliance to Listing Rules

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

Compliance to CDOI regulations

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

Compliance to Corporate Governance Code

Details of compliance to code is stated in page 8-9.

Fines

The Company was neither fined nor under any other penalty, in reference to the above mentioned regulations, during the past quarter.

Tax

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.

