



01/2016

QUARTER

REPORT



STATE TRADING ORGANIZATION PLC

PUBLISHED ON 28.04.2016



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# HUMAN RESOURCES

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Oct 2015 - Dec 2015	Local	Foreign	Total
No. of staff at beginning of Jan 2016	1741	251	1992
No. of staff Employed during Jan - Mar 2016	71	27	98
No. of staff Resigned / Terminated during Jan - Mar 2016	55	14	69
No. of staff at end of Mar 2016	1757	264	2021

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## TRAININGS

### Short term overseas

- SAP Training
- The Board Secretarial Practice
- Tushaco Pump training
- Internal Auditor ISM-ISPS-MLC training for shipping companies

### In-house trainings

- Fire Awareness Training

### Long term Courses

- National Certificate III in Electrician
- Diploma in Sharia & Law
- Advance Certificate in refrigeration and air-conditioning
- Certificate 4 in Human Resource Management
- A.B.E Level 4 Diploma in Marketing Management

### STO Recreation Club

- Staff Triathlon



# 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	90%	Mechanical and Electrical works and finishing on going.	20-Mar-14	30-April -16
Funadhoo Expansion Project	15%	Contracting & mobilization in progress for Tank building component and Berth component.	June 2015	Feb 2017

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# CORPORATE EVENTS

## MOU signing on Food Court development

On 14th January, an MOU was signed between STO and Ministry of Housing and Environment to develop the Southwest Harbor Café' Area in Male' City.



## SIETCO's STS Break Bulk Operations in Coordination with STO

On 11th January 2016, SIETCO's STS Break Bulk Operations in Coordination with STO commenced.

## TVET Graduation Ceremony

Ministry of Education in partnership with STO organized the TVET graduation ceremony on 31st January 2016.



## Inauguration of Fehurihi and Femunu

Inauguration ceremony of STO's new Flat Top Barge, "Fehurihi" and Harbor Tug, "Femunu" took place on 3rd February 2016.



## Ready-Mix Launching

On 27th January 2016, STO Launched its Ready-mix brand, Power-mix.



## TFG Long Run

On 2nd March 2016, STO and TFG signed an agreement on STO being one of the partners of TFG Long Run.



## Rotary Parking Systems

On 21st March 2016, an agreement was signed between STO and Ministry of Housing and Infrastructure on STO supplying Rotary parking systems.





# CSR ACTIVITIES

## Visit to K.Guraidhoo Home for People with Special Needs

On 22nd January 2016, staff of STO Group visited the Home for people with special needs in K. Guraidhoo.



## Rasfannu Cleaning

On 2nd February 2016, STO helped in the clean-up of Rasfannu Beach area.



## Thinadhoo Crisis

On 28th January 2016, STO vehicles were used for the transportation of aids during G.Dh. Thinadhoo Crisis.





# MARKETING ACTIVITIES

## Chocolate Week

Chocolate week was a promotion held from 11th February to 18th February 2016.



## Heyya Makita Promotion

Heyya Makita Promotion was held from 1st March to 31st March 2016.







## Philips Steam Iron Promotion

Philips Steam Iron Giveaway Promotion was held from 1st March to 31st March 2016. During this promotion, customers got the chance to win a Philips steam iron every day.

**Philips Steam Iron Giveaway**

1st to 31st March 2016

One lucky winner, One Philips Steam Iron **EVERYDAY**

WORLD-WIDE 2 YEARS WARRANTY

No.1 Philips Steam Iron  
The smarter and faster way to iron

Get a coupon for every steam iron & stand a chance to win prizes everyday!  
Regional customers - win prizes every week!

sto HOME APPLIANCES

Call Center (+965) 3344 333  
www.stosupermart.net

PHILIPS

## Robert City Snack Promotion

Robert City Snack Promotion was held from 6th March to 12th March 2016. Customers were given the chance to win free 200g Robert chicken luncheon meat with every purchase made above MVR 200 from Supermart.

**Robert City Snack**

6th - 12th March 2016

FREE ROBERT CHICKEN LUNCHEON MEAT 200g FOR EVERY PURCHASE ABOVE MVR 200 FROM SUPERMART

\* A voucher to be given to all customers who are placing a la carte orders at City Garden.

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# BOARD ACTIVITIES

## Board Meetings

There were 6 meetings held during the quarter and attendance of Directors to the meeting were as follows;

Name	Position in Board	Attendance
Ahmed Niyaz	Chairman	6/6
Ahmed Shaheer	Managing Director	6/6
Ibrahim Ziyath	Director	6/6
Amir Mansoor	Director	6/6
Abdul Hadi Hussain	Director	6/6
Aishath Rafiyya	Director	6/6
Mohamed Farshath	Director	6/6

## Major Board Decisions

Some major decisions of the Board included;

- Discussed on the staff recreation policy
- Discussed on the boards decisions follow up of 2015
- Discussed on the findings and recommendations of last non-executive directors meeting
- Board was presented on WILL campaign – an internal campaign launched to review the internal processes in terms of reducing cost and improving efficiency within company

- Approved Power-mix new logo
- Reviewed procurement policy
- Approved to take on the project to develop a food court at Male' South harbor
- Reviewed salary structure for FSM and STO
- Approved to award Hajj trip for STO staff
- 4<sup>th</sup> quarter financials were presented
- Board was presented on the STO Board portal – a software developed in-house to share information with the directors
- Completed evaluation of Board Directors

## Changes to Board

On 28<sup>th</sup> March 2016, STO received a letter from Privatization and Corporatization Board (PCB), informing on some changes to the Board of Directors. According to the letter, effective same date, Board Directors Ibrahim Ziyath (Executive Director) and Abdul Hadi Hussain were removed from Board and Mohamed Mihad (CFO of STO) and Aishath Rayaheen Shareef (Mushthareege /GDh.Thinadhoo) were appointed to the Board.

## 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

There were 5 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	5/5
Amir Mansoor	Member	5/5
Mohamed Farshath	Member	5/5

Following the letter from PCB on changes to Board Directors, the Committees were re-appointed in April 2016.

The new members of the Committee are;

Amir Mansoor (Chairman)

Aishath Rayaheen Shareef (Member)

Mohamed Farshath (Member)

## Major Committee discussions and decisions include;

- Completed the evaluation of Chief Internal Auditor
- Company and group financials were discussed

## 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
Aishath Rafiyya	Chairperson	2/2
Abdul Hadi Hussain	Member	2/2
Amir Mansoor	Member	2/2

Following the letter from PCB on changes to Board Directors, the Committees were re-appointed in April 2016.

The new members of the Committee are;

Aishath Rafiyya (Chairperson)

Aishath Rayaheen Shareef (Member)

Amir Mansoor (Member)

## Major Committee discussions and decisions include;

- Reviewed and approved the announcements, forms and processes for directorship candidate application 2016-17



## Corporate Governance and Compliance 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
Mohamed Farshath	Chairman	2/2
Amir Mansoor	Member	2/2
Aishath Rafiyya	Member	2/2
Abdul Hadi Hussain	Member	2/2

Following the letter from PCB on changes to Board Directors, the Committees were re-appointed in April 2016.

The new members of the Committee are;

Aishath Rayaheen Shareef (Chairperson)

Mohamed Farshath (Member)

Aishath Rafiyya (Member)

### Major Committee discussions and decisions include;

- Discussed on the findings and recommendations of CG Audit
- Reviewed group companies compliance to code of conduct on governance
- Reviewed director training and induction policy

## Risk Committee

This Committee was formed in January 2016.

Previously, this function was carried out by the Audit Committee.

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

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

Following the letter from PCB on changes to Board Directors, the Committees were re-appointed in April 2016.

The new members of the Committee are;

Mohamed Farshath (Chairman)

Aishath Rafiyya (Member)

Amir Mansoor (Member)

### Major Committee discussions and decisions include;

- Reviewed on the progress of establishing a risk management department within the company



# 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. However,
Composition of Board	1.2	Partially Complied	with appointment of Ms. Aishath Rayaheen Shareef on 28.03.2016, from Q2/2016 onwards we would fully comply with this provision.
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. Candidates have been interviewed. Currently in the evaluation process.
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 related to governance and finance.
Committees	1.8	Complied	In compliance with the CG Code, STO Board has in place, an Audit Committee and a Nomination & Remuneration Committee. In addition to this, the Board also has a Corporate Governance and Compliance Committee and a Risk Committee.  The Nomination & Remuneration Committee act as one Committee, 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 evaluates the performance of the Company, the Board, the Chairman, the MD, individual Directors, Board Committees and the Company Secretary every year. 2015 Evaluation forms have been filled and is currently being evaluated.
Board remuneration disclosure	2.3	Complied	A lump sum figure of Board and top management remuneration will be disclosed in the Annual Report.
Individual Board Member Remuneration Disclosure	2.4	Partially	The individual remuneration of Board Members will be disclosed in the Annual Reports. 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 as per the Policy. The information submitted is verified from the Registrar of Companies.
Internal Audit	4.1	Complied	The company's Chief Internal Auditor 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. KPMG was appointed as auditors for 2015 at the last AGM.
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 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.

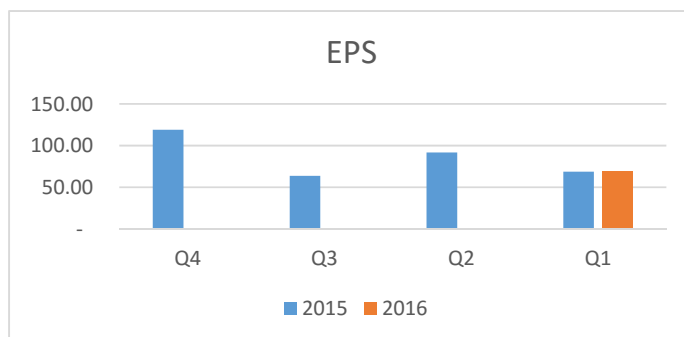
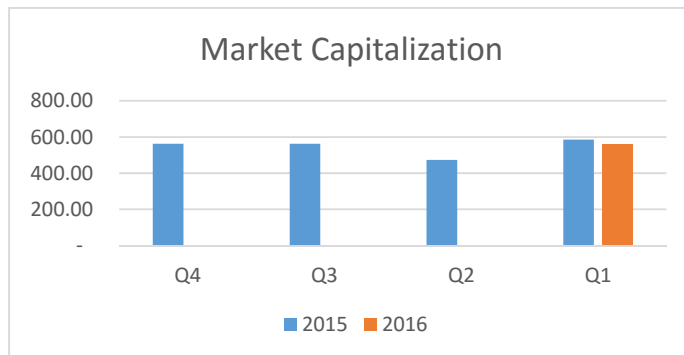
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# SHARE ACTIVITIES

	Q1/2016	Q4/2015	Q1/ 2015
Highest Trade Price	-	510	980
Lowest Trade Price	-	500	520
Last Trade Price	500	500	520
WATP	-	502	571
Market Capitalization (in Millions)	563.46	563	586
Dividend Yield	5%	15%	5%
Price Earnings Ratio	7.3	4.2	7.6
Earnings per Share	99.41	119.0	68.8





# FINANCIALS

## Statement of Income (unaudited)

	Quarter 1 2016	Quarter 4 2015	Quarter 1 2015
Revenue	1,537,462,119	1,988,293,097	1,683,091,662
Cost of Sales	(1,224,357,629)	(1,618,875,246)	(1,366,036,263)
<b>Gross Profit</b>	<b>313,104,490</b>	<b>369,417,851</b>	<b>317,055,399</b>
Other Operating Income	20,731,492	11,671,029	16,386,188
	333,835,982	381,088,880	333,441,586
Selling and Marketing Costs	(47,973,823)	(56,481,350)	(100,420,141)
Administrative Costs	(127,527,114)	(128,209,160)	(115,018,366)
Other Operating Expenses	(3,030,977)	(991,442)	(745,975)
<b>Operating Profit</b>	<b>155,304,068</b>	<b>195,406,928</b>	<b>117,257,104</b>
Finance Costs	(20,954,962)	(42,940,906)	(24,645,072)
<b>Profit Before Tax</b>	<b>134,349,106</b>	<b>152,466,022</b>	<b>92,612,032</b>
Business Profit Tax Expense	(22,325,560)	(18,368,272)	(15,130,574)
<b>Profit After Tax</b>	<b>112,023,546</b>	<b>134,097,750</b>	<b>77,481,458</b>
<b>Attributable to</b>			
Equity Holders of the Parent	112,023,546	134,097,750	77,481,458
Non-Controlling Interest	-	-	-
Earnings per share Attributable to Equity holders of the Parent	99.41	119.00	68.76



# FINANCIALS

## Balance Sheet (unaudited)

	Quarter 1 2016	Quarter 4 2015	Quarter 1 2015
<b>ASSETS</b>			
<b>NONCURRENTASSETS</b>			
Property Plant and Equipment	1,727,938,385	1,688,130,852	1,453,000,558
Investment I 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	65,450,485	57,574,769	56,325,127
<b>Total on-Current Assets</b>	<b>1,938,646,772</b>	<b>1,890,963,523</b>	<b>1,654,458,587</b>
<b>CURRENTASSETS</b>			
Inventories	570,703,874	664,568,753	529,123,761
Trade and Other Receivables	1,666,911,771	1,718,187,170	1,884,599,165
Cash and Cash Equivalents	627,129,934	469,416,308	526,422,328
<b>Total Current Assets</b>	<b>2,864,745,579</b>	<b>2,852,172,231</b>	<b>2,940,145,253</b>
<b>Total Assets</b>	<b>4,803,392,351</b>	<b>4,743,135,754</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	602,513,407	570,518,082	517,593,560
Fair Value Reserve	-	-	-
Retained Earnings	1,325,899,039	1,197,917,737	1,071,864,806
<b>Total Equity</b>	<b>2,012,572,446</b>	<b>1,852,595,819</b>	<b>1,673,618,367</b>
<b>LIABILITIES</b>			
<b>NON-CURRENTLIABILITIES</b>			
Loans and Borrowings	363,625,142	401,755,887	382,432,705
<b>Current Liabilities</b>			
Current Tax Liabilities	16,515,423	28,845,458	67,597,671
Derivative Financial Instruments	1,163,119	2,633,377	6,322,477
Trade and Other Payables	1,399,468,459	1,548,011,762	1,542,221,270
Borrowings	1,010,047,762	909,293,451	922,411,351
<b>Total Current Liabilities</b>	<b>2,427,194,763</b>	<b>2,488,784,048</b>	<b>2,538,552,769</b>
<b>Total Liabilities</b>	<b>2,790,819,905</b>	<b>2,890,539,935</b>	<b>2,920,985,474</b>
<b>Total Equity and Liabilities</b>	<b>4,803,392,351</b>	<b>4,743,135,754</b>	<b>4,594,603,840</b>

Mohamed Mihad  
Chief Financial Officer / Executive Director

Ahmed Shaheer  
Managing Director



## FINANCIALS Cash Flow Statement (unaudited)

	Quarter 1 2016	Quarter 4 2015	Quarter 1 2015
Profit before business profit tax	134,349,105	152,466,021	92,612,032
Adjustments for:			
- Depreciation & amortization	14,849,569	18,567,679	10,827,892
- Interest income	(2,540,220)	(3,351,628)	(2,664,551)
- Interest expense	20,849,938	33,152,918	29,491,217
- Dividend income	-	(1,000,000)	(11,000,000)
- Provision for impairment of receivables	16,544,207	12,854,455	11,675,633
- Provision for impairment of assets	-	-	-
- Receivables written off	-	-	(852,743)
- Provision for slow and non-moving inventories	6,683,432	1,456,415	-
- Profit on disposal of property, plant and equipment	-	-	-
- (Profit) / loss on disposal of investments	27,792	627,936	-
Changes in working capital:			
- Inventories	87,181,447	(43,567,007)	129,260,124
- trade and other receivables	74,027,537	(40,763,550)	13,409,597
- Trade and other payables	(147,919,474)	(75,835,433)	161,263,374)
	204,053,333	54,607,806	111,495,826
<b>Cash flows from operating activities</b>			
Cash generated from operations			
Interest paid	(20,849,938)	(33,152,918)	(29,491,217)
Business profit tax paid	(34,256,269)		(13,395,654)
Net cash generated from / (used in) operating activities	148,947,126	21,454,888	68,608,955
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment - net	(54,684,895)	(37,950,310)	(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		61,645,328	-
Interest received	2,540,220	3,351,628	2,664,551



Dividends received		1,000,000	11,000,000
Net cash generated from / (used in) investing activities	(52,144,675)	28,046,646	(30,272,800)
<b>Cash flows from financing activities</b>			
Net proceeds from / (repayment of) borrowings	52,098,672	(105,099,994)	19,619,749
Net payment made for currency SWAPs	(1,470,258)	(14,000)	(3,689,100)
Dividends paid to shareholders	(244,050)	(121,044)	(242,338)
Net cash generated from / (used in) financing activities	50,384,364	(105,235,038)	(23,551,187)
Net increase / (decrease) in cash and cash equivalents	147,186,815	(55,733,504)	14,784,968
Cash, cash equivalents and bank OD at beginning of year	479,943,118	525,149,811	511,637,360
Bank overdraft			
Cash, cash equivalents and bank overdrafts at end of the year	627,129,933	469,416,307	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 2015 (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 2015 (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 13 – 16.

## 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.