



02/2016

QUARTER

REPORT



STATE TRADING ORGANIZATION PLC

PUBLISHED ON 25.07.2016



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HUMAN RESOURCES

April 2016 – June 2016	Local	Foreign	Total
No. of staff at the beginning of Apr 2016	1757	264	2021
No. of staff Employed during Apr - Jun 2016	83	23	106
No. of staff Resigned / Terminated during Apr - Jun 2016	59	6	65
No. of staff at end of Jun 2016	1781	281	2062

TRAININGS

Short term overseas

- Cyber-Fraud Law & Investigations
- Fraud Risk Management
- Mindray & Cornley Training for IVD/Laboratory Products,
- Strategic Leadership & People Management Skills
- Fixed Assets Management & Tracking Systems
- Excel Leadership Programme
- Maritime Labor Convention (ILO-MLC, 2006) Compliance
- KATO Training
- Sharpening your HR Skills
- Fire Awareness Training
- Pharmacy Refresher Course
- Customer Care Training
- GSK Training (Planning, Procurement and Warehousing)

Long term Courses

- Certificate 3 in Information Technology
- ABE Level 5 Diploma in Business Management
- ABE Level 5 Diploma in Marketing Management
- MAPS Associate's Degree in Business Management



- MAPS Associate's Degree in Marketing
- MAPS Associate's Degree in Human Resource Management
- Certificate 4 in Human Resource Management
- A.B.E Level 4 Diploma in Marketing Management

STO Recreation Club

- Club Maldives Cup 2016



- Intern Office Handball Tournament



- Participated in FAHI 913





MAJOR PROJECT STATUS

Project	% Completed		Start Date	End Date
Radisson Hotel Hulhumale'	40%	Negotiating with parties on expression of interest for developing the Hotel and exploring opportunities for development.	2007 – design and consultancy 2011 – construction works started	December 2017
10 Storey Building at Umar Shopping Arcade	90%	Finishing works ongoing.	Nov 2013	Aug 2016
Funadhoo Expansion Project	15%	Ground works in progress for both tank building component and berth component.	Jun 2015	Feb 2017
Henveyru Pharmacy	100%	Project completed and opened in May 2016.		May 2016



CORPORATE EVENTS

Endorsement of "Saafu Raajje" Campaign

On 4th May 2016, STO endorsed "Saafu Raajje" campaign by donating road side litterbins to Ministry of Environment and Energy.



Opened STO Henveyru Pharmacy

On 29th May 2016, STO Henveyru pharmacy commenced its services. This is the latest addition to the pharmacy chain of STO, with 187 pharmacies across the Country.



STO introduced hair treatment product - Qilib

On 5th May 2016, STO introduced a new range of advanced hair treatment product called Qilib to Maldives.



MOU signing between STO and MACL

On 30th May 2016, STO renewed contract with MACL to supply fuel to Ibrahim Nasir International Airport for another term.



STO partnered with Ooredoo to extend Mobile Money

On 10th May 2016, STO partnered with Ooredoo to extend Ooredoo Mobile Money service across the Maldives.



CSR ACTIVITIES

STO donated "Roadha Hadhiya" to K.Guraidhoo Special Needs Centre

On 5th June 2016, STO donated "Roadha Hadhiya" to K.Guraidhoo Special Needs Centre. Gift items include kitchen appliances from STO Home Improvement and canned products from STO Supermart.



MOU signing between STO and National Drug Agency

On 25th June 2016, to mark international Day against Drug Abuse, STO signed MOU with NDA on providing tools to NDA's vocational programs.





MARKETING ACTIVITIES

STO Ramazaan Bazaar Europhoria

Ramazaan Baazaar Europhoria was a promotion held at STO Supermart, STO Home Improvement and Regional Outlets. At STO Supermart the promotion was held from 6th May to 6th July 2016 while at STO Home Improvement and at Regional Outlets the promotion was from 10th April to 16th June 2016.



STO Hitachi "AC Bodu Sale"

This Hitaci aircondition promotion continued from 06th March to April 2016.



STO Happy Ramazan Fair at Dharubaaruge

STO Happy Ramazan fair was held at Dharubaaruge on 26th, 27th and 28th of April. STO was the main sponsor of this event. Our products; Philips, Nippon, Makita, Samsung and STO Supermart displayed their products at the fair.



Philips Food Contest

A Philips food contest was held during the Ramazan. This contest required customers to prepare and upload pictures of dishes made with STO products. Lucky draws were held every week and winners were awarded.



Super Hunt – Promotion and Road Show

The Super Hunt promotion came back this year with better prizes and bigger excitement. This event started on 1st April and will continue till 9th July.



Launched Revamped Choice Basmati

The revamped Choice Basmati was introduced on 26th June 2016.



Children's Event

An event was held focused on Child customers on 13th May 2016.



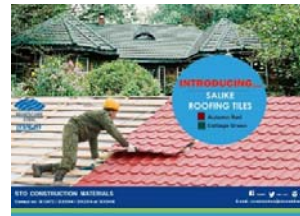
El Sabah Milk / Nabati Launch

El Sabah flavoured milk and Nabati were launched on 10th May 2016.



Introduction of Salike Roofing Sheets

A new brand of roofing sheet - 'Salike' roofing sheet was introduced in April 2016.



M-Board Buy 1 Get 1 Free

A special promotion was held for M-Board - Buy 1 get 1 Free' promotion on 14th March 2016.



Powermix Roadshow

A road show was held on 2nd April 2016 to create awareness on the latest brand in construction – Powermix.





BOARD ACTIVITIES

Board Meetings

There were 8 meetings held during the quarter and attendance of Directors to the meeting were as follows;

Name	Position in Board	Attendance
Ahmed Niyaz	Chairman	8/8
Ahmed Shaheer	Managing Director	8/8
Mohamed Mihad	Director	8/8
Amir Mansoor	Director	8/8
Aishath Rayaheen Shareef	Director	8/8
Aishath Rafiyya	Director	7/8
Mohamed Farshath	Director	8/8

Major Board Decisions

Some major decisions of the Board included;

- Board Committees were appointed with new Directors
- Reviewed Director Training and Induction Policy
- Reviewed Credit Policy
- Approved to form Allied Thakaful
- Approved to allow Mr. Mohamed Farshath and Mr. Ibrahim Latheef to compete at AGM for Board Directorship

- Reviewed Remuneration Policy
- Reviewed Group Companies Compliance to Code of Conduct
- Approved 2015 Audited Financials for submission to AGM
- Approved MVR57.00 per share as dividend 2015, for submission to AGM
- Approved Bonus and Ramadan allowance to staff
- Approved Policy Hierarchy for new policy and procedure developments
- Appointed a Chief Risk Officer and formed a Risk Management Department
- Mr. Ahmed Shaheer was appointed as the Managing Director for another term
- Approved to take on the development of a Food Court in Male' south harbor in collaboration with Ministry of Housing and Infrastructure
- Approved to take on the project to set up Automatic Car Parking System in Male' City also in collaboration with Ministry of Housing and Infrastructure

Changes to Board

During this period, there were no changes to the Board.

Shareholding Structure

There were no changes to the shareholding structure of the Company. As such the Government holds 81.6% while the Public holds 18.3%.



Audit 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
Amir Mansoor	Chairman	3/3
Aishath Rayaheen Shareef	Member	3/3
Mohamed Farshath	Member	3/3

Major Committee discussions and decisions include;

- Reviewed Committee Charter
- Discussed on the appointment of an external auditor for 2016 and made recommendations to the Board
- Reviewed some special audit reports
- 2015 Financials were presented and discussed
- Internal Audit progress report was reviewed for the quarter

Nomination and Remuneration 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
Aishath Rafiyya	Chairperson	3/3
Aishath Rayaheen Shareef	Member	3/3
Amir Mansoor	Member	3/3

Major Committee discussions and decisions include;

- Reviewed and approved the announcements, forms and processes for directorship candidate application 2016-17
- Reviewed Company structure
- Discussed on the eligible candidates to be appointment as the Chief Risk Officer



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
Aishath Rayaheen Shareef	Chairman	1/1
Aishath Rafiyya	Member	1/1
Mohamed Farshath	Member	1/1

Major Committee discussions and decisions include;

- Reviewed Group Companies compliance to Code of Conduct on Governance
- Reviewed Committee Charter

Risk 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
Mohamed Farshath	Chairman	1/1
Amir Mansoor	Member	1/1
Aishath Rafiyya	Member	1/1

Major Committee discussions and decisions include;

- Reviewed Committee Charter
- Discussed Risk Management Report



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 are 2 female directors in the Board effective March 2016.
Composition of Board	1.2	Complied	A 21 day notice period was given to the shareholders to submit names for Directorship. The major shareholder was informed through letter. Candidates were interviewed and evaluated. Recommendations were made to the Board and the Board decided for Mr. Mohamed Farshath and Mr. Ibrahim Latheef to compete for the post at the AGM.
Nomination/re-election of Directors	1.3	Complied	The Chairman and MD are separate persons in the Company. The Chairman is considered an independent Director.
Separation of Chairman and MD	1.4	Complied	The roles of Chairman and MD are stated separately in their charter.
Roles of Chairman and MD	1.5	Complied	Board Directors roles are separately stated in their charter.
Duties of the Board	1.6	Complied	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 leadership, 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. Board Evaluation for 2015 was carried out early 2016.
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 Complied	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 2016 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	Partially Complied	AGM's are held annually, to brief shareholders on company performance of previous year. 2015 AGM was held, however with a delay. As such AGM was held on 04 th June 2016 and Annual Report was published on 20 th May 2016.
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



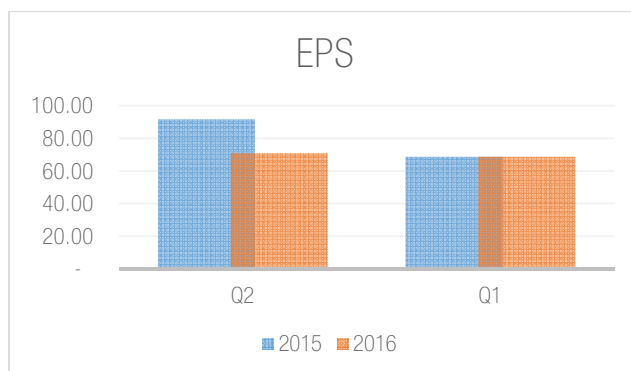
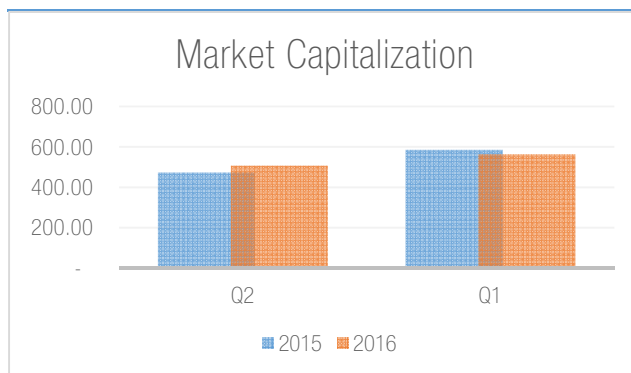
stakeholder concerns through website as well as through suggestion forms placed in different business units.

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.



SHARE ACTIVITIES

	Q2/2016	Q1/2016
Highest Trade Price	450	-
Lowest Trade Price	400	-
Last Trade Price	450	500
WATP	417.50	-
Market Capitalization (in Millions)	507.11	563.46
Dividend Yield	13%	5%
Price Earnings Ratio	6	5
Earnings per Share	70.93	99.41





FINANCIALS

Statement of Income (unaudited)

	Quarter 2 2016	Quarter 1 2016
Revenue	1,623,303,343	1,537,462,119
Cost of Sales	(1,392,442,240)	(1,224,357,629)
Gross Profit	230,861,103	313,104,490
Other Operating Income	2,964,505	20,731,492
	233,825,608	333,835,982
Selling and Marketing Costs	(34,438,869)	(47,973,823)
Administrative Costs	(164,080,742)	(127,527,114)
Other Operating Expenses	(2,453,676)	(3,030,977)
Operating Profit	32,852,321	155,304,068
Finance Costs	48,548,500	(20,954,962)
Profit Before Tax	81,400,821	134,349,106
Business Profit Tax Expense	(1,465,401)	(22,325,560)
Profit After Tax	79,935,420	112,023,546
Attributable to		
Equity Holders of the Parent	79,935,420	112,023,546
Non-Controlling Interest		
Earnings per share Attributable to Equity holders of the Parent	70.93	99.41



FINANCIALS

Balance Sheet (unaudited)

	Quarter 2 2016	Quarter 1 2016
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,743,142,490	1,727,938,385
Investment I 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	12,740,800
Deferred Tax Asset	61,165,267	65,450,485
Total Non-Current Assets	1,949,565,659	1,938,646,772
CURRENT ASSETS		
Inventories	576,983,819	570,703,874
Trade and Other Receivables	1,868,825,410	1,666,911,771
Cash and Cash Equivalents	633,013,668	627,129,934
Total Current Assets	3,078,822,897	2,864,745,579
Total Assets	5,028,388,556	4,803,392,351
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	617,762,641	602,513,407
Fair Value Reserve	-	-
Retained Earnings	1,322,662,102	1,325,899,039
Total Equity	2,024,584,743	2,012,572,446
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	334,468,466	363,625,142
Current Liabilities		
Current Tax Liabilities	11,700,903	16,515,423
Derivative Financial Instruments	1,163,119	1,163,119
Trade and Other Payables	1,717,665,869	1,399,468,459
Borrowings	938,805,456	1,010,047,762
Total Current Liabilities	2,669,335,347	2,427,194,763
Total Liabilities	3,003,803,813	2,790,819,905
Total Equity and Liabilities	5,028,388,556	4,803,392,351

Mohamed Mihad
Chief Financial Officer / Executive Director

Ahmed Shaheer
Managing Director



FINANCIALS

Cash Flow Statement (unaudited)

	Quarter 2 2016	Quarter 1 2016
Profit before business profit tax	81,400,821	134,349,105
Adjustments for:		
- Depreciation & amortization	16,466,225	14,849,569
- Interest income	(2,442,581)	(2,540,220)
- Interest expense	33,546,904	20,849,938
- Dividend income	(83,937,101)	-
- Provision for impairment of receivables	(859,707)	16,544,207
- Provision for impairment of assets		
- Receivables written off	1,095,145	
- Provision for slow and non-moving inventories	3,192,425	6,683,432
- Profit on disposal of property, plant and equipment	45,252	-
- (Profit) / loss on disposal of investments		27,792
Changes in working capital:		
- Inventories	(9,472,371)	87,181,447
- trade and other receivables	(202,149,077)	74,027,537
- Trade and other payables	263,525,671	(147,919,474)
	100,411,606	204,053,333
Cash flows from operating activities		
Cash generated from operations		
Interest paid	(33,546,904)	(20,849,938)
Business profit tax paid	(5,683,958)	(34,256,269)
Net cash generated from / (used in) operating activities	61,180,744	148,947,126
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(31,715,581)	(54,684,895)
Loan repayments received from related parties		
Sales / (purchases) of available-for-sale financial assets		
(Purchases of) / Proceeds from held-to-maturity financial assets		
Interest received	2,442,581	2,540,220
Dividends received	83,937,101	
Net cash generated from / (used in) investing activities	54,664,101	(52,144,675)
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	(100,398,981)	52,098,672



Net payment made for currency SWAPs	-	(1,470,258)
Dividends paid to shareholders	(9,562,130)	(244,050)
Net cash generated from / (used in) financing activities	(109,961,111)	<u>50,384,364</u>
Net increase / (decrease) in cash and cash equivalents	5,883,734	147,186,815
Cash, cash equivalents and bank OD at beginning of quarter	627,129,934	479,943,118
Bank overdraft		
Cash, cash equivalents and bank overdrafts at end of the quarter	633,013,668	627,129,933



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 2015 within the first four months of the year (clause 3.5.1) and unable to hold the Annual General Meeting during the first five months of the year (clause 3.7.1). Other than this, the Company believes that we have 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 2015 within the first 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 13 – 16.

FINES

CMDA waived fine for the Company on delays in publication of Annual Report and delays in holding AGM. Maldives Stock Exchange has not yet informed the Company on any fines or waive on any of these fines.

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.