

Second Quarter Report | 2014



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MILESTONES

Employee Handbook Re-launching Ceremony

A special event was held in the morning of 3rd April at STO Head Office to launch the 3rd edition of the Employee Handbook.

Dhasvaru MOU Signing

This event was held on 17th April at Jamaluddin School. STO was a main sponsor of the programme designed to familiarize secondary students to the work environment.

Club Maldives Cup

STO recreation club won the Club Maldives Cup 2014.

AFC challenge cup 2014

This event began on 19th May and lasted till 30th May. STO showed its support to national team by providing custom made jerseys to all staff and wearing it to office on the day of every Maldives team match.

Monthly Media Briefing

Monthly press briefs were held on 16th April, 20th May, and 17th June.

Annual General meeting (AGM)

Annual general meeting was held at Trader's Hotel on 22nd May 2014. (Refer page X for more details)

Reef cleaning activity

STO recreation club organized a reef cleaning event on 6th of June to celebrate Environment Day. The cleaning was carried out at T jetty.

STO World Cup Majaa

STO opened an arena with a 30x40 feet screen at Usfagandu area where large number of people can gather at once and watch FIFA world cup 2014.

Dheenee Dharus

A Dheenee Dharus was organized for all staff before Ramadan as a preparatory event for the holy month.

Pharmacy MOU signing with Ministry of Health

An MOU was signed between Ministry of Health and STO to open pharmacies in all inhabited islands. Under this agreement, up till today 03 pharmacies have been established and is now operational.

HUMAN RESOURCES

	Local	Foreign	Total
No. of staff at beginning of Apr 2014	1027	211	1238
No. of staff Employed during Apr – Jun 2014	19	155	174
No. of staff Resigned / Terminated during Apr – Jun 2014	10	38	48
No. of staff at end of Jun 2014	220	1144	1364

Staff were provided trainings on;

- Debt Collection
- Managing difficult employees and absenteeism
- Philips SDA training
- Improving efficiency and minimizing costs in modern warehouses
- Senior Secretary developments
- 4 day MBA on oil and gas management
- SAP HCM certification
- Industrial fire awareness
- Security fitness and fire awareness
- Incoterms 2010 ocean freights legal handling
- Dhivehi language spoken and written
- Customer care
- 16 candidates were selected and enrolled for Advanced Certificate in Pharmacy for July intake

MAJOR PROJECTS & ITS STATUS

Project	% Completed	Details	Start Date	End Date
Radisson Blu - Hulhumale'	30	M&E & Architectural works ongoing. Hotel Partial Opening with 150 Rooms estimated date early 2015.	June 2007 (initially started), 14th October 2011 (structural Works)	Feb 2015
Home improvement Interior	100	Completed and operational	Sep 2013	May 2014
G.Dh.Thinadhoo, Th.Veymandoo and G.A.Vilingili Pharmacy	Initial stage	Projects in planning and tender stage	N/A	N/A
Supermart Expansion	Initial stage	Projects in planning and tender stage	N/A	N/A

MARKETING

Hitachi Mega Promotion

Promotion began on 5th April at STO Home Improvement. This promotion was conducted focused on all Hitachi products.

The Magic Circus of Samoa

STO was a main sponsor of the circus that opened on 18th April at Alimas Carnival area. All 5 brands of STO Home Improvement were advertised at the venue.

Opening of Home improvement new show room with Ramadan bazaar

It was a successful event carried on 24th May 2014.

STO Kudhukudhinge Haveeru

This event was carried out in Addu on 5th and 6th of June.

Sponsors

Donations and sponsors were made to difference causes and to different parties including Ministry of Islamic Affairs, Vilingili Kudakudhinge Hiya, etc.

BOARD ACTIVITIES

Board Directors / Changes to Board

As required by the law, Board was appointed at the AGM. However, there were no changes made to the members of the Board in both the government and public Directors. Furthermore, the Board was again appointed with 5 out of 6 government Directors. The Company has raised its concerns to the relevant authorities on the non-compliance and its consequences.

Board Meetings

A total of 9 board meetings were held during the quarter and their attendance to the meetings were as indicated in the table below.

Director	Position in Board	Attendance	%
Ahmed Niyaz	Chairman	9/9	100
Adam Azim	Managing Director	9/9	100
Ahmed Shaheer	Director	8/9	88.8
Amir Mansoor	Director	9/9	100
Abdul Hadi Hussain	Director	9/9	100
Mohamed Farshath	Public share representing Director	9/9	100

Major Board Decisions

Some of the major decisions taken by the board include;

- Decided to introduce a company own brand "Noofahi"
- AGM related decisions were made; endorsed minutes of previous AGM, endorsed notice, agenda, directors report, director nominees, auditor nominees, etc for submission to AGM
- 1st quarter report was endorsed
- Managing Director was appointed as required by the Company's Article of Association
- Board Committees were appointed

- Board Director, Managing Director and Chairman Charter was adopted
- Bad debt policy was revised
- Travel policy was revised
- Rent policy was revised
- Decided on staff bonus for 2013
- Decided to develop pharmacies in the Atolls

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 Committee Meetings

There was one Audit Committee meeting held during the quarter and the Directors attendance to the meeting was as follows;

Director	Position in Board	Attendance	%
Abdul Hadi Hussain	Director	1/1	100
Amir Mansoor	Director	1/1	100
Mohamed Farshath	Director	1/1	100

Major Committee Decisions

- Some of the Audit reports were discussed
- Update on internal Audit and its operations was discussed

Nomination and Remuneration Committee

There were no meetings held this quarter.

Corporate Governance Committee

There were no meetings held during this quarter.

Annual General Meeting

The AGM of STO was held on 22nd May 2014 at Traders Hotel. A total of 135 shareholders participated in the meeting where 134 were public shareholders and 1 government share representative. 49 members were physically present to the meeting while 86 members were represented by proxy.

The following items were resolved and passed at the AGM;

- AGM 2012 minutes
- EGM 2013 Minutes
- Distribute MVR24.00 as dividend
- Appointed Board of Directors
Mr. Mohamed Farshath was appointed the public representative director while Mr. Ahmed Niyaz, Mr. Adam Azim, Mr. Amir Mansoor, Mr. Ahmed Shaheer and Mr. Abdul Hadi Hussain were appointed the government representative directors
- Audited accounts 2013
- Directors Report 2013

The meeting adjourned after the Board attended some of the queries and questions of the shareholders.

CORPORATE GOVERNANCE

	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; SMU-SID Directorship module trainings.
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 2013 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. The Company now publishes its monthly reports on its website as well.

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 INFORMATION

	2 nd Quarter 2014	1 st Quarter 2014
Highest Trade Price	400	550
Lowest Trade Price	400	550
Last Trade Price	400	550
WATP	400	550
Market Capitalization (in Millions)	450.76	619.80
Dividend Yield	6%	14%
Price Earnings Ratio	2.85	4.67
Earnings per Share	140.21	117.67



BALANCE SHEET (UNAUDITED)

	2 nd Quarter 2014	1 st Quarter 2014
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,357,719,583	1,318,784,127
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	12,365,800	137,365,800
Deferred Tax Asset	56,325,127	26,026,724
Total Non-Current Assets	1,558,927,612	1,614,693,753
CURRENT ASSETS		
Inventories	329,109,947	446,750,874
Trade and Other Receivables	1,404,724,148	1,346,372,667
Cash and Cash Equivalents	720,335,838	796,196,560
Total Current Assets	2,454,169,933	2,589,320,100
Total Assets	4,013,097,545	4,204,013,853
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	794,138,394	794,138,394
Fair Value Reserve	19,113,088	19,113,088
Retained Earnings	457,608,727	331,315,512
Total Equity	1,355,020,210	1,228,726,994
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	148,866,335	549,203,732
CURRENT LIABILITIES		
Current Tax Liabilities	36,920,896	1,362,585
Derivative Financial Instruments	13,742,022	15,823,266
Trade and Other Payables	1,668,402,661	1,780,923,503
Borrowings	790,145,422	627,973,772
Total Current Liabilities	2,509,211,001	2,426,083,126
Total Liabilities	2,658,077,336	2,975,286,859
Total Equity and Liabilities	4,013,097,545	4,204,013,853


 Mohamed Mihad
 Deputy Chief Financial


 Adam Azim
 Managing Director

INCOME STATEMENT (UNAUDITED)

	2 nd Quarter 2014	1 st Quarter 2014
Revenue	2,037,433,482	2,102,362,042
Cost of Sales	(1,737,568,547)	(1,816,080,633)
Gross Profit	299,864,935	286,281,410
Other Operating Income	8,959,232	22,339,974
	308,824,167	308,621,384
Selling and Marketing Costs	(24,446,475)	(58,218,135)
Administrative Costs	(100,608,715)	(80,158,574)
Other Operating Expenses	(3,217,197)	(541,866)
Operating Profit	180,551,780	169,702,809
Finance Costs	(22,551,855)	(37,094,456)
Profit Before Tax	157,999,926	132,608,353
Business Profit Tax Expense		
Profit After Tax	157,999,926	132,608,353
Attributable to:		
Equity Holders of the Parent	157,999,926	132,608,353
Non-Controlling Interest	-	
	157,999,926	132,608,353
Earnings per Share Attributable to Equity Holders of the Parent	140.21	117.67

CASHFLOW STATEMENT (UNAUDITED)

	2 nd Quarter 2014	1 st Quarter 2014
Cash flow from Operating Activities		
Profit Before Business Profit Tax	290,410,856	135,874,938
Adjustments for:		
Depreciation & amortization	28,840,373	14,148,734
Interest Income	(13,047,831)	(3,223,654)
Interest on Fixed Deposits	-	(5,211,114)
Interest Expense	90,174,418	53,235,736
Dividends Received	(53,471,721)	(17,999,880)
Provision for Bad Debts	50,680	24,343,775
Provision for Slow Moving Inventories	(2,025,343)	(2,197,852)
Provisions for impairment of Assets	-	-
Profit of Sale of Assets	(15,420)	-
Changes in Working Capital:		
Inventories- (increase) / decrease	468,152,056	350,683,639
Trade and other Receivables- (increase)/ decrease	466,798,318	503,618,703
Trade and other Payables- (decrease) / increase	(794,609,692)	(659,311,689)
	490,296,038	393,961,335
Cash flow from Operating Activities		
Cash generated from operations		
Interest Paid	(90,174,418)	(53,235,736)
Business Profit Tax Paid	(12,669,982)	-
Net Cash Generated / (Used in) Operating Activities	387,451,639	340,725,599
Cash flow from Investing Activities		
Purchase of PPE	(81,658,616)	(27,998,634)
Sale of BML Shares	-	22,856,600
Loan repayments received from related parties	1,496,568	-
Sales / (purchases) of available-for-sale financial assets	158,090,353	-
Interest Received	13,047,831	3,223,654
Interest on Fixed Deposits	-	5,211,114
Dividends Received	53,471,721	17,999,880
Net Cash Generated / (Used in) Investing Activities	144,447,856	21,292,614
Cash flow from Financing Activities		
Net Borrowings	(158,314,933)	(259,412,119)
Net payment made for currency SWAPs	(4,148,488)	-
Dividends Paid	(3,502,074)	-
Net Cash Generated / (Used in) Financing Activities	(165,965,495)	(259,412,119)
Net Increase / (Decrease) in Cash and Cash Equivalents	365,934,000	102,606,094
Cash, Cash Equivalents & Bank Overdraft - Beginning of Year	354,328,135	65,616,693
Cash, Cash Equivalents & Bank Overdraft - End of the Year	720,262,135	168,222,787

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.

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