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01/2015

QUARTER

REPORT

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STATE TRADING ORGANIZATION PLC

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# HIGHLIGHTS

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REVENUE  
(MVR IN MILLIONS)

1,683.09

NET PROFIT AFTER TAX  
(MVR IN MILLIONS)

77.5

EARNINGS PER SHARE  
(MVR PER SHARE)

68.8

OPENED 105TH PHARMACY  
(ALL ISLAND PHARMACY PROJECT)

APPOINTED MR. AHMED SHAHEER  
AS NEW MANAGING DIRECTOR  
09TH MARCH 2015



# HUMAN RESOURCES

January 2015 - March 2015	Local	Foreign	Total
No. of staff at beginning	1422	228	1650
No. of staff Employed during the quarter	178	4	182
No. of staff Resigned / Terminated	62	4	66
No. of staff at the end of the quarter	1538	228	1766

## MAJOR TRAININGS

- VRF Training
- Accounting & Finance
- Effective Warehouse Management
- Strategic Thinking and Planning
- SAP Business Workflow-Concept
- Debt Collection
- Stock Management, Demand Planning and Forecasting
- Shipping and Maritime
- Microsoft Lync 2013 Core Solutions
- SharePoint Development
- Biomedical Equipment Maintenance and installation
- Maldivian Law
- ISO trainings
- Smile campaign trainings
- fushi
- Dive – certificate course
- Inter office badminton tournament at Addu
- STO 134 shop participated staff-futsal tournament held at L. Fonadhoo
- Club Maldives Cup-With much team work and unity, STO managed to become the champions of the tournament.

## STORC ACTIVITIES

- One day futsal cup
- STO 165 Kulhudhuffushi staff-inter office futsal tournament held at Kulhudhuf-



# MAJOR PROJECT STATUS

Project	% Completed	Details	Start Date	End Date
All Island pharmacy project	55	STO opened its 105th pharmacy during this quarter.	July 2014	Nov 2015
Radisson Blu	40	M&E & Architectural works ongoing. Hotel Partial Opening with 150 Rooms estimated date early 2015.	June 2007 (initially started), 14th October 2011 (structural Works)	Not given
Umar Shopping Arcade	50	Masonry and Plastic works completed. Mechanical and electrical works ongoing	No 2013	July 2015
Supermart Expansion	70	Phase 1 works completed. Phase 11 works ongoing. Estimated to complete all the works by May 2015.	Jan 2015	May 2015



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# MARKETING & PROMOTIONS

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## GIFT YOUR LOVED ONE'S WITH PHILIPS' PROMOTION

This promotion was held from 10th February to 10th March 2015. Customers who purchased Philips SDA products and made a sale above MVR 1000 took part in the 'Spin and Win' game where they won free gifts.

## CHOCOLATE WEEK

Chocolate week was held from 11th February to 19th February 2015. This event featured products from all of STO's chocolate suppliers.

## MAKITA HEYYA PROMOTION 2015

Makita Heyya was held at STO Home Improvement from 1st March to 31st March 2015. The promotion focused on household consumers, commercial/ industrial customers and professional tradesman. Discounts were offered between 15% and 25%.

## STO SCHOOL BAND FESTI- VAL

STO School Band Festival was organized as part of the activities held to celebrate STO's 50<sup>th</sup> Anniversary. This event was arranged in collaboration with Ministry of Education, Schools and the Cadet Co. of the Maldives.

## "SUPER HUNT" SUPER PROMO- TION

Super Hunt was held on 28<sup>th</sup> March 2015, where participants had to hunt and find super noodle cups and winners were awarded prizes.

## HITACHI AC MAA BODAH AGU HEYO VEJJE

This promotion was held from 8th March to 18th April 2015. The main objective of this promotion was to assure customers that Hitachi AC is affordable and reliable.

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# CSR EVENTS

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## DONATION TO GAAFARU DEVELOPMENT ASSOCIATION

Donations were given to Gaafaru development association (GDA) development society to develop a futsal pitch in K. Gaafaru under STO corporate social responsibility. STO has contributed in several futsal pitch development projects in past year.

## DONATION TO MUS'HAF MALDHEEFI PUBLICATION FUND

Donations were given to Mus'haf maldheefi publication fund to print 4'350 copies of Mus'haf for all Maldivian staff and one other family member in each family.

## KUDAKUDHINGE HIYA STAFF SALARY SPONSOR

This year we are sponsoring 3 staffs at Kudakudhinge Hiyaa.

## VISIT TO BEAUTIFUL EYES-DOWNSYNDROME ASSOCIATION

STO executives and staff visited the Down syndrome kids in beautiful eyes with educational gifts. Our staff spent time with the kids to understand and bond with them.



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# BOARD ACTIVITIES

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## 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.

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Director	Position in Board	Attendance
Ahmed Niyaz	Chairman	7/7
Adam Azim	Managing Director	7/7
Ahmed Shaheer	Director	7/7
Amir Mansoor	Director	7/7
Abdul Hadi Hussain Fulhu	Director	7/7
Aishath Rafiyya	Director	7/7
Mohamed Farshath	Public share representing Director	7/7

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## MAJOR BOARD DECISIONS

Some major decisions of the Board include;

- Approved Q4/2014 report
- Finalized 2015 Board schedule
- Made Public Directorship and Government Directorship requests
- Public Directorship candidates were evaluated, interviewed, endorsed by Board and information announced
- 2014 Board Directive Action Plan summary was presented and discussed
- Board was evaluated on year 2014 performance, results were discussed and endorsed by the Board
- Revised and approved credit policy
- Approved and endorsed HR policy
- Approved to establish an STO bio-medical service center



- Discussed on the directives provided by His Excellency President Abdulla Yameen at the Company's 50th Anniversary function
- Handed over Fuvahmulah Airport to Regional Airports
- Discussed and endorsed the Independent report on Company's adherence to Corporate Governance, conducted by Columbus Circle
- Approved appointment of new Managing Director, Mr. Ahmed Shaheer to the Company
- Approved the recommendations of Audit & Risk Committee on the appointment of Auditors for 2015 and approved to announce information on the Audit firms
- Approved structural changes to the Management

## BOARD DIRECTORS / CHANGES TO BOARD

Changes were brought to the Managing Directors post.

On 09th March 2015, former Managing Director Mr. Adam Azim was replaced by Mr. Ahmed Shaheer (the Executive Director in the Board).

With this change, there is currently only one (1) Executive Director, who is also the Managing Director and a total of six (6) members in the Board.

## 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%.



## AUDIT & RISK COMMITTEE

Two (2) Audit & Risk Committee meetings were held during the quarter and the Directors attendance to the meeting was as follows;

Director	Position in Committee	Attendance
Abdul Hadi Hussain Fulhu	Chairman	2/2
Amir Mansoor Mohamed Farshath	Member	2/2

## MAJOR COMMITTEE DECISIONS

- Q4/2014 financials were approved for Board presentation
- CG report was discussed and approved for Board presentation
- Discussed on the proposals received by Audit firms for the conduct of 2015 Annual Audit.

## NOMINATION & REMUNERATION COMMITTEE

Five (5) Nomination & Remuneration meetings were held during the quarter and the Directors attendance to the meeting was as follows;

Director	Position in Committee	Attendance
Amir Mansoor	Chairman	5/5
Abdul Hadi Hussain Fulhu	Member	5/5
Aishath Rafiyya Mohamed Farshath	Member	5/5
	Member	3/5*

\* Mr. Farshath neither participated in the two (2) meetings held to interview the directorship candidates nor did he participate in any of its discussions .



## MAJOR COMMITTEE DECISIONS

- Discussed and approved HR policy for Board presentation
- Discussed on changes to Travel policy
- Evaluated, interviewed and made recommendations on public directorship candidates to Board
- Changes to the Executive structure were discussed and approved for Board presentation

## CORPORATE GOVERNANCE & COMPLIANCE COMMITTEE

One (1) Corporate Governance Committee meetings were held during the quarter and the Directors attendance to the meeting was as follows;

Director	Position in Committee	Attendance
Mohamed Farshath	Director	1/1
Amir Mansoor Aishath	Director	1/1
Rafiyya	Director	1/1

## MAJOR COMMITTEE DECISIONS

- Attended the queries submitted by the subsidiaries on the Code of Conduct
- Discussed the CMDA CG Compliance form



# COMPLIANCE TO CG CODE

	Provision	Compliance	Details
Effective Board	1.1	Complied	The Board of Directors comprised of 6/7 Directors. None of the Directors held directorship in more than 3 public listed companies. Due to removal of former MD Adam
Composition of Board	1.2	Partially Complied	Azim from the Company, currently there is 1 executive directors and 5 non-executive, independent directors in the Board. Also, there is one female director in the Board.
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. Public directorship candidates were interviewed, evaluated and their information was publicly announced.
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	Complied	Board Directors roles are separately stated in their charter. The Board holds at least one non-executive directors meeting, annually.
Training	1.7	Complied	During the quarter, Directors have attended trainings in Enterprise Risk Management, Business Continuity Management System and Project Risk Management Compliance. In compliance with the CG Code, STO Board has in place, an Audit & Risk Committee and a Nomination & Remuneration Committee. In addition to this, the Board also has
Committees	1.8	Complied	a Corporate Governance and Compliance Committee.  The Nomination & Remuneration Committee act as one Committee, 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 evaluates the performance of the Company, the Board, the Chairman, the MD, individual Directors, Board Committees and the Company Secretary every year. 2014 evaluation was conducted, discussed and agreed to, in this quarter.

	Provi- sion	Compli- ance	Details
Board remuneration disclosure	2.3	Complied	A lump sum figure of Board and top management remuneration will be disclosed in the Annual Report.
Individual Board Member Re- muneration Disclosure	2.4	Partially Complied	The individual remuneration of Board Members will be disclosed for 2014 in the 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 required to submit their conflict of interest and disclosure statements to the Company. The information submitted is verified from the Registrar of Companies.
Internal Audit	4.1	Complied	The company's internal audit department reports directly to the Audit & Risk Committee and administratively to MD.
External Audit	4.2	Complied	The Audit & Risk Committee makes recommendations on selecting an external auditor to the Company which is taken to the AGM for shareholder affirmation. As such they have made their recommendations to Board for 2015 and the information has been announced publicly for shareholder information. This item will be presented for affirmation this AGM.
Internal Controls	4.3	Complied	The Audit & Risk 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 with the help of Corporate & Legal Affairs 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.



	Provision	Compliance	Details
Shareholder Communication	6.2	Complied	Pertinent information is disclosed on company matters, through company website, interviews, press release, 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. Voting rights are further explained through the voting guideline disclosed on the website as well. Financial Statements are prepared in accordance with the IFRS reporting standards.
Financial Statements	7.2	Complied	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. The Company now publishes its monthly reports on its website as well. Each year, remuneration, conflict of interest, sustainability, share, business development and other activities of the Company is disclosed in the Annual Report and interim updates are disclosed through Quarterly Report.
Non-financial Statements	7.3	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 informed to the employees and disclosed in the annual report. As such, the Company has a Fraud Response and a Whistleblower Policy in effect. Furthermore, there are systems established to raise stakeholder concerns through website as well as through suggestion forms placed in different business units.
Systems to raise concerns	8	Complied	
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.
Sustainability Reporting	10	Complied	STO publishes its Sustainability Reporting through its annual report.



# SHARE ACTIVITIES

	Q1/ 2015	Q4/ 2014	Q1/ 2014
Highest Trade Price	980	400	550
Lowest Trade Price	520	400	550
Last Trade Price	520	400	550
WATP	571	400	550
Market Capitalization (in Millions)	585.99	450.76	619.80
Dividend Yield	5%	6%	4%
Price Earnings Ratio	7.56	3.30	5.57
Earnings per Share	68.76	121.15	98.78



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# FINANCIALS

## Unaudited Income Statement

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	Quarter 1 2015	Quarter 4 2014
Revenue	1,683,091,662	2,367,156,760
Cost of Sales	(1,366,036,263)	(1,977,213,521)
<b>Gross Profit</b>	<b>317,055,399</b>	<b>389,943,239</b>
Other Operating Income	16,386,188	16,504,744
	<b>333,441,586</b>	<b>406,447,983</b>
Selling and Marketing's Costs	(100,420,141)	(104,390,481)
Administrative Costs	(115,018,366)	(96,787,034)
Other Operating Expenses	(745,975)	(6,083,358)
<b>Operating Profit</b>	<b>117,257,104</b>	<b>199,187,110</b>
Finance Costs	(24,645,072)	(40,453,489)
<b>Profit Before Tax</b>	<b>92,612,032</b>	<b>158,733,621</b>
Business Profit Tax Expense	(15,130,574)	(22,209,952)
<b>Profit After Tax</b>	<b>77,481,458</b>	<b>136,523,669</b>
<b>Attributable to</b>		
Equity Holders of the Parent	77,481,458	136,523,669
Non-Controlling Interest	-	-
<b>Earnings per share Attributable to Equity holders of the Parent</b>	<b>68.76</b>	<b>121.15</b>

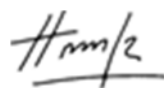




# FINANCIALS

## Unaudited Balance Sheet

	Quarter 1 2015	Quarter 4 2014
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property Plant and Equipment	1,453,000,558	1,419,891,099
Investment in Subsidiaries	117,249,835	117,249,835
Investment in Associates	10,567,267	10,567,267
Investment in Joint Venture	4,700,000	4,700,000
Available-for-sale Financial Assets	12,615,800	12,615,800
Deferred Tax Asset	56,325,127	56,325,127
<b>Total Non-Current Assets</b>	<b>1,654,458,587</b>	<b>1,621,349,127</b>
<b>CURRENT ASSETS</b>		
Inventories	529,123,761	657,531,141
Trade and Other Receivables	1,884,599,165	1,909,684,395
Cash and Cash Equivalents	526,422,328	511,637,359
<b>Total Current Assets</b>	<b>2,940,145,253</b>	<b>3,078,852,896</b>
<b>Total Assets</b>	<b>4,594,603,840</b>	<b>4,700,202,023</b>
<b>EQUITY</b>		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	517,593,560	502,097,268
Fair Value Reserve	-	-
Retained Earnings	1,071,864,806	1,009,879,640
<b>Total Equity</b>	<b>1,673,618,367</b>	<b>1,596,136,908</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Loans and Borrowings	382,432,705	391,859,569
<b>Current Liabilities</b>		
Current Tax Liabilities	67,597,671	65,862,751
Derivative Financial Instruments	6,322,477	10,011,577
Trade and Other Payables	1,542,221,270	1,703,726,982
Borrowings	922,411,351	932,604,235
<b>Total Current Liabilities</b>	<b>2,538,552,769</b>	<b>2,712,205,546</b>
<b>Total Liabilities</b>	<b>2,920,985,474</b>	<b>3,104,065,115</b>
<b>Total Equity and Liabilities</b>	<b>4,594,603,840</b>	<b>4,700,202,023</b>



Mohamed Mihad  
Chief Financial Officer



Ahmed Shaheer  
Managing Director

# FINANCIALS

## Unaudited Cashflow Statement

	Quarter 1 2015	Quarter 4 2014
Profit before business profit tax	92,612,032	592,270,451.59
Adjustments for:		
- Depreciation & amortization	10,827,892	60,805,936
- Interest income	(2,664,551)	(19,448,301)
- Interest expense	29,491,217	158,687,536
- Dividend income	(11,000,000)	(54,471,721)
- Provision for impairment of receivables	11,675,633	9,901,089
- Provision for impairment of assets		
- Receivables written off	(852,743)	179,042
- Provision for slow and non moving inventories		(17,462,571)
- Profit on disposal of property, plant and equipment		(35,303)
- (Profit) / loss on disposal of investments		(29,346,841)
Changes in working capital:		
- Inventories	129,260,124	155,168,089
- trade and other receivables	13,409,597	(38,334,427)
- Trade and other payables	(161,263,374)	(758,429,521)
	111,495,826	59,483,462
<b>Cash flows from operating activities</b>		
Cash generated from operations		
Interest paid	(29,491,217)	(158,687,536)
Business profit tax paid	(13,395,654)	-25,357,935.00
Net cash generated from / (used in) operating activities	68,608,955	(124,562,009)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment - net	(43,937,351)	(175,775,812)
Loan repayments received from related parties		10,986,414
Sales / (purchases) of available-for-sale financial assets		157,840,353
(Purchases of) / Proceeds from held-to-maturity financial assets		
Interest received	2,664,551	19,448,301
Dividends received	11,000,000	54,471,721
Net cash generated from / (used in) investing activities	(30,272,800)	66,970,976
<b>Cash flows from financing activities</b>		
Net proceeds from / (repayment of) borrowings	(19,619,749)	227,137,115
Net payment made for currency SWAPs	(3,689,100)	(7,878,932)
Dividends paid to shareholders	(242,338)	(4,357,924)
Net cash generated from / (used in) financing activities	(23,551,187)	214,900,258
Net increase / (decrease) in cash and cash equivalents	14,784,968	157,309,225
Cash, cash equivalents and bank overdrafts at beginning of year	511,637,360	354,328,135
Bank overdraft		
Cash, cash equivalents and bank overdrafts at end of the year	526,422,328	511,637,360



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# DECLARATION

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## COMPLIANCE TO THE MALDIVES COMPANIES 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 12-14.

## 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.

