

04/2016 QUARTER REPORT



STATE TRADING ORGANIZATION PLC

PUBLISHED ON 30.01.2017



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HUMAN RESOURCES

| Oct 2016 – Dec 2016 | Local | Foreign | Total |
|--|-------|---------|-------|
| No. of staff at beginning of Oct 2016 | 1768 | 270 | 2038 |
| No. of staff Employed during Oct - Dec 2016 | 45 | 17 | 62 |
| No. of staff Resigned / Terminated during Oct - Dec 2016 | 62 | 18 | 80 |
| No. of staff at end of Dec 2016 | 1751 | 269 | 2020 |

Short term Courses

- Social Media Strategies, Brand Authority & Credibility
- Fundamentals of Risk Management
- Advanced PA Masterclass
- Strategic Procurement, Negotiation & Cost Reduction Techniques
- Hitachi VRF training
- Incoterm, Shipping Import & Export Documentation & Procedures & Export Incentives
- Internal Audit for Board & Audit Committee
- Effective Problem Solving & Decision Making
- Occupational & Corporate Fraud Workshop
- Preparing & Managing full set of account in GST regime
- Managing Time Increasing Work Efficiency
- Training on quality assurance for pharmacists, coordinators, managers and internal audit

In house Trainings

- Quality Assurance Training
- Basic Fire Awareness Training



STO RECREATION CLUB

- STO inter department Futsal Tournament



- STO group companies Futsal Tournament





MAJOR PROJECTS STATUS

| Project | % Completed | Current Status | Start Date | End Date |
|--|-------------|---|---|---------------|
| Radisson Hotel Hulhumale' | 37% | Mechanical, Engineering, Furnishing and Glazing works on going. | 2007 - Structural works started 14-Oct-2011 | August 2017 |
| 10 Storey Building at Umar Shopping Arcade | 98% | Finishing works ongoing | March 2014 | February 2017 |
| Funadhoo Expansion Project | 15% | Tank foundation works ongoing. Birth platform repairing works ongoing. | June 2015 | July 2017 |
| West Harbor Food Court Project | 5% | Site cleanup and foundation works ongoing. Steel Structure fabrication works in progress. | October 2016 | July 2017 |
| Ekulhivaru Island Resort | 5% | Agreement signed. | January 2017 | June 2019 |



CORPORATE EVENTS

Signing with HEMAS Pharmaceuticals

On 11th October 2016, STO and HEMAS Pharmaceuticals signed an agreement on providing quality products at a lower cost.



Inauguration of FSM Vessels

On 30th October 2016, Fuel Supplies Maldives (FSM) new vessels named Handhi, Meemas and Maatholhi were inaugurated.



Signing with Maldives Finance Leasing Company.

On 20th October 2016, STO and Maldives Finance Leasing Company signed an MOU on providing lifestyle leases for STO staff.



Signing with Amana Takaful

On 31st October 2016, STO and Amana Takaful signed a MOU on providing Amana Takaful insurance services at all STO pharmacies.





STO Home Improvement Bashi Mubaraaiy 2016

On 20th November 2016, STO Home Improvement Bashi Mubaraaiy 2016 commenced with a total of 16 teams. The final match was played on 28th November 2016. Hulhumale Women's Sports were the champion team of the tournament.



"Habeys Hukuru with STO"

STO held "Habeys Hukuru with STO" at Rasfannu on 25th November 2016 to celebrate 3 successful years of the Government. Events such as free tastings, hydro-flying shows and face painting took place. In addition, Maldivian Idol contestants and Bodu beru were part of this event.





Maldives Investment Forum 2016

STO took part in the Maldives Investment Forum 2016 held at New Delhi, India. STO was a Platinum Partner of the forum.



STO Celebrated 52 Years of Service

On 20th December 2016, STO celebrated 52 years of service by conducting an assembly for all staff located in Male'.





MARKETING AND PROMOTIONS

STO Construction Power mix Promotion

STO Construction Power mix promotion began on 17th October 2016 and ended on 10th December 2016. This promotion was conducted in association with Maldivian and customers were offered chances for winning amazing gifts.



STO Warehouse Sale

STO Warehouse Sale began on 6th November 2016 and ended on 10th November 2016. This promotion was conducted at STO No.07 Koshi. Products from STO Home Improvement and STO Supermart was on sale.



Devondale Milk Powder Promotion.

Devondale milk powder promotion by STO Supermart was held from 13th December 2016 and will end on 15th February 2016. Coupons are given to customers from STO Supermart, STO Wholesale Centre and Regional Outlets.

From 13th December to 15th February

1st MR 100,000

2nd MR 50,000

3rd MR 25,000

1 Coupon for every devondale milk powder logo cutout
4 Coupons for every devondale milk powder carton
Coupons available from STO Supermarket, STO Wholesale Centre and all the STO Regional Outlets
25 additional winners would be selected - winners would get Devondale milk powder for 1 year.

sto
STO SUPERMARKET & REGIONAL OUTLETS
www.sto.lk E: sales@stomaldives.com T: 0065 3344 333



CSR EVENTS

STO Reef Cleaning 2016

On 6th October 2016, STO's Annual Reef Cleaning event was held at Hulhumale'. This event was conducted in association with various Dive Clubs and NGOs.



Signing ceremony between STO and National Drug Agency

On 27th November 2016, STO and National Drug Agency signed an agreement on providing jobs to National Drug Agency's rehabilitation program clients.



Handover of Recycle Dustbins

On 15th December 2016, STO handed over Recycle dustbins to Ministry of Environment and Energy.



Training on Defibrillation (Nihon Kohden)

A specialist of Nohon Kodhden provided training for health care professionals of IGMH and Hulhumale' on Defibrillation, in collaboration with STO.



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 | Former Chairman | 5/5 |
| Hussain Salim Mohamed | Chairman | 1/1 |
| Ahmed Shaheer | Managing Director | 6/6 |
| Mohamed Mihad | Director | 4/6 |
| Amir Mansoor | Director | 5/6 |
| Aishath Rayaheen Shareef | Director | 6/6 |
| Aishath Rafiyya | Director | 5/6 |
| Mohamed Farshath | Director | 6/6 |

Major Board Decisions

Some major decisions of the Board included;

- Decided to acquire Maldives Industrial Fisheries Company (MIFCO) Ltd, following the decision by President

Office on 29th September 2016

- Decided to purchase an Oil Tanker,
- Approved to introduce restaurant / café concept at Trade Centre and former Umar Shopping Arcade Building,
- Quarter 03/2016 report was presented and approved
- Issues identified at the Non-Executive Meeting were presented and discussed
- A policy and procedure on Corporate Governance was approved
- Approved Hajj trips for 4 staff of STO
- Discussed on finding investors for Radisson Hotel Project
- Budget 2017 was presented and approved
- Updates were presented on the progress of Board Committees and discussed

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

On 6th December 2016, Privatization and Corporatization Board sent a directive, informing the removal of Mr. Ahmed Niyaz (former Chairman of STO) and the appointment of Mr. Hussain Salim Mohamed to the post.

No further changes were brought to the Board during the quarter.



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

| Name | Position in Committee | Attendance |
|--------------------------|-----------------------|------------|
| Amir Mansoor | Chairman | 2/2 |
| Aishath Rayaheen Shareef | Member | 2/2 |
| Mohamed Farshath | Member | 2/2 |

Major Committee discussions and decisions include;

- Reviewed STO and its group companies management letters and implementation status of audit recommendations
- Some of the department heads presented department audit reports with implementation status
- Quarter 03/2016 progress report of internal audit was presented
- Budget 2017 was presented and discussed before presenting for Board approval

Nomination and Remuneration 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 |
|--------------------------|-----------------------|------------|
| Aishath Rafiyya | Chairperson | 1/1 |
| Aishath Rayaheen Shareef | Member | 1/1 |
| Amir Mansoor | Member | 1/1 |

Major Committee discussions and decisions include;

- Discussions were made on the compliance to Committee charter
- Discussions were made on compliance to Committee decisions
- Discussed on the Board diversity, composition and conduct.



Corporate Governance and Compliance 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 |
|--------------------------|-----------------------|------------|
| Aishath Rayaheen Shareef | Chairman | 1/1 |
| Aishath Rafiyya | Member | 1/1 |
| Mohamed Farshath | Member | 1/1 |

Major Committee discussions and decisions include;

- Discussions were made on the compliance to Committee charter
- Discussions were made on compliance to Committee decisions
- Discussed on document archiving and steps required to enhance this process

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 |
| Aishath Rafiyya | Member | 0/1 |
| Amir Mansoor | Member | 1/1 |

Major Committee discussions and decisions include;

- Updates were provided on establishment of Risk function in STO
- Discussed the Risk framework

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 Non-Executive Directors meeting in August 2016. |
| Duties of the Board | 1.6 | Complied | During the quarter, Directors have attended trainings on areas related to governance, management and auditing. |
| 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 remuneration policy for Board and Staff have been separated. The Board policy includes the requirements in the Articles of Association. |
| 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 is disclosed in the Annual Report. |
| Individual Board Member Remuneration Disclosure | 2.4 | Partially Complied | 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. 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 then 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. |



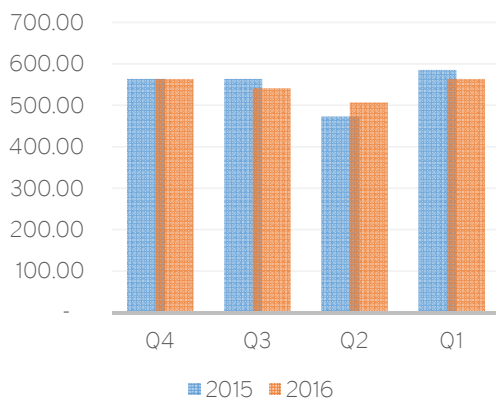
| | | | |
|-------------------------------|-----|----------|---|
| Systems to raise concerns | 8 | Complied | The Board and Management ensures that an appropriate process is put in place to enable employees and management to raise their concerns. These means are informed to the employees and disclosed 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 its Sustainability Reporting through its annual report. |



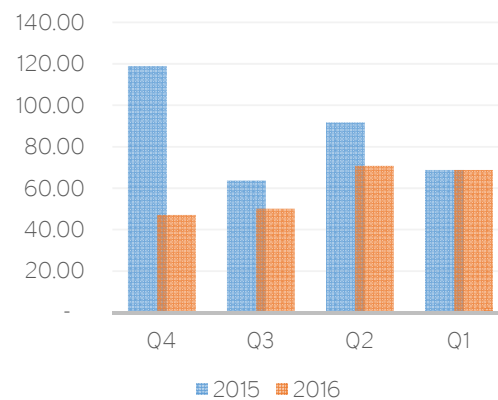
SHARE ACTIVITIES

| | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 |
|--|---------|---------|---------|---------|
| Highest Trade Price | 500 | 500 | 450 | - |
| Lowest Trade Price | 500 | 450 | 400 | - |
| Last Trade Price | 500 | 480 | 450 | 500 |
| WATP | 500 | 471.9 | 417.50 | - |
| Market Capitalization (in Millions) | 563.46 | 540.92 | 507.11 | 563.46 |
| Dividend Yield | 11% | 12% | 13% | 5% |
| Price Earnings Ratio | 11 | 10 | 6 | 5 |
| Earnings per Share | 47.16 | 50.08 | 70.93 | 99.41 |

Market Capitalization



EPS





FINANCIALS

Statement of Income (unaudited)

| | Quarter 4 2016 | Quarter 3 2016 |
|---|--------------------|--------------------|
| Revenue | 1,744,208,932 | 1,479,930,002 |
| Cost of Sales | (1,524,751,688) | (1,256,260,961) |
| Gross Profit | 219,457,244 | 223,669,041 |
| Other Operating Income | 12,898,860 | 10,250,713 |
| | 232,356,104 | 233,919,753 |
| Selling and Marketing Costs | (43,118,914) | (14,609,961) |
| Administrative Costs | (125,264,067) | (129,171,394) |
| Other Operating Expenses | (1,311,694) | (533,987) |
| Operating Profit | 62,661,429 | 89,604,411 |
| Finance Costs | (2,508,938) | (27,398,316) |
| Profit Before Tax | 60,152,491 | 62,206,095 |
| Business Profit Tax Expense | (7,006,781) | (5,765,416) |
| Profit After Tax | 53,145,710 | 56,440,679 |
| Attributable to | | |
| Equity Holders of the Parent | 53,145,710 | 56,440,679 |
| Non-Controlling Interest | | |
| Earnings per share Attributable to Equity holders of the Parent | 47.16 | 50.08 |



FINANCIALS

Balance Sheet (unaudited)

| | Quarter 4 2016 | Quarter 3 2016 |
|-------------------------------------|----------------------|----------------------|
| ASSETS | | |
| NON CURRENT ASSETS | | |
| Property Plant and Equipment | 1,793,748,574 | 1,756,242,917 |
| 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 | 2,000,171,743 | 1,962,666,086 |
| CURRENT ASSETS | | |
| Inventories | 771,797,441 | 591,599,499 |
| Trade and Other Receivables | 2,202,160,596 | 1,932,764,416 |
| Cash and Cash Equivalents | 534,341,690 | 550,102,890 |
| Total Current Assets | 3,508,299,727 | 3,074,466,805 |
| Total Assets | 5,508,471,470 | 5,037,132,891 |
| EQUITY | | |
| Share Capital | 56,345,500 | 56,345,500 |
| Share Premium | 27,814,500 | 27,814,500 |
| General Reserve | 639,679,908 | 629,050,768 |
| Fair Value Reserve | - | - |
| Retained Earnings | 1,410,331,178 | 1,367,814,607 |
| Total Equity | 2,134,171,086 | 2,081,025,375 |
| LIABILITIES | | |
| NON-CURRENT LIABILITIES | | |
| Loans and Borrowings | 364,853,944 | 305,093,628 |
| Current Liabilities | | |
| Current Tax Liabilities | 8,312,640 | 1,305,859 |
| Derivative Financial Instruments | | |
| Trade and Other Payables | 2,099,205,618 | 1,672,065,838 |
| Borrowings | 901,928,183 | 977,642,191 |
| Total Current Liabilities | 3,009,446,441 | 2,651,013,888 |
| Total Liabilities | 3,374,300,385 | 2,956,107,516 |
| Total Equity and Liabilities | 5,508,471,470 | 5,037,132,891 |

Mohamed Mihad
Chief Financial Officer / Executive Director

Ahmed Shaheer
Managing Director



FINANCIALS

Cash Flow Statement (unaudited)

| | Quarter 4 2016 | Quarter 3 2016 |
|--|----------------|----------------|
| Profit before business profit tax | 60,152,491 | 62,206,095 |
| Adjustments for: | | |
| - Depreciation & amortization | 17,671,445 | 16,729,654 |
| - Interest income | (1,893,427) | (2,133,841) |
| - Interest expense | 22,990,635 | 25,282,725 |
| - Dividend income | (19,049,933) | |
| - Provision for impairment of receivables | 3,368,732 | (28,521,061) |
| - Provision for impairment of assets | | |
| - Receivables written off | | 326,003 |
| - Provision for slow and non-moving inventories | (4,608,758) | 1,585,665 |
| - Profit on disposal of property, plant and equipment | 13,326 | 55,126 |
| - (Profit) / loss on disposal of investments | | |
| Changes in working capital: | | |
| - Inventories | (175,589,184) | (16,201,344) |
| - trade and other receivables | (272,753,362) | (35,743,948) |
| - Trade and other payables | 427,383,488 | (45,079,405) |
| | 57,685,453 | (21,494,331) |
| Cash flows from operating activities | | |
| Cash generated from operations | | |
| Interest paid | (22,990,635) | (25,282,725) |
| Business profit tax paid | | (16,160,460) |
| Net cash generated from / (used in) operating activities | 34,694,818 | (62,937,516) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment - net | (55,190,429) | (29,885,207) |
| Loan repayments received from related parties | (11,550) | |
| Sales / (purchases) of available-for-sale financial assets | | |
| (Purchases of) / Proceeds from held-to-maturity financial assets | | |
| Interest received | 1,893,427 | 2,133,841 |
| Dividends received | 19,049,933 | |
| Net cash generated from / (used in) investing activities | (34,258,619) | (27,751,366) |
| Cash flows from financing activities | | |
| Net proceeds from / (repayment of) borrowings | (15,953,693) | 9,461,896 |
| Net payment made for currency SWAPs | | (1,163,119) |
| Dividends paid to shareholders | (243,706) | (520,626) |
| Net cash generated from / (used in) financing activities | (16,197,399) | 7,778,151 |
| Net increase / (decrease) in cash and cash equivalents | (15,761,200) | (82,910,731) |
| Cash, cash equivalents and bank OD at beginning of quarter | 550,102,890 | 633,013,621 |
| Bank overdraft | | |
| Cash, cash equivalents and bank overdrafts at end of the quarter | 534,341,690 | 550,102,890 |



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 Regulation

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. Last Quarter, Maldives Stock Exchange sent fine charges for delays in publishing Annual Report and holding AGM in 2016.

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.