

# 04/2015 QUARTER REPORT



STATE TRADING ORGANIZATION PLC

PUBLISHED ON 28.01.2016



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# HUMAN RESOURCES

Oct 2015 - Dec 2015	Local	Foreign	Total	Total
No. of staff at beginning of Oct 2015	1731	246	1977	1731
No. of staff employed during Oct - Dec 2015	88	16	104	88
No. of staff resigned / terminated during Oct - Dec 2015	78	11	89	78
No. of staff at end of Dec 2015	1741	251	1992	1741

## TRAININGS

### Short term overseas

- Refrigerator & Washing Machine Training
- Android Application Development Training
- Training on conducting a workplace investigation
- Excel Leadership Program
- SAP Training
- Logistic Management Training
- Warehouse Management Training
- Hitachi set free service & control system
- MBA for Women in Business
- Managing Tenders, Specification & Contracts
- Result Based Leadership
- 3 Day MBA in Finance

### Short term local

- Engine Officer Refresher and Update Course

### In-house trainings

- Demand, forecasting and Inventory Optimization
- Retail management
- Product marketing Training
- IFRS Training
- Good Pharmacy Practice and Engagement of Patients and Pharmacists for better health outcomes, training program
- Information session for pharmacists
- MS Excel Basic Training
- Conducted training programs for our pharmacy staffs collaborating with Pharmaceutical Society of Sri Lanka
- Conducted the hands on workshops with Fresenius Kabi for the Doctors & Nurses in ICU, Medical & Surgical wards.
- Conducted a training session about "Erythropoietin & Chronic Kidney Diseases" for the Nurses in Dialysis Centers at IGMH & Hulhumale.

## STORC ACTIVITIES

01.10.2015 – 25.1.2015 – Inter office badminton tournament



October 29th to 31st STO Volley Tournament



December 17th to 18th STORC Year End Event – Futsal Tournament.





# MAJOR PROJECT STATUS

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Project	% Completed		Start Date	End Date
All island Pharmacy Project	100%		June 2014	Oct 2015
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	83%	Mechanical and Electrical works on going	20-Mar-14	10 Storey Building at Umar Shopping Arcade
Funadhoo Expansion Project	15%	Tendering stage in progress for Tank building component and Berth component.	June 2015	Feb 2017
Ready Mix Concrete	70%	Testing ongoing	Ready Mix Concrete	70%

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# CORPORATE EVENTS

## Endorsement of 'Respect' Campaign

STO's endorsed the 'Respect' Campaign on 22nd December 2015, while also becoming the 1<sup>st</sup> corporate entity to endorse this campaign. This campaign initiated by Public Service Media (PSM) is aimed at encouraging Maldivians to give and earn respect among the society.



## LED Saves Photo Exhibition

On 21st December 2015, STO's Managing Director Ahmed Shaheer distributed certificates and awards to the winners of "LED Saves - Photo Exhibition" which was organized by Ministry of Environment and Energy.



## STO Group – Refresher course on Governance and Laws

A refresher course was held for the Directors and Company Secretaries of STO Group Companies on Governance and Laws. The Governance session was taken by Director General of Capital Market Development Authority Mr. Makhzoom Saleem while the session on most relevant recent laws was taken by Uza. Aiminath Niuma, a Lawyer of STO Plc.



## MRI Project

Inaugurated on 11th November 2015, MRI service in IGMH has been a major milestone for the health sector of Maldives, the availability of MRI facility in the biggest hospital have enabled public access to the contemporary service completely covered under national insurance.





# CSR EVENTS

## Reef Cleaning

STO together with 4 NGOs; Nine Star Diving, Dive Club Maldives, Damage Control and Save the Beach conducted a reef cleaning event (North of Local Market) on 7th November 2015 from 7:30am to 12pm.



## Sponsored Monthly CME's

STO has sponsored monthly CME's of Internal Medicine, Psychiatric Department & Association of Surgeons.

## Clinical Nutrition and Volume Therapy 18<sup>th</sup> December 2015

For the 1st time in Maldives STO launched the Clinical Nutrition. Organized & sponsored the launch event which there was a participation of 100 Doctors & Nurses.



## STO Cares; a children's evening

STO in association with #CANDO conducted a children's evening on 10th December 2015 at Artificial Beach. This event was held to celebrate International Day of People with Disabilities 2015. NGOs that took part in this evening were Autism Association of Maldives, Association for Disability and Development, ARC, Beautiful Eyes and Care Society.







# MARKETING EVENTS

## Faragata Promotion 2015

Faragata Promotion 2015 was held from 17th October to 30th October 2015 with the aim to provide customers with better information on Fragata products and its benefits.



## STO Thinadhoo Ankara Volleyball Tournament 2015

STO Thinadhoo Ankara Volleyball Tournament was held from 1st October 2015 till 15th October 2015. This event was held at Gdh. Thinadhoo

## STO Year End Super Sale

STO Year End Super Sale was held from 15th November 2015 to 15th January 2016. The promotion was held at STO Home Improvement and STO Supermart.

## STO HOME IMPROVEMENT Bashi Mubaaraaiy 2015

This event was organized to promote STO Home Improvement and its brands. The event was held from 2nd December 2015 to 15th Dec 2015. The event was further complimented by First Lady Madam Fathimath Ibrahim who was the Chief Guest for the final match and event day.





### Thai Choice launching - 3rd December 2015

Supermart newest brand Thai food special, Thai choice was launched at STO Supermart. The brand was inaugurated by one of the most regular customers at STO Supermart.



### Consumer Fair 15th – 17th December 2015

This is believed to be one of the largest fairs held in Maldives for the last three years. Supermart introduced some major new brands at the fair.

Tasting sessions were held every day with new products letting the customers experience the products themselves.





# BOARD ACTIVITIES

## Board Meetings

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

Name	Position in Board	Attendance
Ahmed Niyaz	Chairman	5/5
Ahmed Shaheer	Managing Director	5/5
Ibrahim Ziyath	Director	4/5
Amir Mansoor	Director	5/5
Abdul Hadi Hussain Fulhu	Director	3/5
Aishath Rafiyya	Director	3/5
Mohamed Farshath	Director	5/5

## Major Board Decisions

Some major decisions of the Board include;

- Discussions made on revisions proposed to remuneration policy
- Discussions on Funadhoo Expansion project and its sub projects
- Final decisions were made on the asset verification and valuation project
- Approved "powermix" – concrete batching project
- 3<sup>rd</sup> quarter report was approved
- Some structural changes were brought to the Company
- Approved revisions to credit policy

- A Board Risk Committee was formed
- Few changes were brought to the Board Committee compositions
- 2016 budget was approved

## 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%.

## 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	2/3
Mohamed Farshath	Member	3/3

## Major Committee discussions and decisions include;

- Subsidiaries presented their management letters and status on implementation of recommendations from auditors, to the



Committee

- Internal audit work plan 2015 was discussed for Q3
- A summary of audit reports for Q2 was presented
- Discussions were made on the random check made on board papers presented for Q3
- Discussions were made on the budget 2016

The Audit and Risk function of the Committee was separated and the Committee was renamed Audit Committee. No changes were brought to the members of the Committee.

### Nomination and Remuneration Committee

There were 1 meetings 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
Abdul Hadi Hussain	Member	1/1
Mohamed Farshath	Member	1/1
Aishath Rafiyya	Member	-

### Major Committee discussions and decisions include;

- Discussed on proposed structural changes to the Company, by management

There were few changes brought to the members of the committee. However, the changes were applicable effective late December 2015.

### 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;

- Discussed on the form drafted to evaluate compliance by subsidiary boards on the Group Companies Code of Conduct enforced on them by the STO Board
- Discussed on the form drafted for the evaluation of subsidiary boards and its members

There were few changes brought to the members of the committee. However, the changes were applicable effective late December 2015.



# 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 such as innovative board, qualified risk directorship, related party transaction auditing, making public service boards more effective, corporate governance and effective boards, the strategic leader and essentials of corporate finance.



Committees	1.8	Complied	<p>In compliance with the CG Code, STO Board has in place, an Audit Committee and a Nomination &amp; Remuneration Committee. In addition to this, the Board also has a Corporate Governance and Compliance Committee and a Risk 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	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. 2014 Evaluation was done in quarter 2.
Board remuneration disclosure	2.3	Complied	A lump sum figure of Board and top management remuneration is disclosed in the Annual Report.
Individual Board Member Remuneration Disclosure	2.4	Partially	The individual remuneration of Board Members is 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.

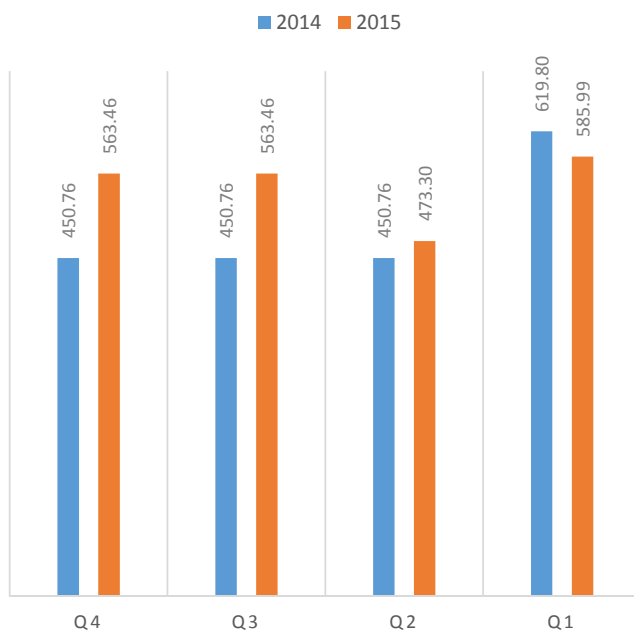
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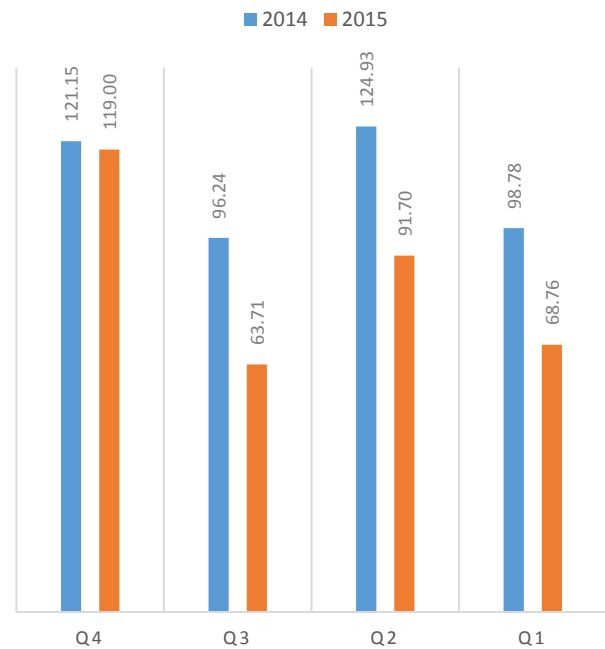
# SHARE ACTIVITIES

	Q4/2015	Q3/2015	Q2/ 2015	Q1/ 2015
Highest Trade Price	510	500	450	980
Lowest Trade Price	500	475	400	520
Last Trade Price	500	500	420	520
WATP	502	496	416	571
Market Capitalization (in Millions)	563	563	473	586
Dividend Yield	15%	15%	18%	5%
Price Earnings Ratio	4.2	7.8	4.6	7.6
Earnings per Share	119.0	63.7	91.7	68.8

## MARKET CAPITALIZATION



## EPS





# FINANCIALS

## Statement of Income (unaudited)

	Quarter 4 2015	Quarter 3 2015	Quarter 2 2015	Quarter 1 2015
Revenue	1,988,293,097	1,580,578,459	1,880,415,462	1,683,091,662
Cost of Sales	(1,618,875,246)	(1,283,144,859)	(1,577,393,849)	(1,366,036,263)
<b>Gross Profit</b>	<b>369,417,851</b>	<b>297,433,600</b>	<b>303,021,613</b>	<b>317,055,399</b>
Other Operating Income	11,671,029	8,374,297	(167,516)	16,386,188
	381,088,880	305,807,897	302,854,098	333,441,586
Selling and Marketing Costs	(56,481,350)	(68,338,922)	(46,227,749)	(100,420,141)
Administrative Costs	(128,209,160)	(120,236,359)	(117,946,702)	(115,018,366)
Other Operating Expenses	(991,442)	(792,083)	(2,112,410)	(745,975)
<b>Operating Profit</b>	<b>195,406,928</b>	<b>116,440,533</b>	<b>136,567,237</b>	<b>117,257,104</b>
Finance Costs	(42,940,906)	(30,755,242)	(22,769,404)	(24,645,072)
<b>Profit Before Tax</b>	<b>152,466,022</b>	<b>85,685,291</b>	<b>113,797,833</b>	<b>92,612,032</b>
Business Profit Tax Expense	(18,368,272)	(13,887,907)	(10,454,957)	(15,130,574)
<b>Profit After Tax</b>	<b>134,097,750</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	134,097,750	71,797,384	103,342,876	77,481,458
Non-Controlling Interest				-
Earnings per share Attributable to Equity holders of the Parent	119.00	63.71	91.70	68.76



# FINANCIALS Balance Sheet (unaudited)

	As at Quarter 4/2015	As at Quarter 3/2015	As at Quarter 2/2015	As at Quarter 1/2015
<b>ASSETS</b>				
<b>NONCURRENTASSETS</b>				
Property Plant and Equipment	1,688,130,852	1,669,376,158	1,599,313,000	1,453,000,558
Investment I in Subsidiaries	117,249,835	117,249,835	117,249,835	117,249,835
Investment in Associates	10,567,267	10,567,267	10,567,267	10,567,267
Investment in Joint Venture	4,700,000	4,700,000	4,700,000	4,700,000
Available-for-sale Financial Assets	12,740,800	12,740,800	12,740,800	12,615,800
Deferred Tax Asset	57,574,769	57,574,769	57,574,769	56,325,127
<b>Total on-Current Assets</b>	<b>1,890,963,523</b>	<b>1,872,208,828</b>	<b>1,802,145,671</b>	<b>1,654,458,587</b>
<b>CURRENTASSETS</b>				
Inventories	664,568,753	622,458,162	542,217,048	529,123,761
Trade and Other Receivables	1,718,187,170	1,690,278,074	1,798,764,463	1,884,599,165
Cash and Cash Equivalents	469,416,308	375,144,998	535,784,524	526,422,328
<b>Total Current Assets</b>	<b>2,852,172,231</b>	<b>2,687,881,233</b>	<b>2,876,766,035</b>	<b>2,940,145,253</b>
<b>Total Assets</b>	<b>4,743,135,754</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	56,345,500
Share Premium	27,814,500	27,814,500	27,814,500	27,814,500
General Reserve	570,518,082	543,698,883	529,589,907	517,593,560
Fair Value Reserve				
Retained Earnings	1,197,917,737	1,090,640,940	1,034,205,035	1,071,864,806
<b>Total Equity</b>	<b>1,852,595,819</b>	<b>1,718,499,823</b>	<b>1,647,954,942</b>	<b>1,673,618,367</b>
<b>LIABILITIES</b>				
<b>NON-CURRENTLIABILITIES</b>				
Loans and Borrowings	401,755,887	419,853,230	447,579,456	382,432,705
<b>Current Liabilities</b>				
Current Tax Liabilities	28,845,458	10,477,187	30,900,401	67,597,671
Derivative Financial Instruments	2,633,377	2,647,377	8,195,215	6,322,477
Trade and Other Payables	1,548,011,762	1,623,966,483	1,840,430,190	1,542,221,270
Borrowings	909,293,451	784,645,960	703,851,502	922,411,351
<b>Total Current Liabilities</b>	<b>2,488,784,048</b>	<b>2,421,737,007</b>	<b>2,583,377,307</b>	<b>2,538,552,769</b>
<b>Total Liabilities</b>	<b>2,890,539,935</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>4,743,135,754</b>	<b>4,560,090,061</b>	<b>4,678,911,706</b>	<b>4,594,603,840</b>

Mohamed Mihad  
Chief Financial

Ahmed Shaheer  
Managing Director



## FINANCIALS Cash Flow Statement (unaudited)

	As at Quarter 4 2015	As at Quarter 3 2015	As at Quarter 2 2015	As at Quarter 1 2015
Profit before business profit tax	152,466,021	85,685,292	13,797,833	92,612,032
Adjustments for:				
- Depreciation & amortization	18,567,679	15,806,804	12,222,144	10,827,892
- Interest income	(3,351,628)	(3,869,829)	(2,711,730)	(2,664,551)
- Interest expense	33,152,918	26,098,583	51,821,048	29,491,217
- Dividend income	(1,000,000)	(5,049,589)	(36,899,754)	(11,000,000)
- Provision for impairment of receivables	12,854,455	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	1,456,415	3,025,283	(13,813,589)	-
- Profit on disposal of property, plant and equipment	-	(63,054)	14,014	-
- (Profit) / loss on disposal of investments	627,936	-	-	-
Changes in working capital:				
- Inventories	(43,567,007)	(83,266,396)	(14,331,617)	129,260,124
- trade and other receivables	(40,763,550)	87,665,271	69,713,649	13,409,597
- Trade and other payables	(75,835,433)	(205,179,248)	151,683,596	161,263,374)
	54,607,806	(58,325,766)	335,769,309	111,495,826
<b>Cash flows from operating activities</b>				
Cash generated from operations				
Interest paid	(33,152,918)	(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	21,454,888	(118,735,470)	242,117,328	68,608,955
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment - net	(37,950,310)	(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	61,645,328	37,782,621	(99,427,949)	-
Interest received	3,351,628	3,869,829	2,711,730	2,664,551
Dividends received	1,000,000	5,049,589	36,899,754	11,000,000
Net cash generated from / (used in) investing activities	28,046,646	(39,104,868)	(170,887,268)	(30,272,800)
<b>Cash flows from financing activities</b>				
Net proceeds from / (repayment of) borrowings	(105,099,994)	53,068,232	(160,538,836)	19,619,749)
Net payment made for currency SWAPs	(14,000)	(5,547,837)	1,872,737	(3,689,100)
Dividends paid to shareholders	(121,044)	(12,571,570)	(2,595,106)	(242,338)
Net cash generated from / (used in) financing activities	(105,235,038)	34,948,825	(161,261,205)	(23,551,187)
Net increase / (decrease) in cash and cash equivalents	(55,733,504)	(122,891,514)	(90,031,144)	14,784,968
Cash, cash equivalents and bank OD at beginning of year	525,149,811	436,391,184	526,422,328	511,637,360
Bank overdraft				
Cash, cash equivalents and bank overdrafts at end of the year	469,416,307	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.