

# 03/2015 QUARTER REPORT



STATE TRADING ORGANIZATION PLC

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# CONTENTS

Human Resources	3
Major Projects	4
Corporate Events	5
CSR Events	7
Marketing Activities	8
Board Activities	9
Corporate Governance Code Compliance	12
Share Activities	16
Financials	17
Declaration	20



# HUMAN RESOURCES

July 2015 - Sept 2015	Local	Foreign	Total	Total
No. of staff at beginning of Jul 2015	1660	240	1900	1766
No. of staff Employed during Jul - Sep 2015	137	18	155	186
No. of staff Resigned / Terminated during Jul - Sep 2015	66	12	78	52
No. of staff at end of Sep 2015	1731	246	1977	1900

## TRAININGS

### Long term local courses

- Diploma in Psychology

### Short term overseas

- Oil & Gas Marine Terminals: Operations, Management & Safety in Accordance with international standards
- Managing the Media in a Crisis
- Philips NPS & TAT training
- Writing effective policies & procedures
- AC installation and Trouble-Shooting training
- Art of selling – How to sell the SMART way including NLP tips

### Short term local

- Maldivian Law of Contract
- Engine Officer Refresher and Updating course
- The Conference for Women

### In-house trainings

- Building Brand Authority and Credibility Using Digital Media
- Service with a Smile
- Industrial Fire Brigade Course
- Management, Marketing and Human Resources

## STORC ACTIVITIES

- Ideas Futsal Cup (July)
- Ooredhoo Masreys (August)



- STO Masreys (September)
- STO Handball (September)



# MAJOR PROJECT STATUS

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Project	% Completed		Start Date	End Date
Radisson Hotel Hulhumale'	37%	Mechanical, Engineering, Furnishing and Glazing works on going.	2007 - Structural works started 14-Oct-2011	July 2016
10 Storey Building at Umar Shopping Arcade	72%	Mechanical and Electrical works on going	20-Mar-14	20-Dec-15
Funadhoo Expansion Project	15%	Tendering stage in progress for Tank building component and Berth component.	28-Sep-14	June 2016
Ready Mix Concrete	50%	Machineries and vehicles to receive by Mid Nov. Product Sales planned for December.	22-Aug-15	Nov-2015

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# CORPORATE EVENTS

## Tharaavees for Media

On 5<sup>th</sup> July 2015, STO hosted a Tharaavees for all the Local Medias at Hotel Jen. The aim of this gathering is to build a better relationship with the media.



## Official launching of LafargeHolcim around the globe.

On 15<sup>th</sup> July 2015 Lafarge and Holcim merged to form LafargeHolcim which is a merger of equals and a brand most advanced in the building materials industry.



## 8th SAARC Food Bank Board Meeting opening ceremony

8th SAARC Food Bank Board Meeting commenced on 2<sup>nd</sup> September 2015. During the ceremony SAARC Chairperson Ms Niharika B. Singh and STO MD Mr Ahmed Shaheer addressed the delegates.

Mr Ahmed Shaheer was appointed as the Chairperson of the 9th SAARC Food Bank Board.



## STO Group Company meeting

STO Group Company meeting was held on 31<sup>st</sup> August 2015 at Hotel Jen. The board directors of the STO Group Companies took part in this meeting.





### 175 Pharmacies opened under “All island pharmacy project”

Referring to the MOU signed between STO & Ministry of Health on 4th June 2014, with the aim of opening 177 pharmacy in all the inhabited islands under “All Island Pharmacy project”, 175 Pharmacies have been open so far, out of which 49 pharmacies have been opened in the third quarter of this year which brings to a total of 175 STO pharmacies under this project and 184 STO pharmacies around the Maldives.



### Laboratory Equipment, of Blood Gas Analyzers and Bio-Chemistry Analyzer were installed in Regional Hospitals.



### Installed Villimale’ Hospital X-Ray Machine and Ultrasound Scanning machines.





# CSR EVENTS

## Minivan 50 Float Parade

STO was part of the Minivan 50 Float parade. STO and its subsidiary companies- Allied Insurance, Maldivian gas, Maldives Structural Products and Fuel Supplies Maldives also took part in this parade.



## Dengue Prevention

During the Dengue outbreak STO team tirelessly worked to control the outbreak.



## STO Top achievers' award 2014

STO sponsored the Top Achievers Awards for 2014. STO Chairman and MD gave away awards to the award winners at STO Top Achievers' award 2014

## Tree Planting at Hulhumale'

To participate in the tree planting event held by Ministry of Environment and Energy at hulhumale'.







# MARKETING ACTIVITIES

## STO Construction Lucky Draw Bonanza

STO Construction Lucky Draw Bonanza was a promotion held in collaboration with Sunland Travels. It was held from 10th May to 10th August 2015.

## Robert Ramadan Promotion

Robert promotion started on 18th June and ended on 16th July 2015. Customers were able to win a coupon for every Robert purchase of MVR60.

## STO Supermart Grand Promotion

Supermart Grand Promotion which started on 16th June ended on 16th August 2015. Customers were awarded a coupon for every purchase above MRF350.





# BOARD ACTIVITIES

## Board Meetings

There were 3 meetings held during the quarter and attendance of Directors to the meeting was as follows;

Name	Position in Board	Attendance
Ahmed Niyaz	Chairman	3/3
Ahmed Shaheer	Managing Director	3/3
Ibrahim Ziyath	Director	2/3
Amir Mansoor	Director	3/3
Abdul Hadi Hussain Fulhu	Director	3/3
Mohamed Farshath	Director	3/3
Aishath Rafiyya	Director	3/3
Mohamed Farshath	Director	3/3

## Major Board Decisions

Some major decisions of the Board include;

- Approved to issue bond
- Approved to host 8th SAARC food bank meeting
- Approved to open a showroom in the new building coming up at former Umar Shopping Arcade
- Approved to introduce Concrete Batching Vehicles
- Approved revisions to the Credit Policy

## Changes to Board

There were no changes made to the Board during the Quarter.

## 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%.

## Group Company Meeting

A Group Companies meeting was held to brainstorm and discuss on the ways to strengthen business as a Group.



## Audit & Risk Committee

There were 3 meetings held during the quarter and the member's attendance to the meetings were as follows;

Name	Position in Committee	Attendance
Abdul Hadi Hussain	Chairman	3/3
Amir Mansoor	Member	3/3
Mohamed Farshath	Member	3/3

## Major Committee discussions and decisions include;

- Some investigation reports were discussed
- STO Audit Management Letter was presented to Committee by Auditors
- Internal Audit Plan and its progress for second quarter was presented
- A summary report on Q1 audits conducted was presented
- Information was also presented on the Asset Verification and Valuation process

## Nomination and Remuneration Committee

There were 2 meetings held during the quarter and the member's attendance to the meetings were as follows;

Name	Position in Committee	Attendance
Amir Mansoor	Chairman	2/2
Abdul Hadi Hussain	Member	2/2
Mohamed Farshath	Member	2/2
Aishath Rafiyya	Member	2/2

## Major Committee discussions and decisions include;

- Discussed on some changes proposed by management to the structure
- Review discussions were held on the Remuneration Policy
- Review discussions were held on the Directorship Evaluation Policy—to include a section on Board Diversity in the Policy



## Corporate Governance and Compliance Committee

There was 1 meetings held during the quarter and the member's attendance to the meetings were as follows;

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

## Major Committee discussions and decisions include;

- Discussions were made on the Directorship Evaluation Policy—to include a section on Board Diversity and recommendations were given to NR Committee
- Discussed on the steps being taken to implement the recommendations given in the Corporate Governance Audit conducted by Columbus Circle



# 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. There is 1 female director in the Board.
Composition of Board	1.2	Partially 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. Public directorship candidates were interviewed, evaluated and their information was publicly announced. 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 trainings on areas such as budgeting and qualified risk directorship programs.



Committees	1.8	Complied	<p>In compliance with the CG Code, STO Board has in place, an Audit &amp; Risk Committee and a Nomination &amp; Remuneration Committee. In addition to this, the Board also has a Corporate Governance and Compliance Committee.</p> <p>The Nomination &amp; Remuneration Committee act as one Committee, since almost the same directors sit in all Committees of the Board.</p>
Remuneration policy	2.1	Complied	<p>The Company has approved and acts upon a board approved remuneration policy for directors and employees.</p>
Evaluation of Board performance	2.2	Complied	<p>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 done in quarter 2.</p>
Board remuneration disclosure	2.3	Complied	<p>A lump sum figure of Board and top management remuneration is disclosed in the Annual Report.</p>
Individual Board Member Remuneration Disclosure	2.4	Partially	<p>Individual Board Member Remuneration Disclosure</p>
Management constitution	3.1	Complied	<p>The management team constitutes of MD, Executive Directors, and the key managers of the Company.</p>
Roles and responsibilities of management	3.2	Complied	<p>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.</p>
Internal Audit	4.1	Complied	<p>The company's internal audit department reports directly to the Audit &amp; Risk Committee and administratively to MD.</p>



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 appointed 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 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 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. 2014 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.





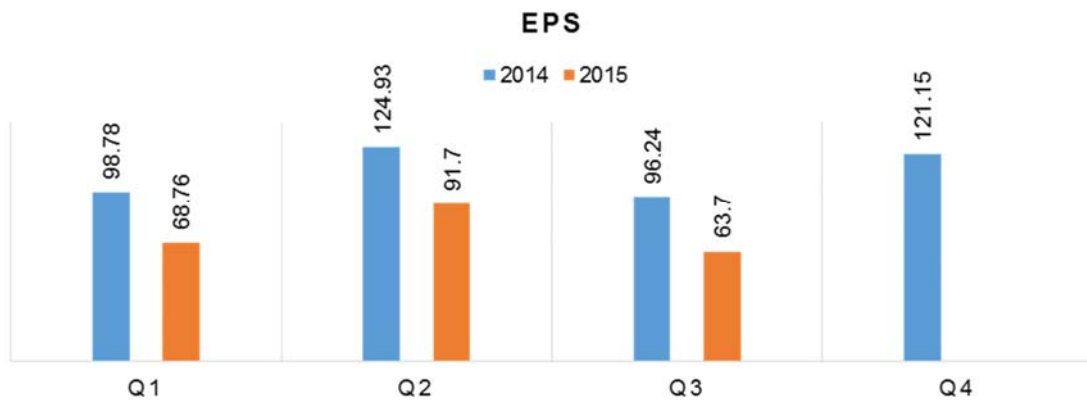
Systems to raise concerns	8	Complied	The Board and Management ensures that an appropriate process is put in place to enable employees and management to raise their concerns. These means are informed to the employees and disclosed in the annual report. As such, the Company has a Fraud Response and a Whistleblower 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 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 it Sustainability Reporting through its annual report.

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# SHARE ACTIVITIES

	Q3/2015	Q2/ 2015	Q1/ 2015
Highest Trade Price	500	450	980
Lowest Trade Price	475	400	520
Last Trade Price	500	420	520
WATP	496	416	571
Market Capitalization (in Millions)	563	473	586
Dividend Yield	15%	18%	5%
Price Earnings Ratio	7.8	4.6	7.6
Earnings per Share	63.7	91.7	68.8





# FINANCIALS

## Statement of Income (unaudited)

	Quarter 3 2015	Quarter 2 2015	Quarter 1 2015
Revenue	1,580,578,459	1,880,415,462	1,683,091,662
Cost of Sales	(1,283,144,859)	(1,577,393,849)	(1,366,036,263)
<b>Gross Profit</b>	<b>297,433,600</b>	<b>303,021,613</b>	<b>317,055,399</b>
Other Operating Income	8,374,297	(167,516)	16,386,188
	305,807,897	302,854,098	333,441,586
Selling and Marketing Costs	(68,338,922)	(46,227,749)	(100,420,141)
Administrative Costs	(120,236,359)	(117,946,702)	(115,018,366)
Other Operating Expenses	(792,083)	(2,112,410)	(745,975)
<b>Operating Profit</b>	<b>116,440,533</b>	<b>136,567,237</b>	<b>117,257,104</b>
Finance Costs	(30,755,242)	(22,769,404)	(24,645,072)
<b>Profit Before Tax</b>	<b>85,685,291</b>	<b>113,797,833</b>	<b>92,612,032</b>
Business Profit Tax Expense	(13,887,907)	(10,454,957)	(15,130,574)
<b>Profit After Tax</b>	<b>71,797,384</b>	<b>103,342,876</b>	<b>77,481,458</b>
<b>Attributable to</b>			
Equity Holders of the Parent	71,797,384	103,342,876	77,481,458
Non-Controlling Interest			-
Earnings per share Attributable to Equity holders of the Parent	63.71	91.70	68.76



# FINANCIALS Balance Sheet (unaudited)

	As at Quarter 3 2015	As at Quarter 2 2015	As at Quarter 1 2015
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property Plant and Equipment	1,669,376,158	1,599,313,000	1,453,000,558
Investment in Subsidiaries	117,249,835	117,249,835	117,249,835
Investment in Associates	10,567,267	10,567,267	10,567,267
Investment in Joint Venture	4,700,000	4,700,000	4,700,000
Available-for-sale Financial Assets	12,740,800	12,740,800	12,615,800
Deferred Tax Asset	57,574,769	57,574,769	56,325,127
<b>Total Non-Current Assets</b>	<b>1,872,208,828</b>	<b>1,802,145,671</b>	<b>1,654,458,587</b>
<b>CURRENT ASSETS</b>			
Inventories	622,458,162	542,217,048	529,123,761
Trade and Other Receivables	1,690,278,074	1,798,764,463	1,884,599,165
Cash and Cash Equivalents	375,144,998	535,784,524	526,422,328
<b>Total Current Assets</b>	<b>2,687,881,233</b>	<b>2,876,766,035</b>	<b>2,940,145,253</b>
<b>Total Assets</b>	<b>4,560,090,061</b>	<b>4,678,911,706</b>	<b>4,594,603,840</b>
<b>EQUITY</b>			
Share Capital	56,345,500	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500	27,814,500
General Reserve	543,698,883	529,589,907	517,593,560
Fair Value Reserve			
Retained Earnings	1,090,640,940	1,034,205,035	1,071,864,806
<b>Total Equity</b>	<b>1,718,499,823</b>	<b>1,647,954,942</b>	<b>1,673,618,367</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and Borrowings	419,853,230	447,579,456	382,432,705
<b>Current Liabilities</b>			
Current Tax Liabilities	10,477,187	30,900,401	67,597,671
Derivative Financial Instruments	2,647,377	8,195,215	6,322,477
Trade and Other Payables	1,623,966,483	1,840,430,190	1,542,221,270
Borrowings	784,645,960	703,851,502	922,411,351
<b>Total Current Liabilities</b>	<b>2,421,737,007</b>	<b>2,583,377,307</b>	<b>2,538,552,769</b>
<b>Total Liabilities</b>	<b>2,841,590,238</b>	<b>3,030,956,764</b>	<b>2,920,985,474</b>
<b>Total Equity and Liabilities</b>	<b>4,560,090,061</b>	<b>4,678,911,706</b>	<b>4,594,603,840</b>

Mohamed Mihad  
Chief Financial Officer

Ahmed Shaheer  
Managing Director



## FINANCIALS Cashflow Statement (unaudited)

	As at Quarter 3 2015	As at Quarter 2 2015	As at Quarter 1 2015
Profit before business profit tax	85,685,292	113,797,833	92,612,032
Adjustments for:			
- Depreciation & amortization	15,806,804	12,222,144	10,827,892
- Interest income	(3,869,829)	(2,711,730)	(2,664,551)
- Interest expense	26,098,583	51,821,048	29,491,217
- Dividend income	(5,049,589)	(36,899,754)	(11,000,000)
- Provision for impairment of receivables	20,821,118	4,273,716	11,675,633
- Provision for impairment of assets		-	
- Receivables written off		-	(852,743)
- Provision for slow and non-moving inventories	3,025,283	(13,813,589)	
- Profit on disposal of property, plant and equipment	(63,054)	14,014	
- (Profit) / loss on disposal of investments		-	
Changes in working capital:			
- Inventories	(83,266,396)	(14,331,617)	129,260,124
- trade and other receivables	87,665,271	69,713,649	13,409,597
- Trade and other payables	(205,179,248)	151,683,596	(161,263,374)
	(58,325,766)	335,769,309	111,495,826
<b>Cash flows from operating activities</b>			
Cash generated from operations			
Interest paid	(26,098,583)	(51,821,048)	(29,491,217)
Business profit tax paid	(34,311,121)	(41,830,933)	(13,395,654)
Net cash generated from / (used in) operating activities	(118,735,470)	242,117,328	68,608,955
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment - net	(85,806,907)	(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	37,782,621	(99,427,949)	
Interest received	3,869,829	2,711,730	2,664,551
Dividends received	5,049,589	36,899,754	11,000,000
Net cash generated from / (used in) investing activities	(39,104,868)	(170,887,268)	(30,272,800)
<b>Cash flows from financing activities</b>			
Net proceeds from / (repayment of) borrowings	53,068,232	(160,538,836)	(19,619,749)
Net payment made for currency SWAPs	(5,547,837)	1,872,737	(3,689,100)
Dividends paid to shareholders	(12,571,570)	(2,595,106)	(242,338)
Net cash generated from / (used in) financing activities	34,948,825	(161,261,205)	(23,551,187)
Net increase / (decrease) in cash and cash equivalents	(122,891,514)	(90,031,144)	14,784,968
Cash, cash equivalents and bank OD at beginning of year	436,391,184	526,422,328	511,637,360
Bank overdraft			
Cash, cash equivalents and bank overdrafts at end of the year	313,499,670	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 REGULATIONS**

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 GOVERNANCE CODE**

Details of compliance to code is stated in page 12-15.

## **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 COMPLIANCE**

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