



دولة فلسطين
State of Palestine

THIRD QUARTER REPORT 2019



Third Quarter Report

Reporting Principles



This is the third quarter report of State Trading Organization plc. for the year 2019.

In compiling this report, STO has made its best efforts to adhere to the Listing Rules, the Corporate Governance Code of Capital Market Development Authority and the Continuous Disclosure Obligation of Issuers Regulation 2010.

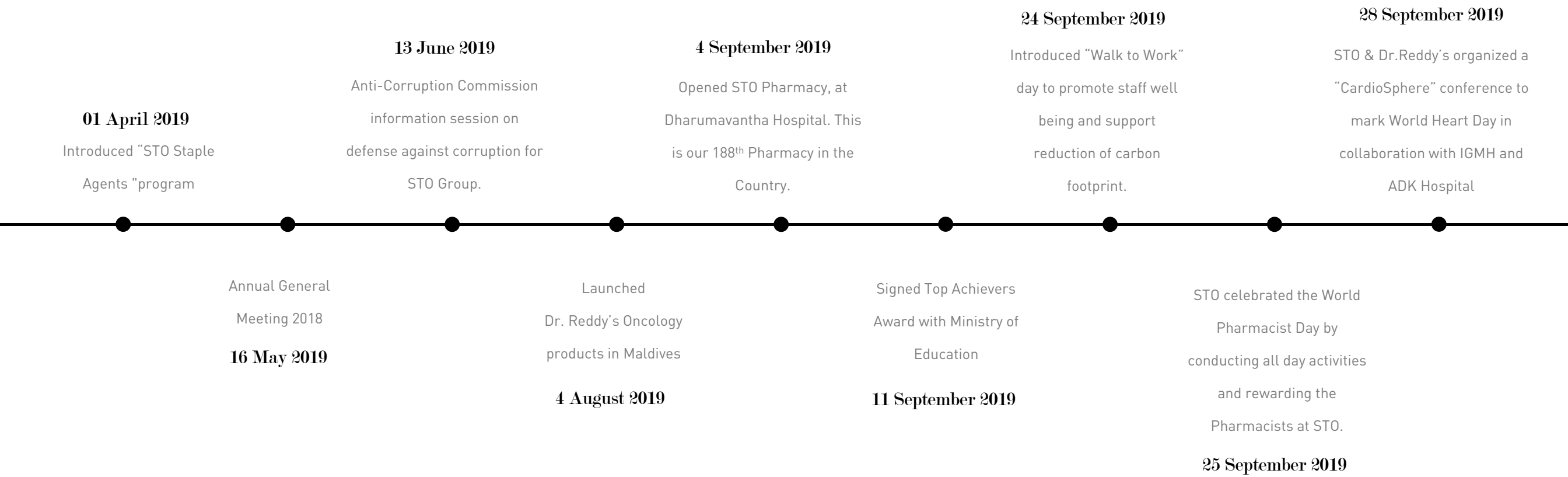
This report includes events for the period from 01st July 2019 to 30th September 2019.

Report was published on 30th October 2019.

Key Facts



This Year So Far



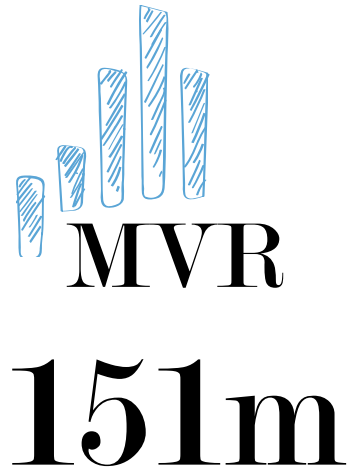
Financial Highlights



Q1/2019 – 2,344m

Q2/2019 – 2,378m

REVENUE



Q1/2019 – 167m

Q2/2019 – 120m

OPERATING PROFIT



Q1/2019 – 104m

Q2/2019 – 77m

NET PROFIT AFTER TAX

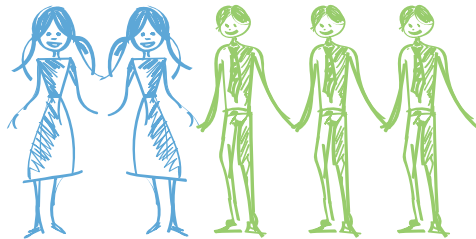


Q1/2019 – 92

Q2/2019 – 68

EPS

Human Resources



2,113

Q1/2019 – 2,138

Q2/2019 – 2,123

EMPLOYEES



35%_F, 65%_M

Q1/2019 F– 35%, M–65%

Q2/2019 F– 35%, M–65%

*** GENDER**

81%_{LOCAL}

19%_{FOREIGN}

Q1/2019 82% Local, 18% Foreign

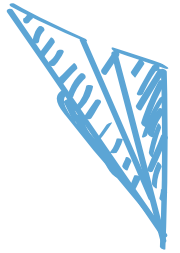
Q1/2019 82% Local, 18% Foreign

LOCAL/FOREIGN EMPLOYEES

* F – Female, M – Male



Corporate Events



STO Top Achievers Award 2018 ceremony was held on 11th September 2019.



24th September 2019 was marked as STO's Walk to Work Day. This day was dedicated to promoting staff wellbeing and to reduce carbon footprint.



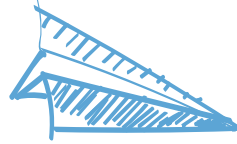
At the "Onco-Spectra 2019 conference", Dr. Reddy's launched their range of Oncology products in Maldives by presenting their products to STO and Aasandha.



STO Pharmacy Dharumavantha' at Dharumavantha Complex has been officially opened by CEO of IGMH and STO CEO&MD. This is the 188th pharmacy of STO.



CSR



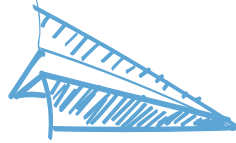
STO contributed to the Tiny Hearts Charity Dinner on 26th August 2019, by sponsoring some of the dinner tickets for STO staff.

STO worked along side Disaster Management Center, during the “Henveiru” fire incident on 20th September 2019, by providing medicine and other necessities as required by the Disaster Management Center.

STO pays the salary of two caretakers in Guraidhoo Center for People with Disabilities. This commitment will continue till end of the year 2019. STO has paid MVR156,558 for this commitment, until August 2019.



Marketing Events



A Warehouse Sale was carried out from 2nd to 6th July 2019. A great variety of Home Improvement and Supermart products were sold at the sale.



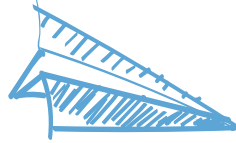
Makita “Heyyaa” promotion was held on 1st September 2019, with a competition among customers to prepare items using Makita tools. This promotion is still ongoing.



STO was a gold partner of the first Business Expo held by Corporate Maldives. A stall of STO with information on Home Improvement and Supermart items and special offers, was set up at the Expo.



Marketing Events



Introduced an improved flavor to Super Cup Noodles, with extra spiciness.



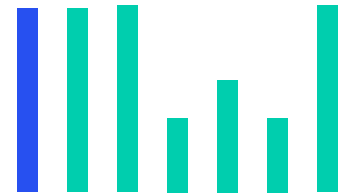
Contribution was made to Aminiya Golden Jubilee Fair by sponsoring the event. A free tasting store of Al Noor was also set up at the Jubilee Fair.



STO and Dr.Reddy's are pleased to be the Platinum Sponsor of the first Brain and Spine Conference organized by ADK Hospital.



Share Performance



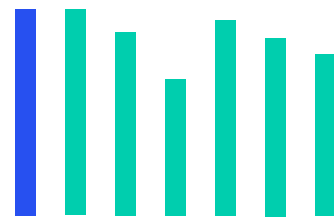
Q3/19 Q2/19 Q1/19 Q4/18 Q3/18 Q2/18 Q1/18

500_{MVR}

HIGHEST TRADE PRICE

Q1/2019 – MVR500

Q2/2019 – MVR500



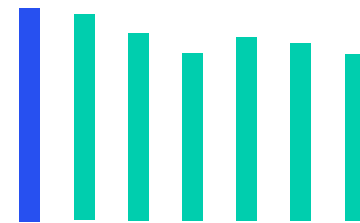
Q3/19 Q2/19 Q1/19 Q4/18 Q3/18 Q2/18 Q1/18

455_{MVR}

LOWEST TRADE PRICE

Q1/2019 – MVR400

Q2/2019 – MVR450



Q3/19 Q2/19 Q1/19 Q4/18 Q3/18 Q2/18 Q1/18

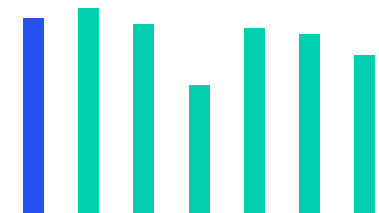
500_{MVR}

LAST TRADE PRICE

Q1/2019 – MVR450

Q2/2019 – MVR490

(Last Trade on 26/08/2019)



Q3/19 Q2/19 Q1/19 Q4/18 Q3/18 Q2/18 Q1/18

457_{MVR}

WATP

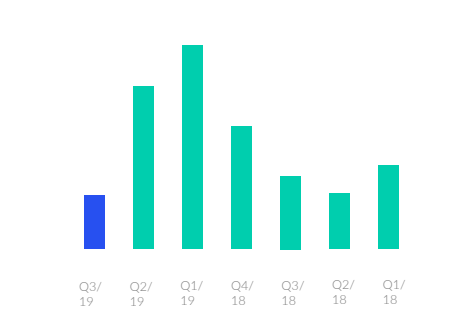
Q1/2019 – MVR443

Q2/2019 – MVR482





Share Performance

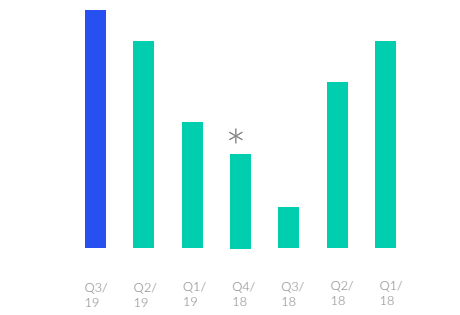


4

NUMBER OF TRADES

Q1/2019 – 15

Q2/2019 – 12



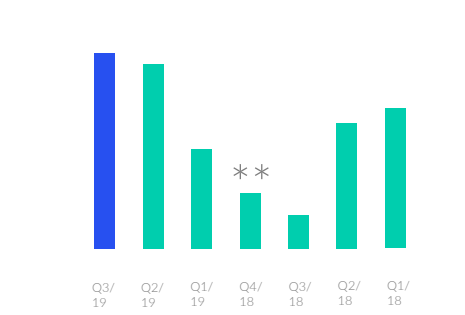
277

NUMBER OF SECURITIES TRADED

Q1/2019 – 146

Q2/2019 – 249

* The actual no. of securities traded in Q4/2018 is 11,700. For illustrative purposes, this value displayed in the graph is in hundreds.



126,555

VALUE OF SECURITIES TRADED

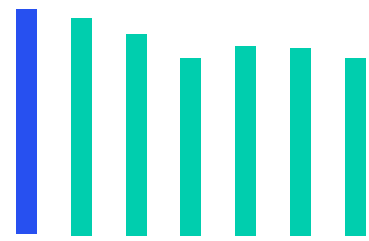
Q1/2019 – 64,650

Q2/2019 – 119,979

** The actual value of securities traded in Q4/2018 is 3,532,330. For illustrative purposes, this value displayed in the graph is in hundreds.



Share Performance



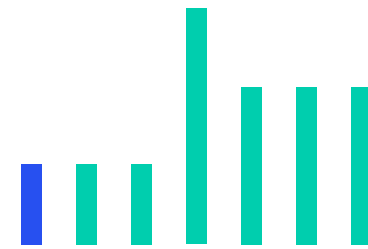
563 M V R

MARKET CAPITALIZATION

Q1/2019 – MVR507

Q2/2019 – MVR552

(All amounts in million MVR)



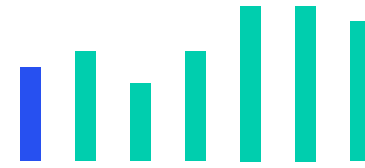
12 %

DIVIDEND YIELD

Q1/2019 – MVR12%

Q2/2019 – MVR12%

*

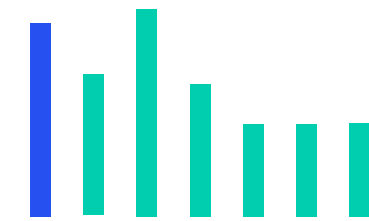


6

PRICE EARNING RATIO

Q1/2019 – 5

Q2/2019 – 7



84 M V R

EPS

Q1/2019 – MVR92

Q2/2019 – MVR68

* Dividend yield has been calculated based on dividend value of MVR58.00, approved by the shareholders at the last Annual General Meeting.

Board Activities



Board of Directors



Hamid Nasheed Mohamed

Chairman

Non-Executive, Independent Director



Ismail Zumayl Rasheed

Non-Executive,
Independent Director

Chairman of NR Committee
Member of AR Committee



Husen Amru Mohamed Rashad

CEO & MD

Executive Director



Ismail Gais

Non-Executive,
Independent Director

Member of CG and NR
Committee



Mohamed Mihad

CFO

Executive Director



Aminath Rushma

Non-Executive,
Independent Director

Chairperson of CG Committee
Member of AR Committee

(Director elected to represent
public shareholders)

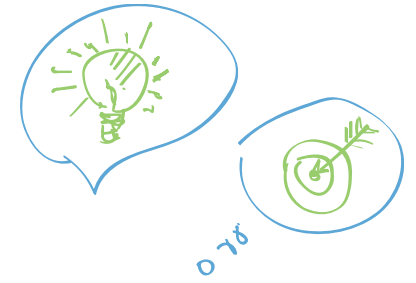


Shimad Ibrahim

Non-Executive,
Independent Director

Chairman of AR Committee
Member of CG and NR
Committee

Board Activities



The Articles of Association of STO specifies that the Board should comprise of seven directors. This include of five non-executive, independent members and two executive members.

At the Annual General Meeting held on May 16, 2019, the Government appointed 6 members to the Board of Directors while the public shareholders elected 1 member. As such, appointed directors and their positions are given on page 12.

There were no changes to the shareholding structure of the Company. As such the Government of Maldives represents 81.63% shares while the public represent 18.37% of shares in the Company.

There were no known material transactions with Directors, associates or substantial shareholders or an associate, other than those conducted under ordinary course of business.



Major Decisions and frequency of Board and its Committees

- Discussed on ways forward with the Hulhumale Hotel Project
- Discussed on enhancing the current risk management function
- Appointed contractor of Funadhoo Coastal Protection Project
- Discussed on the Regional Sales segment business plan
- Approved to go ahead with the “Grown in Maldives Agriculture Project”
- Appointed Chief Information Officer
- Approved Supplementary Budget
- Discussions are on-going, on enhancing the Directors evaluation process
- Discussed and approved some important policies of the Company
- Approved to find a party to purchase N. Ekuhivaru
- Audit Committee reviewed internal audit reports and made recommendations to management through Board

Meetings in Q3/2019

5

Board Meetings

3

Audit and Risk
Committee Meetings

1

Corporate Governance
and
Compliance Meetings

1

Nomination and
Remuneration Meetings

Compliance



Compliance to Corporate Governance

STO's Board of Directors and Management strongly support the principles of good corporate governance and are committed to embed such principles into the operations and management of STO and its Group.

STO believes that the governance arrangements adopted by STO Group are reflective of a high performing, well governed organization. These arrangements enable the Board and Management to make well informed decisions, provide appropriate accountability and transparency, and establish the proper culture and behaviors. STO also believes that leading governance practices is essential for the long term sustainability of our businesses.

The Board regularly reviews the Company's corporate governance framework, policies and practices to ensure at a minimum that they meet the expectations of our shareholders and evolve in line with the Corporate Governance Code of Capital Market Development Authority and our own internal processes and practices.

Reporting Compliance

This report has been prepared in compliance with the Capital Market Development Authority Minimum Quarterly Reporting Requirements for Listed Companies.

There were no fines due on Company with regard to any regulations, during the Quarter.

Financials





Third Quarter Report

Financials at a glance

MVR 2,247m <small>Q2/2019 – 2,378m</small>	MVR 95m <small>Q2/2019 – 77m</small>	MVR 84 <small>Q2/2019 – 68</small>	MVR 1,953 <small>Q2/2019 – 1,872</small>	MVR (26) <small>Q2/2019 – 37</small>
Total Revenue	Net Profit	Earnings Per Share	Net Assets Per Share	Cashflow Per Share

1.91 <small>Q2/2019 – 1.93</small>	1.72 <small>Q2/2019 – 1.85</small>	1.34 <small>Q2/2019 – 1.17</small>	3.81 <small>Q2/2019 – 3.12</small>	MVR 2,116m <small>Q2/2019 – 2,025m</small>	MVR 2,200m <small>Q2/2019 – 2,109m</small>
Assets Cover Available	Debt Equity Ratio	Debt Service Covering Ratio	Interest Service Covering Ratio	Reserves	Net Worth



Financial Performance

Revenue

The financial year 2019 has been an outstanding year in terms of revenue for STO Plc. A cumulative revenue of MVR 6.97 billion was achieved for the nine months of 2019, which is an increase of MVR 131 million compared to the same period of 2018.

Total revenue decreased in 3rd quarter due to the fall in revenue from fuel segment as a result of reduction in average selling price, compared to 2nd quarter of 2019. The trading segments (non-fuel) reported an increase in revenue which is counteracted by the fall in fuel revenue.

3rd quarter 2019: MVR 2,247 million

2nd quarter 2019: MVR 2,378 million

Gross Profit

Despite the decrease in revenue of fuel segment, an improved performance was witnessed in non-fuel segments which led to a higher gross profit in 3rd quarter. 3rd quarter gross profit increased by MVR 14 million compared to previous quarter.

3rd quarter 2019: MVR 341 million

2nd quarter 2019: MVR 326 million

Net Profit before Tax

The increase in gross profit and lower operational expenses increased the net profit for the 3rd quarter 2019. Net profit before tax increased by MVR 20 million compared to 2nd quarter of 2019

3rd quarter 2019: MVR 113 million

2nd quarter 2019: MVR 93 million

Debt Securities



Previous due date for the payment of interest	31.08.2019
Repayment of principal	21,119,800
Interest	5,241,168
The amounts and where the same has been paid or not	Paid
Next due date for the payment of interest/dividend	30.11.2019
The extent and nature of collateral created and maintained with respect of principal	Sovereign guarantee
Breach of any covenants under the terms of debt securities	No
Credit rating for the debt securities	NA

Income Statement

	Q3/2019	Q2/2019
Revenue	2,246,912,106	2,377,856,060
Cost of Sales	(1,906,210,218)	(2,051,529,692)
Gross Profit	340,701,888	326,326,368
Other Operating Income	21,168,751	16,847,353
	361,870,639	343,173,721
Selling and Marketing Costs	(43,918,313)	(40,581,153)
Administrative Costs	(166,378,965)	(181,351,939)
Other Operating Expenses	(167,602)	(795,072)
Operating Profit	151,405,759	120,445,556
Finance Costs	(38,880,582)	(27,681,464)
Profit Before Tax	112,525,177	92,764,093
Business Profit Tax Expense	(17,614,901)	(16,126,966)
Profit After Tax	94,910,276	76,637,127
Attributable to		
Equity Holders of the Parent	94,910,276	76,637,127
Non-Controlling Interest		
Earnings per share Attributable to Equity holders of the Parent	84.22	68.01

NOTE:

STO partially delivered some products to a purchase order raised by a customer. The customer later informed that they did not accept partial delivery & billing and wanted STO to send invoice for full delivery. Hence the partially delivered invoice was reversed in the corresponding period after publishing quarterly reports, by making an adjustment to the profit of second quarter.



Third Quarter Report

Balance Sheet

	Q3/2019	Q2/2019
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	2,021,602,127	1,955,493,426
Investment in Subsidiaries	112,288,081	112,288,081
Investment in Associates	10,567,267	10,567,267
Investment in Joint Venture	4,700,000	4,700,000
Available-for-sale Financial Assets	4,820,026	4,820,026
Investments	12,422,436	11,377,046
Deferred Tax Asset	115,928,722	115,928,722
Total Non-Current Assets	2,282,328,659	2,215,174,567
CURRENT ASSETS		
Inventories	606,330,958	732,447,680
Trade and Other Receivables	3,004,652,251	2,984,661,747
Cash and Cash Equivalents	90,584,308	73,802,541
Total Current Assets	3,701,567,518	3,790,911,968
Total Assets	5,983,896,177	6,006,086,536
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
Reserves	723,723,035	705,550,955
Retained Earnings	1,392,421,059	1,319,732,739
Total Equity	2,200,304,094	2,109,443,694

Third Quarter Report

Balance Sheet



	Q3/2019	Q2/2019
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	309,188,614	333,752,225
Current Liabilities		
Current Tax Liabilities	34,455,955	36,871,614
Trade and Other Payables	1,451,696,059	1,710,050,705
Borrowings	1,988,251,454	1,815,968,298
Total Current Liabilities	3,474,403,469	3,562,890,617
Total Liabilities	3,783,592,083	3,896,642,842
Total Equity and Liabilities	5,983,896,177	6,006,086,535

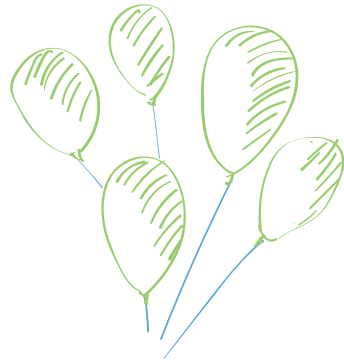
Mohamed Mihad
CFO / Executive Director

Husen Amru Mohamed Rashad
CEO and Managing Director

Cash flow Statement

	Q3/2019	Q2/2019
Profit before business profit tax	112,525,177	92,764,093
Adjustments for:		
- Depreciation & amortization	31,054,379	30,083,319
- Interest income	(970,962)	(1,126,929)
- Interest expense	39,705,879	38,586,183
- Dividend income		(9,859,988)
- Provision for impairment of receivables	(2,324,458)	2,267,350
- Provision for impairment of investments in shares		-
- Receivables written off		-
- Provision for slow and non moving inventories	(6,434,671)	5,567,157
- Profit on disposal of property, plant and equipment		(2,830)
Changes in working capital:		
- Inventories	132,551,392	(125,501,273)
- trade and other receivables	(18,711,434)	150,257,743
- Trade and other payables	(257,084,855)	(96,082,542)
	30,310,449	86,952,283
Cash flows from operating activities		
Interest paid	(39,705,879)	(38,586,183)
Business profit tax paid	(20,030,560)	(6,679,854)
Net cash generated from / (used in) operating activities	(29,425,990)	41,686,246





Third Quarter Report

Cash flow Statement

Cont.....

	Q3/2019	Q2/2019
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(97,163,080)	(14,681,760)
Interest received	970,962	1,126,929
Dividends received		9,859,988
Net cash generated from / (used in) investing activities	(96,192,118)	(3,694,843)
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	143,669,671	(105,972,749)
Dividends paid to shareholders	(1,269,793)	(9,879,829)
Net cash generated from / (used in) financing activities	142,399,878	(115,852,578)
Net increase / (decrease) in cash and cash equivalents	16,781,770	(77,861,175)
Cash, cash equivalents and bank overdrafts at beginning of the quarter	73,802,540	151,663,715
Cash, cash equivalents and bank overdrafts at end of the quarter	90,584,308	73,802,540

Statement of Changes in Equity



	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance as at 1st April 2019	56,345,500	27,814,500	689,413,555	1,320,543,916	2,094,117,471
Profit for the year	-	-	-	76,637,127	76,637,127
Transfer to general reserve	-	-	15,327,425	(15,327,425)	-
Dividends	-	-	-	(65,360,780)	(65,360,780)
Balance as at 30th June 2019	56,345,500	27,814,500	704,740,980	1,316,492,837	2,105,393,818
Balance as at 1st July 2019	56,345,500	27,814,500	704,740,980	1,316,492,837	2,105,393,818
Profit for the year	-	-	-	94,910,276	94,910,276
Transfer to general reserve	-	-	18,982,055	(18,982,055)	-
Dividends	-	-	-	-	-
Balance as at 30th September 2019	56,345,500	27,814,500	723,723,035	1,392,421,058	2,200,304,094



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/sto_mkt



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