

4TH QUARTER REPORT

2011

Company Performance

As described in the previous reports, this year has been a difficult year to source required foreign currency to the Company. However, the Company has performed better than the previous year, despite those challenges.

Policies and Guidelines implemented

No policies or guidelines were developed during the quarter.

Business Developments

Following are the status of ongoing business development projects;

Radisson Hotel Project

The concrete structural works of this project was handed over to Amin Constructions Pvt Ltd on 14th October 2011. Amin Construction has now started to gather required materials, machinery and labor at the work site. It is scheduled to start excavation of site in January, in order to proceed with the foundation works. Interior, architectural and landscape components have now been submitted for tender.

S. Hulhumeedhoo Building

Currently undergoing terrace floor reinforcement works of the project.

B. Eydhafushi Building

Currently undergoing finishing works of this project.

Umar Shopping Arcade Project

Construction works of this project is to be handed over through the ongoing tender process. Work is expected to start in April 2012 and it is estimated to be fully completed by March 2013.

K. Thilafushi Warf

Re-designing works of this project has been completed. Currently undergoing appointment of contractor for the project.

K. Hulhumale' Pharmacy

Since there were some delays by the previous contractors in completing this project on time, a new contractor is being assigned to complete the unfinished work.

Male' Service Centre

Due to a change in the site, currently undergoing re-designing of this project.

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Business Developments (cont....)

Addu Service Centre

Currently undergoing tender for re-designing project.

Home Improvement Paint Shop

Project was completed in October 2011. Currently undergoing interior decorations and set up of shop.

Fuel Jetty Extension

Currently undergoing tender for designing and consultancy.

Relocate Rice Godown from S.

Gan to S. Hithadhoo

Contractor appointed, but since site is not cleared yet, no work in progress.

Corporate Social Responsibility



STO continued delivering humanitarian services to the most vulnerable by maintaining its corporate membership with the Maldivian Red Crescent. By being a member, STO believes that we could directly assist in disaster management, health, social care, youth and organizational development of the nation.

Kuda Kudhinge Hiya

Continued funding of its commitment to Kuda Kudhinge Hiya in support of taking care of orphan children by sponsoring a care taker since June 2011.

Digital Education Program

Supported child education by sponsoring the 1st phase of "Digital Education Program" conducted by Veshi Jamiyya.

Fisheries and Agricultural Day at N. Kendhikulhudhoo

STO encouraged local fishermen and farmers by contributing to hold various events to celebrate Fisheries and Agricultural Day, with Ministry of Fisheries and Agriculture, along with the residents of the island. His Excellency President Mohamed Nasheed also participated in the events.

National Diabetes Day

In order to participate in promoting healthy lifestyle, STO joined the "walk with friends" walkathon campaign, held to celebrate National Diabetes Day, initiated by International Diabetes Federation.

Sponsorships

- National Football Team at the 9th SAFF Championship
- Quicksilver Best Event Surfing Championship - Maldivian participant
- "Dhivehinge Iqthisaadhee Salla" program on MNBC

Marketing and Sponsors



Informing customers on STO products and brands at MHTe Fair 2011.

MHTe Fair 2011

The Company participated in the MHTe Fair 2011 organized by the Maldives National Chamber of Commerce and Industry.

STO stall was designed with experience zones of its major brands such as Philips, Makita, Hitachi, Nippon and Isle Fresh.

MHTe Fair is the largest hotels and trade exhibition fair held in the Country, since 2003.



I love Addu City—Cleaning Program

A one day cleaning event was organized by Marketing, STO staff at Addu and the Addu City Council on 28th October 2011. A total of 28 loads of garbage were collected from Maradhoo, Maradhoo Feydhoo, Feydhoo and Hithadhoo.



Launching of Air-fryer at Mr. MNDF hunt 2011

The annual Mr. MNDF body building competition this year was held on 13th November 2011 at the Equatorial Convention Centre, Addu City. STO was the main sponsor of this event. It was at this event that we launched Philips air fryer and carried out its demonstrations throughout the evening. Apart from this

an air fryer roadshow was held at Addu City on 17th November 2011.



Fun Break Demo of Philips and Hitachi Dap Products 2011

Philips DAP products such as a Hitachi Slot toaster, juice extractor, Steamer and air fryers were demonstrated at Home Improvement.

This event was carried out on 28th November 2011.

AI-mudhish Win N Win Promotion

This promotion was held for 2 months from 15th November 2011. The aim of this promotion was to promote health benefits of AI-mudhish and its content.



STO Blowout Year End Sale

The year end sale is one of the most popular and anticipated sales that has been carried out by STO. This promotion was held at Home Improvement, Supermart and Regional Outlets.

Sponsors

Following events were sponsored during the past quarter;

- National Badminton Tournament—by Al-mudhish
- Mr. MNDF—by Philips
- National Basketball Tournament—by Fragata, Makita and Nippon
- “Amaanaaiy 3D CD by Philips
- S. Meedhoo Corporative Communion Volleyball Tournament—by Fragata
- “Dhondheeni Bashi” Team—by Bonduelle
- T20 SAARC Cricket Tournament
- Holiday program 2011 by Al-mudhish
- “Havaru” Cup football—by Al-mudhish

Some of the trainings held during the quarter include;

- Executive development trainings
- Ship management and trainings
- Emergency response planning
- Effective planning on inventory and store operations
- Advanced executive PA excellence
- Material planning and inventory



Human Resources

Below table indicates the staff counts at the end of each quarter, local and foreign separate.

Altogether 116 staff were given several short term, local training on

	Local staff	Foreign staff	Total
1st Quarter	834	186	1020
2nd Quarter	854	174	1028
3rd Quarter	869	172	1041
4th Quarter	903	166	1069

interview based skills, security studies, telephone etiquettes and coaching and mentor for executives.

Currently there are 8 staff, complet-

ing their higher studies abroad. Main areas of scholarship include, Business management, Administration and Accounting.



STORC Activities

One day futsal fiesta—Round II

A second round of one day futsal fiesta was carried out on 16th December 2011, organized upon the request of staffs. A total of 19 teams participated in the tournament.



1st Division Volley Tournament

A team from STORC participated in this event and won 5th place in the tournament. By winning this place, STO has assured placement in the 2012 1st division volley tournament.



STORC Billiard Tournament

A total of 6 teams participated in this event where men, women, singles, doubles and mixed doubles matches were carried out.



Board & its Committee Activities

Board meetings

7 board meetings were held during 4th quarter. With these 7 meetings, a total of 42 meetings were held during the year. Below is the Directors attendance to the meetings.

Name	Position in Board	Attendance	%
Farooq Umar	Chairman	7/7	100
Shahid Ali	Managing Director	7/7	100
Sana Mansoor	CFO / Director	7/7	100
Mohamed Ahmed	Director	5/7	71.4
Ahmed Arif	Director	7/7	100
Arif Abdul Samad	Director	7/7	100
Masood Ali	Director	7/7	100

Committee Meetings

R&N Committee

No committee meetings were held during the past quarter.

Audit Committee

4 Audit committee meetings were held during the past quarter.

Issues discussed Included audit scheduling, timelines, financials, process audits and inventory audits.

CGC Committee

1 CGC committee was held during the past quarter.

The Company dividend policy and induction pack was approved by the committee for Board presentation at this meeting.

Furthermore, discussions were held on the constitution and number of Directors in the Board.

Major decisions made by the Board

Some of the major decisions taken by the Board during past quarter include;

- Operation of Gn. Fuvahmulah airport project—this project was operational on 11th November 2011.
- Buy shares from Dhiraagu—STO invested MVR1.25M in Dhiraagu shares.
- Approval of 2012 annual budget.

Name	Position
Arif Abdul Samad	Chairman
Mohamed Ahmed	Member
Ahmed Arif	Member

R&N committee members

Name	Position	Attendance
Masood Ali	Chairman	4/4
Mohamed Ahmed	Member	4/4
Ahmed Arif	Member	3/4
Arif Abdul Samad	Member	4/4

Audit committee members and their attendance

Name	Position	Attendance
Ahmed Arif	Chairman	1/1
Mohamed Ahmed	Member	1/1
Arif Abdul Samad	Member	1/1

CGC committee members and their attendance

Corporate Governance Compliance Report

		provisions	
Effective Board	1.1	Complied	The company has 7 directors in Board who are accountable to the shareholders and other stakeholders of the company. They are responsible for promoting the success of the company. Each Director is considered well qualified to carry out their duties and devote sufficient time and effort to fulfill their duties. Non of the Directors sit in any other public board other than STO. All Directors have signed, disclosed and submitted their conflict of interest and disclosure statements to the Chairman.
Composition of Board	1.2	Complied	There are 7 Directors in the Board, comprising of 2 executive Directors and 5 non executive Directors. The 5 non executive Directors are considered independent in reference to the guideline stated in the CG code. One of the 2 executive Directors include the Managing Director. The Board periodically reviews its size through its CGC Committee.
Nomination/re-election of Directors	1.3	Complied	Nominations and re-elections are made at the Annual General Meeting, after the end of each financial year.
Separation of Chairman and MD	1.4	Complied	Chairman and MD are separate persons in the Company. The Chairman is considered an independent Director considering the guideline stated in the CG code.
Roles of Chairman and MD	1.5	Complied	The roles of Chairman and MD are stated separately in their charter. These charters are reviewed annually.
Duties of the Board	1.6	Complied	Board Directors roles are separately states in their charter. These charters are reviewed annually.
Training	1.7	Complied	No trainings were conducted during the last quarter. However, during the year, all Directors participated in different trainings. This include, audit, finance, risk and modules of Diploma in Directorship course at SMU.
Committees	1.8,	Complied	Board has 3 sub committees operating. They are R&N committee, Audit committee and CGC committee.
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	Scheduled for early 2012	Every year, Board performance appraisal is conducted at the beginning of the next year. 2011 board performance appraisal is scheduled for late Jan 2012.
Board remuneration disclosure	2.3	complied	Board remuneration disclosures are made in the Annual report published at the end of each financial year.
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	The roles and responsibilities of management are stated in the Articles of Association. Apart from this departmental procedure manuals and individual job

provisions			
			descriptions are placed at HR to separate their roles. The management team is given constant guidance by the Board on promoting high standards of CG. All executives and managers are required to submit their conflict of interest and disclosure statements to the MD.
Access to information	3.3	Complied	Board and its committees has the authority to request information from the management that are deemed necessary for decisions made at Board. They also have the authority to obtain at the company's expense, outside legal or any other professional advice on any matter deemed necessary for effective performance of their duties.
Internal Audit	4.1	Complied	The company's internal audit department reports directly to the audit committee and administratively to MD. All audit activities, reports, plans, management responsiveness to reports and resource availability is monitored by the audit committee.
External Audit	4.2	Complied	Audit Committee is responsible for making recommendations on the appointment, re-appointment and removal of external auditors and approving their remuneration. The appointment of External Auditors are affirmed at the AGM. In appointing an external audit party, their independence, qualification, and free of conflict of interest is considered. The Audit committee reviews the annual audit plan and meets with the auditors, regularly.
Internal Controls	4.3	Complied	The Board ensures that the management maintains a sound system of internal controls to safeguard the shareholders investments and company assets. Audit committee annually reviews several of these internal control measures enforced in the company. A separate section on the internal controls and steps taken are disclosed in the Annual report by Board.
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 interests in the company.
Shareholders	6.1	Complied	The rights of the shareholders are periodically reminded through notices, annual reports 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 at the end of each financial year, to brief shareholders on company performance through previous year.
Voting Rights	6.4	Complied	Shareholders are brief on their voting rights from time to time. Shareholders are allowed to vote in their absentia through proxy voting.

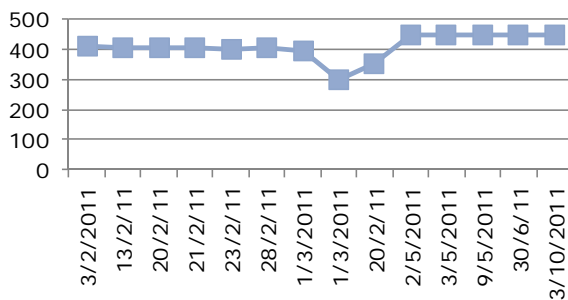
Corporate Governance Report (cont....)

	provisions		
Disclosure	7.1	Complied	The Board ensures that the Annual report of the Company is compiled in accordance with the Companies Act, Listing Rules, CG code and other regulations that the Company has to abide to.
Financial Statements	7.2	Complied	Financial Statement are prepared in accordance with the IAS reporting standards. The balance sheet and P&L statements are reviewed and signed by the Chairman, MD and CFO to certify true and fair accounts of the Company.
Non-financial State-ments	7.3	Complied	Each year, remuneration, conflict of interest, HR, Share, Business Development and other activities of the Company are annually disclosed in the Annual report.
Voluntary Provision: 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.
Voluntary Provision: Investors and media relations	9	Complied	The company encourages media and investor relations by promoting good CG.
Quarterly report	9.4	Complied	STO publishes their quarterly report on website since 2011.
Voluntary Provision: Individual Board member remuneration	10	Not Complied	Individual Director and top management remuneration is not disclosed in the annual report, considering the high demand and effect it could have on the industry. However, a global figure of both Board and top management remuneration is disclosed in the annual report.

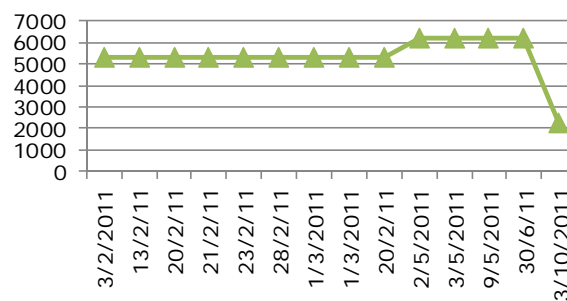
Share Performance

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Highest transaction price	450	0	450	410
Lowest transaction price	450	0	450	300
Last transaction Price	450	450	450	350
Market Capitalization	507,109,500	507,109,500	507,109,500	394,418,500
WATP	2,250.00	-	6,187.50	5,316.33
EPS	106	106	106	106
Dividend Yield	15.11	15.11	15.11	19.42
Price / Earning ratio	4.26	4.26	4.26	3.32

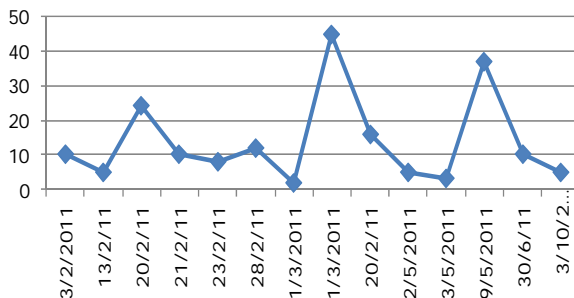
Price



WATP



Shares



Income Statement (Unaudited)

	Year to date	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Turnover	6,775,706,934	2,414,676,870	1,792,037,309	1,671,017,327	897,975,429
Cost of Sales	(6,172,344,262)	(2,080,653,099)	(1,707,714,520)	(1,569,247,147)	814,729,497)
Gross Profit	603,362,673	334,023,772	84,322,789	101,770,180	83,245,932
Other Income	59,927,804	(33,595,106)	56,666,863	16,161,768	20,694,280
Operating Expenses	(331,782,716)	(94,116,104)	(86,517,227)	(82,919,959)	(68,229,425)
Operating Profit	331,507,761	206,312,561	54,472,424	35,011,988	35,710,787
Financial Income / (Expenses)	(73,741,111)	(86,351,225)	(5,108,650)	21,011,000	(3,292,237)
Net profit before depreciation, provisions, impairment & taxation	257,766,649	119,961,336	49,363,775	56,022,988	32,418,550
Depreciation, provision, impairment	(108,719,259)	(9,805,396.35)			
Net profit before taxation	149,047,390	110,155,940			

Balance Sheet (Unaudited)

	Year to date	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Assets					
Non-Current assets	1,520,920,555	737,065,181	45,041,984	21,919,374	716,894,016
Current assets	3,213,023,645	(310,700,673)	523,330,401	1,214,413,145	1,785,980,772
Total assets	4,733,944,201	426,364,508	568,372,385	1,236,332,520	2,502,874,788
Equity & liabilities					
Equity	1,001,817,766	(8,738,793)	49,400,410	32,418,550	949,344,831
Non current liabilities	1,500,923,949	1,060,837,149	337,168,579	98,934,720	3,983,501
Current Liabilities	2,231,202,486	(625,733,849)	181,803,396	1,104,979,250	1,549,546,457
Total Equity & Liabilities	4,733,944,201	426,364,508	568,372,385	1,236,332,520	2,502,874,788

Cashflow Statement (Unaudited)

	4th	Quarter	3rd Quarter	2nd Quarter
Profit before tax	149,047,390		72,493,436	(112,185,410)
Adjustments for:				
Depreciation	59,387,404		43,311,877	28,672,590
Amortization	(10,679,376)		-	-
Interest income	-		(5,975,640)	(3,329,717)
Interest on fixed deposits	(800,307)		(135,960)	
Commission on treasury bills	(28,447,560)		(20,181,904)	(915,563)
Interest expense	136,101,502		76,997,997	43,237,970
Dividend income	(37,729,848)		(37,729,848)	(22,059,648)
Impairment of investments				
Profit on sale of assets	9,025		825	825
Loss on disposal of shares	-			
Changes in working capital				
Inventories (increase) / decrease	(411,571,604)		(125,168,270)	(109,856,637)
Trade and other receivables (increase) / decrease	(867,199,167)		(858,610,526)	(662,459,153)
Trade and other payables (decrease) / increase	1,852,557,942		1,092,093,696	1,100,707,535
Cash generated from operations	840,675,402		237,095,684	253,422,306
Cashflow from operating activities				
Cash generated from operations	840,675,402		237,095,684	253,422,306
Interest paid	(136,101,502)		(76,997,997)	(43,237,970)
Zakath paid	(7,702,267)		(7,072,267)	(7,072,267)
Net cash generated from / (used in) operating activities	697,501,633		153,025,420	203,112,069
Cashflow from investing activities				
Purchases of PPE	(742,341,899)		(59,066,605)	(24,152,514)
Purchase of intangible assets	-			
Purchase of shares in subsidiaries	-			
Investments in subsidiaries	(135,456,589)		(10,455,109)	-
Sales proceeds from fixed assets	145,151		145,151	143,001
Loan realization	-			
Loans granted during the year	(110,000,000)		(5,000,000)	(2,500,000)
Investment in treasury bills	(280,000,000)		(870,000,000)	(610,000,000)
Investments in fixed deposits	(231,520,563)		(266,650,000)	(156,770,000)
Interest received	10,679,376		5,975,640	3,329,717
Interest on fixed deposits	800,307			
Commission on treasury bills	28,447,560		64,018,120	8,390,485
Dividends received	37,729,848		84,872,937	22,059,648
Net cash used in investing activities	(1,322,516,910)		(1,147,139,170)	(759,499,661)
Cashflow from financing activities				
Proceeds from borrowings	3,290,186,827		3,972,419,799	2,600,312,977
Repayments from borrowings	(2,432,438,949)		(1,841,946,412)	(1,792,846,979)
Dividends paid to company shareholders	(43,366,690)		(42,767,653)	(5,669,684)
Net cash (used in) / generated from financing activities	814,381,188		2,087,705,735	801,796,314
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	189,365,912		1,093,591,984	245,408,722
Cash and cash equivalents at the beginning of the year	143,146,423		143,146,423	143,146,423
Cash and cash equivalents at the end of the year	332,512,335		1,236,738,407	388,555,145

Achievements and Milestone 2011

- Introduction of Isle Fresh—local agriculture products to the market
- Setup and operation of Gn. Fuvahmulah Airport
- Supply, operation and management of hospital and medical consumable agreement signed with MHSC
- Fuel Supply agreement between STO and GMR
- Formation of a consortium between STO, GACL and MACL to develop S. Gan International Airport
- Decided to diversify into resort industry

Declaration

Company's Act Compliance

The Company has abided compliance to the Company's Act its regulations throughout the quarter.

Listing Rules Compliance

The Company has abided compliance to Listing rules and its requirements within the quarter.

CDOI regulations Compliance

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

Corporate Governance Compliance

The Company has abided compliance to the CG Code and its requirements within the quarter.

The Company was neither fined nor under any other penalty, in reference to the above mentioned regulations, during past quarter. The Company had paid required tax to MIRA within the allocated time.

State Trading Organization PLC
Boduthakurufaanu Magu,
Male',
Republic of Maldives.
Tel: (960) 3344333
Fax: (960) 3344334
Website: www.stomaldives.com