



03/2016

QUARTER

REPORT



STATE TRADING ORGANIZATION PLC

PUBLISHED ON 30.10.2016



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HUMAN RESOURCES

April 2016 – June 2016	Local	Foreign	Total
No. of staff at Beginning of Jul 2016	1781	281	2062
No. of staff Employed during Jul - Sep 2016	41	15	56
No. of staff Resigned / Terminated during Jul - Sep 2016	54	26	80
No. of staff at end of Sep 2016	1768	270	2038

TRAININGS

Short term Courses

- Sales Management Trainings
- ISO 9001:2015 (New standard) Internal Auditor Course
- Executive Secretary and Office Management Trainings
- Oil and Gas related trainings

In house Trainings

- MNDF Leadership Enhancement Program
- Executive Team Building Training
- Pharmacist refresher Course
- Train the Trainer Course
- Wound Care Workshop

Long term Courses

- Certificate in Air Conditioning and Refrigeration
- Certificate, Diploma and Associate Degree in Business Administration
- Associate Degree in Business Management
- Bachelor of Arts Accounting and Finance
- Master of Business Administration



STO Recreation Club

- IDEAS CUP was held from 20th July 2016 to 12th August 2016. Twenty Four (24) teams participated in the Tournament. Champion Team was STO



- STO Mas Race 2016 was as held on 19th August 2016.
- Inter Department Volley Tournament was held from 22nd September 2016 to 24th September 2016 and the STO Group Volley Tournament was held from 29th September 2016 to 30th September 2016.





MAJOR PROJECT STATUS

Project	% Completed	Current Status	Start Date	End Date
Radisson Hotel Hulhumale'	37%	Mechanical, Engineering, Furnishing and Glazing works on going.	2007 – design and consultancy 2011 – construction works started	August 2017
10 Storey Building at Umar Shopping Arcade	95%	Mechanical and Electrical works and finishing work on going.	20-Mar-14	30-Oct-16
Funadhoo Expansion Project	15%	Tank foundation works ongoing. Birth platform repairing works ongoing.	Jun 2015	Feb 2017
West Harbor Food Court Project	5%	Site cleanup and foundation works ongoing. Steel Structure fabrication works on progress.	Oct 2016	May 2017



CORPORATE EVENTS

Independence Day 2016

To celebrate Independence Day 2016, STO staff took part in the festive float parade which was held on 27th July 2016. STO's float portrayed Alice in Wonderland.



Celebrating 25th Anniversary of STO Supermart

On 25th July 2016, we celebrated the 25th Anniversary of STO Supermart.



STO Supermart New Wholesale Centre

STO opened its new wholesale center on 08th July 2016.



A Premium Partner of Guesthouses of Maldives Conference

On 8th August 2016, STO signed MOU with Maldives Getaways on STO becoming the Premium Partner of Guesthouses of Maldives Conference 2016.



STO signs MOU on Advocating for Human Rights

On 9th August 2016, STO signed MOU with Human Rights Commission on advocating and respecting Human Rights.





A Main Sponsor of Maldivian Idol

On 29th August 2016, STO signed a MOU with Public Service Media for the main sponsorship of Maldivian Idol. STO will be promoting Choice brand and Hitachi in the Maldivian Idol season 2.



STO is the Digital Display Partner of Maldives Travel Awards 2016.

On 6th September 2016, STO signed an MOU with Think Advertising on STO becoming the Digital Display Partner of Maldives Travel Awards 2016.



Title Sponsor of Bride Fair 2016

On 27th September 2016, STO signed MOU with Bride Maldives on STO becoming the title Sponsor of Bride Fair 2016.



A Platinum Sponsor of Maldives Investment Forum 2016

On 28th September 2016, STO became the first platinum sponsor of Maldives Investment Forum 2016.





PROMOTIONAL ACTIVITIES

Launching of Al Noor and Devondale milk powder

On 16th August 2016, STO Supermart launched Al Noor and Devondale milk powder.



STO Home Improvement TV Grand Promotion

STO Home Improvement's TV Grand Promotion started on 21st August 2016 and will last until 30th November 2016.



Yaahoo Makita Promotion

STO Home Improvement's Yaahoo Makita Promotion started on 25th September 2016 and will last until 31st October 2016. This promotion offers discount up to 25% and a lucky winner is randomly selected every week.



Introducing Mr. Brown canned coffees

Introduced Mr. Brown canned coffees Imported from Taiwan. Mr. Brown was developed for a French recipe and launched globally in 1982.





CSR ACTIVITIES

STO is the Title Sponsor of Minivan Championship 2016

On 25th July 2016, STO signed an agreement with Football Association of Maldives on becoming the title sponsor of Minivan Championship 2016.



STO pledged to sponsor a Sports Scholarship of 1 year

On 7th September 2016, STO pledged to sponsor a sports scholarship of 1 year to one of the Maldivian Athletes. This pledge was made under #PartnersForMvSports campaign which was launched by Mr. Ahmed Marzooq, Secretary General of Maldives Olympic Committee.



STO is an Associate Partner of "A Tribute to Nashid" Show

On 22nd August 2016, STO signed an agreement with MISC Magazine on STO becoming an Associate Partner of "A Tribute to Nashid" Show.





STO Top Achievers' Awards 2015

STO is the title sponsor of Top Achievers' Awards 2015. This ceremony is held to honor and celebrate the achievements of students at the Secondary School completion exams.



STO Eid Hadhiya Safari Trip

Mr. Suhail won "STO Eid Hadhiya Safari Trip" which was a CSR event conducted on the occasion of Al'ha Eid.



Programs with Dhamanaveshi

Health screening activities were held on the occasion of World Health Day at Dhamanaveshi.





BOARD ACTIVITIES

Board Meetings

There were 5 meetings held during the quarter and attendance of Directors to the meeting were as follows;

Name	Position in Board	Attendance
Ahmed Niyaz	Chairman	5/5
Ahmed Shaheer	Managing Director	5/5
Mohamed Mihad	Director	5/5
Amir Mansoor	Director	5/5
Aishath Rayaheen Shareef	Director	5/5
Aishath Rafiyya	Director	5/5
Mohamed Farshath	Director	5/5

Major Board Decisions

Some major decisions of the Board included;

- Board evaluation results were reviewed, discussed and endorsed
- Some changes were brought to the management structure and to the board of directors of some of the group companies

- 2nd quarter financials were presented and discussed
- Discussions were made on the performance evaluation results of individual group companies
- Discussions and necessary decisions were made on the South Harbor Food Court project
- Decisions of Board Committees were reported to the Board
- Decided to acquire Maldives Industrial Fisheries Company (MIFCO) Ltd, following the decision by President Office on 29th September 2016

MIFCO Acquisition

It was decided to integrate MIFCO within STO Group as a subsidiary with 99.99% shares of STO and 0.01% shares of Allied Insurance Company of the Maldives. MIFCO was transferred to STO after its negative net assets were balanced.

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%.

Non-Executive Directors Meeting

A non-executive directors meeting was held during the quarter.

Audit Committee

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

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

Major Committee discussions and decisions include;

- Reviewed STO and its group companies management letters and implementation status of audit recommendations
- Internal Audit presented their report for Q2
- Some of the department heads were requested to present department audit reports with implementation status

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
Aishath Rayaheen Shareef	Member	2/2
Amir Mansoor	Member	2/2

Major Committee discussions and decisions include;

- Discussions were made on the changes proposed by management to the structure
- A policy was made separately on board remuneration, discussed and recommendations were agreed to be taken to board



Corporate Governance and Compliance Committee

There was 2 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	2/2
Aishath Rafiyya	Member	2/2
Mohamed Farshath	Member	2/2

Major Committee discussions and decisions include;

- Analyzed and discussed on the subsidiary board evaluations and its results
- Board charter and Corporate Governance guidelines were discussed

Risk Committee

No meetings were held during the quarter.



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. Mr. Mohamed Farshath succeeded to the post in Board.
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. Board has held its 1 st NED meeting in August 2016.
Duties of the Board	1.6	Complied	During the quarter, Directors have attended trainings on areas related to governance and finance.
Training	1.7	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.
Committees	1.8	Complied	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. However, work is ongoing to separate the Board and Employee policy.
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 and has now been reviewed, discussed and endorsed.
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. Relevant 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.

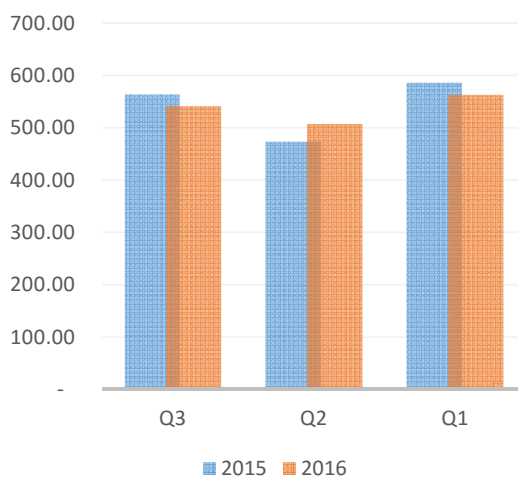
Investors and media relations	9	Complied	The company encourages media and investor relations by promoting good CG.
Quarterly newsletter	9.4	Complied	STO discloses on its business and activities through its quarterly reports.
Sustainability Reporting	10	Complied	STO publishes it Sustainability Reporting through its annual report.



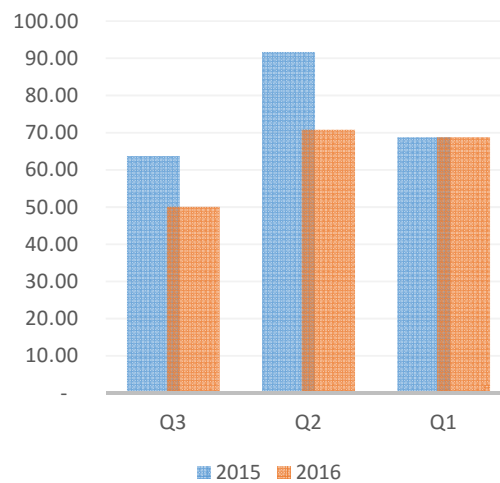
SHARE ACTIVITIES

	Q3/2016	Q2/2016	Q1/2016
Highest Trade Price	500	450	-
Lowest Trade Price	450	400	-
Last Trade Price	480	450	500
WATP	471.9	417.50	-
Market Capitalization (in Millions)	540.92	507.11	563.46
Dividend Yield	12%	13%	5%
Price Earnings Ratio	10	6	5
Earnings per Share	50.08	70.93	99.41

Market Capitalization



EPS





FINANCIALS

Statement of Income (unaudited)

	Quarter 3 2016	Quarter 2 2016
Revenue	1,479,930,002	1,623,303,343
Cost of Sales	(1,256,260,961)	(1,392,442,240)
Gross Profit	223,669,041	230,861,103
Other Operating Income	10,250,713	2,964,505
	233,919,753	233,825,608
Selling and Marketing Costs	(14,609,961)	(34,438,869)
Administrative Costs	(129,171,394)	(164,080,742)
Other Operating Expenses	(533,987)	(2,453,676)
Operating Profit	89,604,411	32,852,321
Finance Costs	(27,398,316)	48,548,500
Profit Before Tax	62,206,095	81,400,821
Business Profit Tax Expense	(5,765,416)	(1,465,401)
Profit After Tax	56,440,679	79,935,420
Attributable to		
Equity Holders of the Parent	56,440,679	79,935,420
Non-Controlling Interest		
Earnings per share Attributable to Equity holders of the Parent	50.08	70.93



FINANCIALS

Balance Sheet (unaudited)

	Quarter 3 2016	Quarter 2 2016
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,756,242,917	1,743,142,490
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	61,165,267
Total Non-Current Assets	1,962,666,086	1,949,565,659
CURRENT ASSETS		
Inventories	591,599,499	576,983,819
Trade and Other Receivables	1,932,764,416	1,868,825,410
Cash and Cash Equivalents	550,102,890	633,013,668
Total Current Assets	3,074,466,805	3,078,822,897
Total Assets	5,037,132,891	5,028,388,556
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	629,050,768	617,762,641
Fair Value Reserve		
Retained Earnings	1,367,814,607	1,322,662,102
Total Equity	2,081,025,375	2,024,584,743
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	305,093,628	334,468,466
Current Liabilities		
Current Tax Liabilities	1,305,859	11,700,903
Derivative Financial Instruments		1,163,119
Trade and Other Payables	1,672,065,838	1,717,665,869
Borrowings	977,642,191	938,805,456
Total Current Liabilities	2,651,013,888	2,669,335,347
Total Liabilities	2,956,107,516	3,003,803,813
Total Equity and Liabilities	5,037,132,891	5,028,388,556

Mohamed Mihad
Chief Financial Officer / Executive Director

Ahmed Shaheer
Managing Director



FINANCIALS

Cash Flow Statement (unaudited)

	Quarter 3 2016	Quarter 2 2016
Profit before business profit tax	62,206,095	81,400,821
Adjustments for:		
- Depreciation & amortization	16,729,654	16,466,225
- Interest income	(2,133,841)	(2,442,581)
- Interest expense	25,282,725	33,546,904
- Dividend income		(83,937,101)
- Provision for impairment of receivables	(28,521,061)	(859,707)
- Provision for impairment of assets		
- Receivables written off	326,003	1,095,145
- Provision for slow and non-moving inventories	1,585,665	3,192,425
- Profit on disposal of property, plant and equipment	55,126	45,252
- (Profit) / loss on disposal of investments		
Changes in working capital:		
- Inventories	(16,201,344)	(9,472,371)
- trade and other receivables	(35,743,948)	(202,149,077)
- Trade and other payables	(45,079,405)	263,525,671
	(21,494,331)	100,411,606
Cash flows from operating activities		
Cash generated from operations		
Interest paid	(25,282,725)	(33,546,904)
Business profit tax paid	(16,160,460)	(5,683,958)
Net cash generated from / (used in) operating activities	(62,937,516)	61,180,744
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(29,885,207)	(31,715,581)
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	2,133,841	2,442,581
Dividends received		83,937,101
Net cash generated from / (used in) investing activities	(27,751,366)	54,664,101
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	9,461,896	(100,398,981)
Net payment made for currency SWAPs	(1,163,119)	-
Dividends paid to shareholders	(520,626)	(9,562,130)
Net cash generated from / (used in) financing activities	7,778,151	(109,961,111)



Net increase / (decrease) in cash and cash equivalents	(82,910,731)	5,883,734
Cash, cash equivalents and bank OD at beginning of quarter	633,013,621	627,129,934
Bank overdraft		
Cash, cash equivalents and bank overdrafts at end of the quarter	550,102,890	633,013,668



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 this 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 this quarter.

COMPLIANCE TO CORPORATE GOVERNANCE CODE

Details of compliance to code is stated in page 14 – 17.

FINES

CMDA waived fine for the Company on delays in publication of Annual Report and delays in holding AGM. Maldives Stock Exchange has not officially 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.