

02/2015 QUARTER REPORT



STATE TRADING ORGANIZATION PLC

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CONTENTS

HUMAN RESOURCES	3
MAJOR PROJECT STATUS	4
CORPORATE EVENTS	5
MARKETING & PROMOTIONS	6
CSR EVENTS	7
BOARD ACTIVITIES	8
CORPORATE GOVERNANCE CODE COMPLIANCE	13
SHARE ACTIVITIES	16
FINANCIALS	17
DECLARATION	20



HUMAN RESOURCES

April 2015 - June 2015	Local	Foreign	Interns	Total
No. of staff at beginning of Apr 2015	1538	228	0	1766
No. of staff Employed during Apr - Jun 2015	155	21	10	186
No. of staff Resigned / Terminated during Apr - Jun 2015	43	9	0	52
No. of staff at end of Jun 2015	1650	240	10	1900

MAJOR TRAININGS

- Biomedical Equipment installation training
- Excellent Communication with NLP
- Administering Microsoft SQL Server Database
- Drawing Up Your HR Policy & Handbook
- Loss Control Marine Expedition Certification 2015
- Operational Auditing: Influencing Positive Change
- Service Training by Samsung
- Enterprise Risk Management 2015
- Auditing in the Oil and Gas Industry
- FIDIC Training Workshop Module 2 : Management of Claims and the Resolution of Disputes
- Team Building Training conducted for RSD Staff of Male', K. Hulhumale, K.Villimale' Ha. Hoarafushi, HDh. Kulhudhufushi, B. Eydhafushi, S. Feydhoo, S.Hulhumeedhoo, S. Maradhoo-Feydhoo, L. Fonadhoo, Gn. Fuvahmulah, Ga. Villingili, GDh. Thinadhoo & S. Hithadhoo
- Service with a Smile Training-Batch 8
- 2-Day Financial Book Keeping with SAP
- Credit Management & Debt Recovery Strategies
- Effective Inventory Management
- High Performance Leadership & Managerial Skills
- National Certificate III in Refrigeration & Air-Conditioning Mechanic
- Staff were also offered and enrolled for long term trainings such as Diplomas in Business Management, Marketing and Human Resources

STORC ACTIVITIES

- No STORC activities were carried out during this period



MAJOR PROJECT STATUS

Project	% Completed	Details	Start Date	End Date
Radisson Hotel Hulhumale'	67	M&E & Architectural & Furnishing works ongoing. Hotel Partial Opening with 150 Rooms estimated date mid 2016.	2007 - Structural works started 14-Oct-2011	June 2016
10 Storey Building at Umar Shopping Arcade	65	Masonry and Plastering completed, cladding and AC works ongoing.	20-Mar-14	20-Oct-15
Supermart expansion	100	All works completed on 16th June 2015.	14-Jan-15	16-Jun-15



CORPORATE EVENTS

MACL CONTRACT SIGNING

STO signed a contract on 31st May 2015 with MACL on supplying aviation fuel and marine gas oil to MACL.

SAMSUNG SIGNING CEREMONY

STO was given authorized distributorship to sell SAMSUNG products. The agreement was signed on 16th June 2015. SAMSUNG's new SUHD curve TV was introduced to Maldivian Market during the same event.

PARAMEDIC AMBULANCE HANDOVER CEREMONY

STO handed over 4 paramedic ambulances to Ministry of Health on 13th June 2015 to support the medical operations in the Maldives.

SUPERMART OPENED AFTER EXPANSION

STO Supermart was opened after expansion with the aim to cater the demanding needs of our customers , especially for the Ramadan on 17th June 2015.

ALL ISLAND PHARMACY PROJECT

In the 2nd quarter of 2015, 30 pharmacies have been opened which brings to a total of 126 pharmacies under “all island pharmacy” project and a total of 135 STO pharmacies around the Country.

PHILIPS AVENT LAUNCHING

PHILIPS AVENT Launching ceremony was carried out at Home Improvement on 10th May 2015.



MARKETING & PROMOTIONS

SUPERMART WAREHOUSE SALE 2015

A warehouse sale was held from 2nd May to 8th May 2015 at STO Supermart Warehouse Koshi No. 07. The promotion offered discount from 50% to 80%.

STO RAMAZAN BAZAAR 2015

STO Ramazan Bazaar is one of the most successful promotions held by STO every year. This promotion was held from 19th April to 30th June 2015. Ramazan Bazaar offered customers discount up to 30% and coupons for every purchase of MVR1000.00 spent at STO Home Improvement and Regional outlets.

STO SUPERMART BAZAAR 2015

STO Supermart Ramazan Bazaar was held from 10th May to 16th June 2015. This promotion offered customers discount up to 80% and coupons for every purchase of MVR250.00 spent at STO Supermart.

STO CONSTRUCTION LUCKY DRAW BONANZA

STO Construction Lucky Draw Bonanza, a promotion held in collaboration with Sunland Travel started on 10th May 2015 and will be held till 10th August 2015. Customers who purchase MVR1,000.00 from any STO Construction outlet or purchase a Singapore Ticket from a Sunland ticket counter is eligible to participate in the lucky draw.

ROBERT RAMADAN PROMOTION

Robert promotion was held from 18th June till 16th July 2015. Customers won coupons for every Robert purchase of MVR60.00, where participants had to hunt and find super noodle cups and winners were awarded prizes.

CSR EVENTS

DONATION TO ONE NATION CORAL REVIVAL

STO took main sponsor of the CSR event organized by Save the Beach Maldives on their one Nation Coral Revival event.

SPONSOR OF SALARY FOR A SPEECH THERAPIST IN BEAUTIFUL EYES DOWN SYNDROME ASSOCIATION

This year STO is Sponsoring Salary of a Speech Therapist for Beautiful Eyes Association, starting from June 2015.

DONATION TO K.GURAIIDHOO SPECIAL NEED PEOPLE

Gifts were donated to K. Guraidhoo people with special Needs Centre.

DONATION TO NATIONAL ANTI-CORRUPTION DAY 2015

STO was the main sponsor of national anti-corruption day 2015 celebration organized by Maldives Anti- Corruption Commission.



BOARD ACTIVITIES

BOARD MEETINGS

A total of 6 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	6/6
Ahmed Shaheer	Managing Director	6/6
Ibrahim Ziyath	Director	5/5
Amir Mansoor	Director	6/6
Abdul Hadi Hussain Fulhu	Director	6/6
Aishath Rafiyya	Director	6/6
Mohamed Farshath	Public share representing Director	6/6

MAJOR BOARD DECISIONS

Some major decisions of the Board include;

- Changes were brought to the Executive Team and Company Structure
- Changes were brought to the Subsidiary Company Boards
- Discussions were made on business units and their performance
- Discussed on the outcomes of last Non-Executive Directors meeting
- Board Evaluation results were discussed and endorsed
- 1st quarter report was approved with financials
- Discussed on the decisions of board committee meetings and made recommendations on it to management
- 1st quarter board decisions and directives list were discussed
- 2014 Audited financials were approved



- Approved to recommend MVR76.00 per share as dividend at Annual General Meeting
- 2014 Directors Report was approved
- 2014 Annual General Meeting Agenda and other related documents were approved
- Decided to hold 2014 Annual General Meeting on 29th May 2015
- Approved Ramadan allowance, gift and bonus for employees
- As per the letter from Privatization and Corporatization Board—endorsed Mr. Ahmed Shaheers appointment as Managing Director for the next term
- Board Directors, Chairman and MD Charters were signed for another term
- New Board Committees were appointed

BOARD DIRECTORS / CHANGES TO BOARD

On 20th April 2015, Mr. Ibrahim Ziyath was appointed to the Board as an Executive Director. Mr. Ibrahim Ziyath is currently the General Manager for Procurement (Essential Goods) in the Company.

With this appointment, the Board now consists of 7 Directors and is in accordance with the Articles of Association.

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	Member	2/2
Mohamed Farshath	Member	2/2

- A Fraud Risk Assessment was made by the Internal Audit staff and it was presented to Committee for discussion
- 1st quarter financials were discussed
- Internal Audit Plan for 2nd Quarter was approved
- Different Audit reports were discussed and recommendations were made
- 2014 financials were discussed

MAJOR COMMITTEE DECISIONS

- Updates were presented on Group External Audit
- Discussions were made on draft Risk Committee Charter



NOMINATION & REMUNERATION COMMITTEE

One (1) Nomination & Remuneration Committee meetings was held during the quarter and the Directors attendance to the meeting was as follows;

Director	Position in Committee	Attendance
Amir Mansoor	Chairman	1/1
Abdul Hadi Hussain Fulhu	Member	1/1
Aishath Rafiyya	Member	1/1
Mohamed Farshath	Member	1/1

MAJOR COMMITTEE DECISIONS

- General Reports of the Committee were reviewed and discussed

CORPORATE GOVERNANCE & COMPLIANCE COMMITTEE

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

One (1) Corporate Governance Committee meetings was held during the quarter and the Directors attendance to the meeting was as above.

MAJOR COMMITTEE DECISIONS

- Discussed on the outcomes of Corporate Governance Audit Report
- Director Training Policy was revised



ANNUAL GENERAL MEETING (AGM)

The AGM was held on 29th May 2015 at Traders Hotel. A total of 640 shareholders participated in the meeting where 639 were public shareholders and 1 government share representative. 60 member were physically present to the meeting while 580 members were represented by proxy.

The following items were resolved and passed at the AGM;

- AGM 2013 minutes
- Distribute MVR79.00 as dividend
- Appointed Board of Directors

Mr. Mohamed Farshath was appointed the public representative director while Mr. Ahmed Niyaz, Mr. Ahmed Shaheer, Mr. Ibrahim Ziyath, Mr. Amir Mansoor, Ms. Aishath Rafiyya and Mr. Abdul Hadi Hussain were appointed the government representative directors

- Audited accounts 2014
- Directors Report 2014

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



COMPLIANCE TO CG CODE

	Provision	Compliance	Details
Effective Board	1.1	Complied	The Board of Directors comprise of 7 Directors. None of the Directors hold directorship in more than 3 public listed companies. Due to appointment of Executive Director Mr. Ibrahim Ziyath, currently there are 2 executive directors and 5 non-executive, independent directors in the Board. Also, there is 1 female director in the Board.
Composition of Board	1.2	Partially 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.
Nomination/re-election of Directors	1.3	Complied	A vote was taken amongst public shareholders at AGM to elect their representative in the Board.
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 Directorship Trainings from Institute of Directors.
Committees	1.8	Complied	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 a Corporate Governance and Compliance Committee.
Remuneration policy	2.1	Complied	The Nomination & Remuneration Committee act as one Committee, since almost the same directors sit in all Committees of the Board.
Evaluation of Board performance	2.2	Complied	The Company has approved and acts upon a board approved remuneration policy for directors and employees.
Board remuneration disclosure	2.3	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 .
			A lump sum figure of Board and top management remuneration will be disclosed in the Annual Report.

	Provi- sion	Compliance	Details
Individual Board Member Remu- neration Disclosure	2.4	Partially Complied	The individual remuneration of Board Members is disclosed in the Annual Reports. How- ever, 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 state- ments 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 Commit- tee 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. KPMG was ap- pointed as auditors for 2015 at the last 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 require- ments. 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 re- ports, website and AGM.



	Provi- sion	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. 2013 AGM was held within the required timeframe. However, there was a delay in the publication of report.
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	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, sustainability, 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 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.
Investors and media relations	9	Complied	The Company also has a Grievance Committee and a Sexual Harassment Preventing
Quarterly newsletter	9.4	Complied	The company encourages media and investor relations by promoting good CG.
Sustainability Reporting	10	Complied	STO discloses on its business and activities through its quarterly reports.
			STO publishes it Sustainability Reporting through its annual report.

SHARE ACTIVITIES

	Q2/ 2015	Q1/ 2015
Highest Trade Price	450	980
Lowest Trade Price	400	520
Last Trade Price	420	520
WATP	416	586
Market Capitalization (in Millions)	473.3	585.99
Dividend Yield	18%	5%
Price Earnings Ratio	5.37	7.56
Earnings per Share	78.28	68.76

EPS



Market Capitalization



FINANCIALS

Statement of Income

	Quarter 2 2015	Quarter 1 2015
Revenue	1,880,415,462	1,683,091,662
Cost of Sales	(1,577,393,849)	(1,366,036,263)
Gross Profit	303,021,613	317,055,399
Other Operating Income	(167,516)	16,386,188
	302,854,098	333,441,586
Selling and Marketing Costs	(46,227,749)	(100,420,141)
Administrative Costs	(117,946,702)	(115,018,366)
Other Operating Expenses	(2,112,410)	(745,975)
Operating Profit	136,567,237	117,257,104
Finance Costs	(22,769,404)	(24,645,072)
Profit Before Tax	113,797,833	92,612,032
Business Profit Tax Expense	(25,585,530)	(15,130,574)
Profit After Tax	88,212,303	77,481,458
Attributable to		
Equity Holders of the Parent	88,212,303	77,481,458
Non-Controlling Interest	-	-
Earnings per share Attributable to Equity holders of the Parent	78.28	68.76



FINANCIALS Balance Sheet

	As at Quarter 2 2015	As at Quarter 1 2015
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,599,313,000	1,453,000,558
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	12,740,800	12,615,800
Deferred Tax Asset	57,574,769	56,325,127
Total Non-Current Assets	1,802,145,671	1,654,458,587
CURRENT ASSETS		
Inventories	542,217,048	529,123,761
Trade and Other Receivables	1,798,764,463	1,884,599,165
Cash and Cash Equivalents	535,784,524	526,422,328
Total Current Assets	2,876,766,035	2,940,145,253
Total Assets	4,678,911,706	4,594,603,840
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	529,589,907	517,593,560
Fair Value Reserve		
Retained Earnings	1,034,205,035	1,071,864,806
Total Equity	1,647,954,942	1,673,618,367
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	447,579,456	382,432,705
Current Liabilities		
Current Tax Liabilities	30,900,401	67,597,671
Derivative Financial Instruments	8,195,215	6,322,477
Trade and Other Payables	1,840,430,190	1,542,221,270
Borrowings	703,851,502	922,411,351
Total Current Liabilities	2,583,377,307	2,538,552,769
Total Liabilities	3,030,956,764	2,920,985,474
Total Equity and Liabilities	4,678,911,706	4,594,603,840



Mohamed Mihad
Chief Financial Officer



Ahmed Shaheer
Managing Director



FINANCIALS Cashflow Statement

	As at Quarter 2 2015	As at Quarter 1 2015
Profit before business profit tax	113,797,833	92,612,032
Adjustments for:		
- Depreciation & amortization	12,222,144	10,827,892
- Interest income	(2,711,730)	(2,664,551)
- Interest expense	51,821,048	29,491,217
- Dividend income	(36,899,754)	(11,000,000)
- Provision for impairment of receivables	4,273,716	11,675,633
- Provision for impairment of assets	-	
- Receivables written off	-	(852,743)
- Provision for slow and non moving inventories	(13,813,589)	
- Profit on disposal of property, plant and equipment	14,014	
- (Profit) / loss on disposal of investments	-	
Changes in working capital:		
- Inventories	(14,331,617)	129,260,124
- trade and other receivables	69,713,649	13,409,597
- Trade and other payables	151,683,596	(161,263,374)
	335,769,309	111,495,826
Cash flows from operating activities		
Cash generated from operations		
Interest paid	(51,821,048)	(29,491,217)
Business profit tax paid	(41,830,933)	(13,395,654)
Net cash generated from / (used in) operating activities	242,117,328	68,608,955
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(111,070,803)	(43,937,351)
Loan repayments received from related parties	-	
Sales / (purchases) of available-for-sale financial assets	-	
(Purchases of) / Proceeds from held-to-maturity financial assets	(99,427,949)	
Interest received	2,711,730	2,664,551
Dividends received	36,899,754	11,000,000
Net cash generated from / (used in) investing activities	(170,887,268)	(30,272,800)
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	(160,538,836)	(19,619,749)
Net payment made for currency SWAPs	1,872,737	(3,689,100)
Dividends paid to shareholders	(2,595,106)	(242,338)
Net cash generated from / (used in) financing activities	(161,261,205)	(23,551,187)
Net increase / (decrease) in cash and cash equivalents	(90,031,144)	14,784,968
Cash, cash equivalents and bank overdrafts at beginning of year	526,422,328	511,637,360
Bank overdraft		
Cash, cash equivalents and bank overdrafts at end of the year	436,391,184	526,422,328



DECLARATION

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 was unable to publish its Annual Report within the 1st four months of the year (clause 3.5.1). Other than this, the Company has abided compliance to the listing rules and its requirements within the quarter.

COMPLIANCE TO CDOI REGULA- TIONS

The Company was unable to publish its Annual Report within the 1st four months of the year (clause 5(1)). Other than this, the Company has abided compliance to CDOI regulations and its requirements within the quarter.

COMPLIANCE TO CORPORATE GOV- ERNANCE CODE

Details of compliance to code is stated in page 13-15.

FINES

The Company was waived fine due to non-publication of Annual Report before end of April, by CMDA. However, Maldives Stock Exchange did not waive fine for the delay in publication of report.

TAX

The Company had paid required tax to MIRA within the allocated time.

MQRR COMPLI- ANCE

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

