



3RD QUARTER REPORT

STATE TRADING ORGANIZATION PLC.

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MILESTONES

All Island Pharmacy Project

An MOU was signed between Ministry of Health and STO for “all island pharmacy project” to open pharmacies in all inhabited islands. With the help of Ministry of Health and MFDA, STO began to open pharmacies under this project from July 2014. Our target is to open 177 pharmacies throughout the Maldives by the end of 2015.

The following pharmacies are now operational under this project;

SR no	Pharmacies	commenced dates
SR29	K. Himmafushi	10-Jul-14
SR28	GA. Kolamaafushi	13-Jul-14
SR32	HA. Kela	23-Jul-14
SR30	L. Maavah	24-Jul-14
SR31	HA. Hoarafushi	25-Jul-14
SR36	L. Fonadhoo	26-Jul-14
SR35	TH. Thimarafushi	14-Aug-14
SR34	R. Meedhoo	16-Aug-14
SR51	HA. Uligamu	18-Aug-14
SR54	B. Thulaadhoo	18-Aug-14
SR59	L. Hithadhoo	28-Aug-14
SR56	G. DH. Gahdhoo	3-Sep-14
SR55	K. Thulusdhoo	3-Sep-14
SR58	A. Dh. Dhangethi	5-Sep-14
SR49	R. Dhuvaafaru	9-Sep-14
SR50	TH. Guraidhoo	10-Sep-14
SR71	K. Guraidhoo	17-Sep-14
SR78	G. Dh. Vaadhoo	22-Sep-14
SR79	G. Dh. Rathafandhoo	23-Sep-14
SR44	N. Manadhoo	24-Sep-14
SR60	TH. Hirilandhoo	27-Sep-14
SR83	F. Dharanboodhoo	27-Sep-14
SR82	TH. Gaadhiffushi	28-Sep-14
SR76	B. Goidhoo	30-Sep-14

Hulhumale Pharmacy Development

On 11th August 2014, STO Hulhumale pharmacy was moved to a different location inside Hulhumale Hospital. This pharmacy now provides 24 hour service as well as Aasandha health scheme services. The foundation of a new pharmacy was also laid on the same day, by STO Managing Director, Mr. Adam Azim and the Chairman of Hulhumale' Development Corporation Mr. Hassan Ziyath.

Supplying and Managing Medical Consumable, Equipment and Laboratory Reagents Required for Government Health Institutions

An MOU was signed between Ministry of Health and STO to supply all medical consumable, equipment and laboratory reagents which is required for all government health institutes.

Monthly Media Briefings

Monthly media briefings were held during the quarter.

Celebrating Independence Day

STO participated in the celebration of Independence Day and on its occasion, STO staff distributed national flags to the public.

Carrom World cup Signing

STO became the main sponsor of the Carrom World Cup 2014.

STO Smile Campaign

STO launched its Smile Campaign on 24th August 2014. The purpose of this campaign is to remind staff on the importance of greeting and servicing colleagues and customers, with a smile.



HUMAN RESOURCES

	Local	Foreign	Total
No. of staff at beginning of June 2014	1144	220	1364
No. of staff Employed during Jul - Sep 2014	196	17	213
No. of staff Resigned / Terminated during Jul - Sep 2014	32	4	36
No. of staff at end of Sep 2014	1308	233	1541

Staff were provided training opportunities on;

- Debt Collection
- Global Treasury Management
- Marine Cargo Insurance
- Successful Project Management
- Successful and Effective Purchasing Negotiation
- Key Performance Indicators Master class
- Administrative Professionals Master class
- Fraud Detection and Investigation
- Product trainings
- Maritime Incident and Accident Investigation
- Financial audit, interpersonal communication skills, creative problem solving and decision making
- Public relation and Communication excellence
- Financial Modelling and valuation using excel
- Bunkering
- Company Secretary Skills
- Managing employees and absenteeism
- Purchasing, inventory and store management techniques
- Dhivehi presentation skills
- Security fitness
- Spoken Dhivehi Training

STORC ACTIVITIES

Ramazan Cricket Carnival 2014

STORC participated in Ramazan Cricket Carnival 2014. STORC won the runner-up teams place in the tournament, playing against Sonee hardware.



STORC Mas Race 2014

A fishing tournament was organized by STORC for all staff. Awards were presented to Teams who scored the best catch.



STORC One day Volley Ball tournament 2014

"STORC One Day Volley ball tournament 2014" was held at Indoor Volley court, Social Centre. 28 teams took part in this event.



MAJOR PROJECTS & ITS STATUS

Project	% Complete	Details	Start Date	End Date
Radisson Blu - Hulhumale'	30	M&E & Architectural works are ongoing. Hotel will partially open with 150 Rooms in early 2015.	June 2007 (initially started), 14th October 2011 (structural Works)	Apr-15
Toilet Block at Staff Quarters	95	Water and sewerage works ongoing.	Feb-14	Oct-14
Umar Shopping Arcade	10	Beam and concrete slab works ongoing.	Nov-13	Apr-15
Supermart Expansion	Design & BOQ stage	Interior design consultant has been hired. Detail drawings stage ongoing.	NA	NA

MARKETING

Some of the marketing events by STO in this quarter include;

Training for School Internship Students

Makita, Philips and Nippon Team carried out a training targeted for Internship students with the aim to create product awareness among them.

Philips My Recipe Contest

On the occasion of Ramazan, a Philips my recipe contest was carried out on STO Facebook page, where customers uploaded recipes made from Philips kitchen appliances with pictures.

STO Home Improvement Bashi Mubaarai 2014

STO Bashi Mubaaraaiy 2014 was held during Fitr Eid. A total of 16 teams participated this year.

Food & Hospitality Asia Maldives Exhibition

STO participated in the Food and Hospitality exhibition which was held on 24, 25, 26

August 2014 at Dharubaaruge Exhibition Center.

Hitachi Air Purifier Campaign

This promotion will be held from 17th September 2014 to 31st October 2014. The purpose of this promotion is to introduce and create awareness on the Hitachi air purifier.

I Love Philips Campaign

This promotion will also be held from 17th September 2014 to 31st October 2014.

Philips Ramazan Cricket Carnival

STO provided sponsor for this event.

4th Nippon Tennis Tournament

Nippon tennis tournament is an event organized by tennis association of Maldives. This is their 45th event and this events main sponsor was STO Nippon paint.



BOARD ACTIVITIES

Board Directors / Changes to Board

A new Director was appointed to the Board by the majority shareholder in August 2014. The new Director is Ms. Aishath Rafiyya, M. Waving Light. With this appointment the Board of Directors now comprise of seven members as required by the Articles of Association of the Company.

Board Meetings

A total of 5 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	5/5	100
Adam Azim	Managing Director	4/5	80
Ahmed Shaheer	Director	5/5	100
Amir Mansoor	Director	5/5	100
Abdul Hadi Hussain	Director	5/5	100
Aishath Rafiyya	Director	1/2	50
Mohamed Farshath	Public share representing Director	5/5	100

Major Board Decisions

Some of the major decisions taken by the board include;

- Reviewed and approved bad debt policy.
- 2nd Quarter report was endorsed for publication.
- Reviewed and approved procurement policy.
- Board committees were re-appointed with the appointment of new director.

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

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

Major CG Committee Decisions

- Reviewed the comments received to the Board Evaluation procedure provided by the Independent HR Consultants and decided to adopt the suggestions
- Corporate Governance campaign report was discussed
- Decided to develop a code of conduct for the group companies of STO

CORPORATE GOVERNANCE

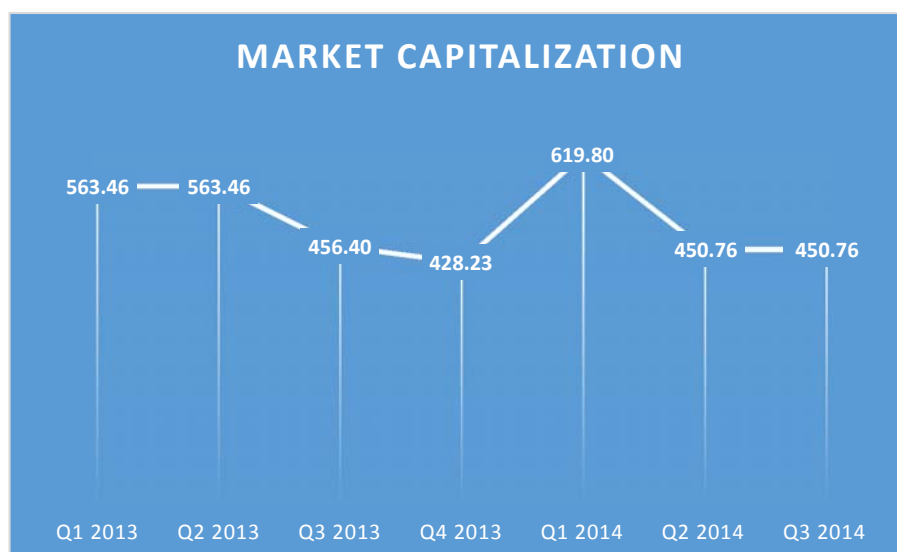
	Provision	Compliance	Details
Effective Board	1.1	Complied	The Board of Directors now comprise of 7/7 directors. None of the Directors hold directorship in more than 3 public listed companies. Currently there are 2 executive directors and 5 non-executive, independent directors in the Board.
Composition of Board	1.2	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 is one female directors in the Board now. The Board holds 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 & Risk Committee and a Nomination & Remuneration Committee in place. In addition to this, the Company also has a Corporate Governance and Compliance Committee. The Nomination & 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 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.
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 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

	3 rd Quarter 2014	2 nd Quarter 2014	1 st Quarter 2014
Highest Trade Price	NIL	400	550
Lowest Trade Price	NIL	400	550
Last Trade Price	400	400	550
WATP	0	400	550
Market Capitalization (in Millions)	450.76	450.76	619.80
Dividend Yield	6%	6%	14%
Price Earnings Ratio	4.16	3.21	4.67
Earnings per Share	96.24	126.16	117.67



BALANCE SHEET (UNAUDITED) (All amounts in MVR unless otherwise stated)

	Quarter 3 2014	Quarter 2 2014
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,394,156,606	1,357,719,583
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	12,365,800
Deferred Tax Asset	56,325,127	56,325,127
Total Non-Current Assets	1,595,364,635	1,558,927,612
CURRENT ASSETS		
Inventories	479,053,302	329,109,947
Trade and Other Receivables	1,897,626,513	1,404,724,148
Cash and Cash Equivalents	703,173,857	720,335,838
Total Current Assets	3,079,853,673	2,454,169,933
Total Assets	4,675,218,308	4,013,097,545
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	565,844,098	457,608,727
Total Equity	1,463,255,580	1,355,020,210
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	231,379,419	148,866,335
Current Liabilities		
Current Tax Liabilities	43,652,800	36,920,896
Derivative Financial Instruments	10,025,577	13,742,022
Trade and Other Payables	1,903,174,306	1,668,402,661
Borrowings	1,023,730,625	790,145,422
Total Current Liabilities	2,980,583,309	2,509,211,001
Total Liabilities	3,211,962,728	2,658,077,336
Total Equity and Liabilities	4,675,218,308	4,013,097,545



Mohamed Mihad
Chief Financial Officer



Adam Azim
Managing Director

INCOME STATEMENT (UNAUDITED) (All amounts in MVR unless otherwise stated)

	Quarter 3 2014	Quarter 2 2014
Revenue	2,430,298,480	2,037,433,482
Cost of Sales	(2,103,751,438)	(1,737,568,547)
Gross Profit	326,547,042	299,864,935
Other Operating Income	38,318,559	8,959,232
	364,865,601	308,824,167
	-	-
Selling and Marketing Costs	(76,565,932)	(24,446,475)
Administrative Costs	(114,512,760)	(100,608,715)
Other Operating Expenses	(610,727)	(3,217,197)
Operating Profit	173,176,181	180,551,780
Finance Costs	(45,300,016)	(22,551,855)
Profit Before Tax	127,876,165	157,999,926
Business Profit Tax Expense	(19,419,857)	(15,829,633)
Profit After Tax	108,456,308	142,170,293
Attributable to		
Equity Holders of the Parent	108,456,308	142,170,293
Non-Controlling Interest	-	-
Earnings per share Attributable to Equity holders of the Parent	96.24	126.16

CASHFLOW STATEMENT (UNAUDITED)

All amounts in MVR unless otherwise stated)

	Quarter 3 2014	Quarter 2 2014
Profit before business profit tax	416,897,916.63	290,410,856
Adjustments for:		
- Depreciation & amortization	44,116,757.88	28,840,373
- Interest income	-16,427,657.04	(13,047,831)
- Interest expense	126,509,443.81	90,174,418
- Dividend income	-53,471,720.74	(53,471,721)
- Provision for impairment of receivables	17,670,923.00	19,273,096
- Provision for impairment of assets	-	-
- Receivables written off	149,042.34	50,680
- Provision for slow and nonmoving inventories	892,181.31	(2,025,343)
- Profit on disposal of property, plant and equipment	-15,420.00	(15,420)
- (Profit) / loss on disposal of investments	-10,233,752.58	(10,233,753)
Changes in working capital:		
- Inventories	315,291,176.06	468,152,056
- trade and other receivables	-30,477,491.26	466,798,318
- Trade and other payables	-559,167,548.12	(794,609,692)
	251,733,851	490,296,038
Cash flows from operating activities		
Cash generated from operations		
Interest paid	-126,509,443.81	(90,174,418)
Business profit tax paid	-25,357,935.00	(12,669,982)
Net cash generated from / (used in) operating activities	99,866,472	387,451,639
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(133,372,024)	(81,658,616)
Loan repayments received from related parties	7,385,675	1,496,568
Sales / (purchases) of available-for-sale financial assets	158,090,353	158,090,353
(Purchases of) / Proceeds from held-to-maturity financial assets	-	-
Interest received	16,427,657	13,047,831
Dividends received	53,471,721	53,471,721
Net cash generated from / (used in) investing activities	102,003,381	144,447,856
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	157,783,355	(158,314,933)
Net payment made for currency SWAPs	(7,864,932)	(4,148,488)
Dividends paid to shareholders	(4,172,572)	(3,502,074)
Net cash generated from / (used in) financing activities	145,745,850	(165,965,495)
Net increase / (decrease) in cash and cash equivalents	347,615,704	365,934,000
Cash, cash equivalents and bank overdrafts at beginning of year	354,328,135	354,328,135
Cash, cash equivalents and bank overdrafts at end of the year	701,943,839	720,262,135

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 CDOL regulations

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

Compliance to Corporate Governance Code

Details of compliance to code is stated in page 10-12.

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.



State Trading Organization plc.

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