



دولة فلسطين
State of Palestine

FIRST QUARTER REPORT 2019



First Quarter Report

Reporting Principles



This is the first 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 January 2019 to 31st March 2019.

Report was published on 25th April 2019.

Key Facts



Financial Highlights



2,344m

Q4/2018 – 2,566m

REVENUE



167m

Q4/2018 – 119m

OPERATING PROFIT



104m

Q4/2018 – 66m

NET PROFIT AFTER TAX

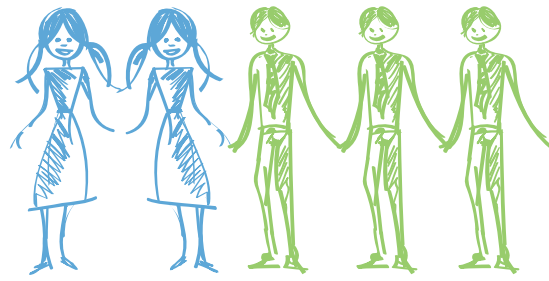


92

Q4/2018 – 58

EPS

Human Resources



2,138

Q4/2018 – 2,164

EMPLOYEES



35%_F, 65%_M

Q4/2018 F– 35%, M-65%

* **GENDER**

82%_{LOCAL}

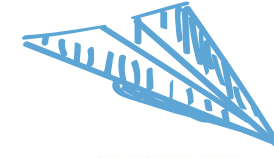
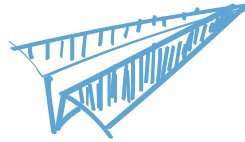
18%_{FOREIGN}

Q4/2018 82% Local, 18% Foreign

LOCAL/FOREIGN EMPLOYEES

* F – Female, M – Male

Events of this Quarter



1 Meeting with Island Councils

STO conducted series of meetings with island councils, to discuss matters with regard to STO operations in the Islands.



2 Maldives Living Expo

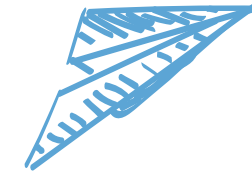
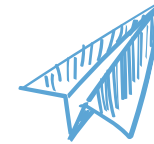
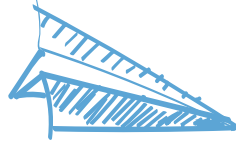
STO participated in Maldives Living Expo 2019, which was held from 9th to 11th February 2019.



3 Continuous Medical Education

Continuous medical education programs were held for different departments of IGMH, informing the doctors and medical health providers on new procedures in medical sector and products.

Events of this Quarter



4 Devondale for breakfast

STO entered into an agreement with Ministry of Education to provide Devondale milk to students, under the school breakfast program of Government.



5 Ramazan Bazaar

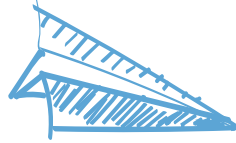
STO Ramazan Baazaar started on 10th March and will continue until 16th May 2019.



6 Huggies baby wipes

STO introduced Americas's #1, Huggies baby wipes. It is gentle and hypoallergenic, and also paraben, fragrance and alcohol free.

CSR



Information sessions were conducted for STO staff on the concept of “Active Work Place” by Cancer Society of the Maldives.



STO contributed to Paramotoring event held in Maldives to create awareness about the harmful effects of single- use plastic.



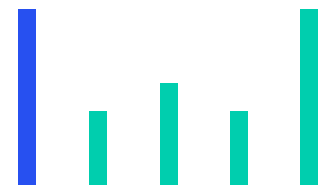
STO staff celebrated World Down Syndrome Day 2019 on 21st March 2019.



STO continued to sponsor the salary of two caretakers in Guraidhoo Center for People with Disabilities and also paid rent for office building of Hope for Women Association. These commitments will continue till end of 2019.



Share Performance



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

500_{MVR}

HIGHEST TRADE PRICE

Q4/2018 – MVR429

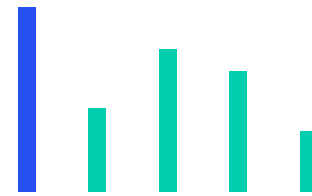


Q1/19 Q4/18 Q3/18 Q2/18 Q1/18

400_{MVR}

LOWEST TRADE PRICE

Q4/2018 – MVR300

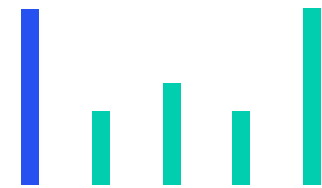


Q1/19 Q4/18 Q3/18 Q2/18 Q1/18

450_{MVR}

LAST TRADE PRICE

Q4/2018 – MVR400



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

443_{MVR}

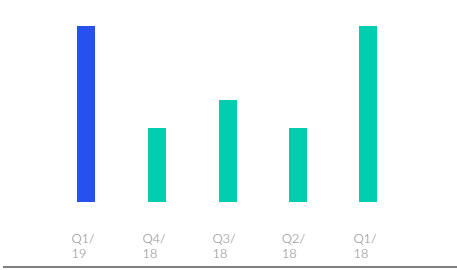
WATP

Q4/2018 – MVR320





Share Performance

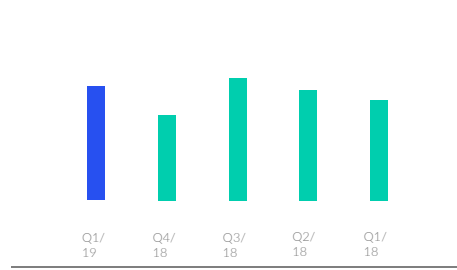


507 M V R

MARKET CAPITALIZATION

Q4/2018 – MVR451

(All amounts in million MVR)

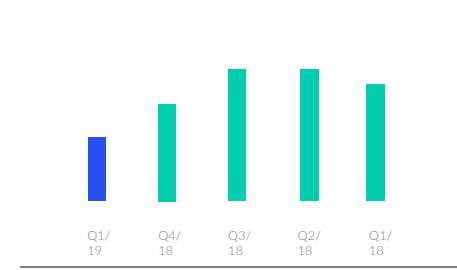


12 %

DIVIDEND YIELD

Q4/2018 – MVR14%

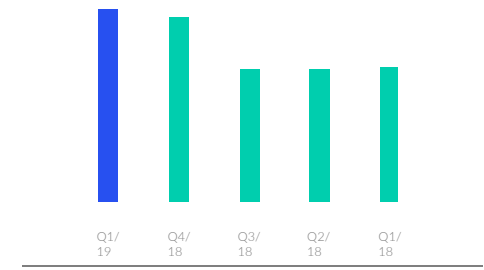
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5

PRICE EARNING RATIO

Q4/2018 – 7



92 M V R

EPS

Q4/2018 – MVR58

* Dividend yield has been calculated based on dividend value of MVR55.00, approved by the shareholders at 2017 Annual General Meeting.

Board Activities



Board of Directors



Husen Amru Mohamed Rashad

Chief Executive Director and
Managing Director



Mohamed Mihad

Chief Financial Officer
Executive Director



Amir Mansoor

Non-Executive,
Independent Director

Chairman of AR Committee
Member of NR Committee



Mariyam Zaahiya

Non-Executive,
Independent Director

Chairperson of NR Committee
Member of CG Committee



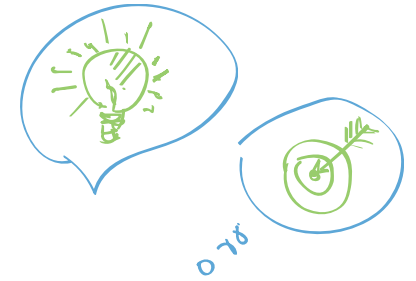
Aishath Fazeena

Non-Executive,
Independent Director

Chairperson of CG Committee
Member of AR Committee

* AR – Audit and Risk Committee, CG – Corporate Governance and Compliance Committee, NR – Nomination and Remuneration 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.

However, following the resignation of Hussain Salim Mohamed from the post of Chairman and Aishath Rafiyya from the post of board director, earlier this quarter, the Board currently comprises of five members. This include of two executive members and three non-executive members. All non-executive members of the Board are deemed independent. The Board of Directors now consist of two female directors representing 40% of current members in the Board.

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.

Meetings in Q1/2019



Major Decisions of Board and its Committees

- Approved to introduce Supermart easy credit facility,
- Revised Credit Policy,
- Approved to improve efficiency of Staple food segment and introduce agents to staple food, around the Country,
- Revised Corporate Governance Code of STO Group,
- Revised Directors Training Policy,
- Revised criteria's for directorship for STO Group,
- Discussions were made to revise the Board Director evaluation guideline,
- Evaluated subsidiaries for the “Excellence in Governance” award,
- Assigned all HOD’s as risk champions of specific departments,
- Discussed new strategic business plan,
- Revised company structure,
- Approved AGM timeline and Annual Report concept,
- Discussed on the results of Board Evaluation for 2018
- Approved 6 month maternity and 1 month paternity for staff
- Several audit reports were discussed and actions approved

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 the 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.

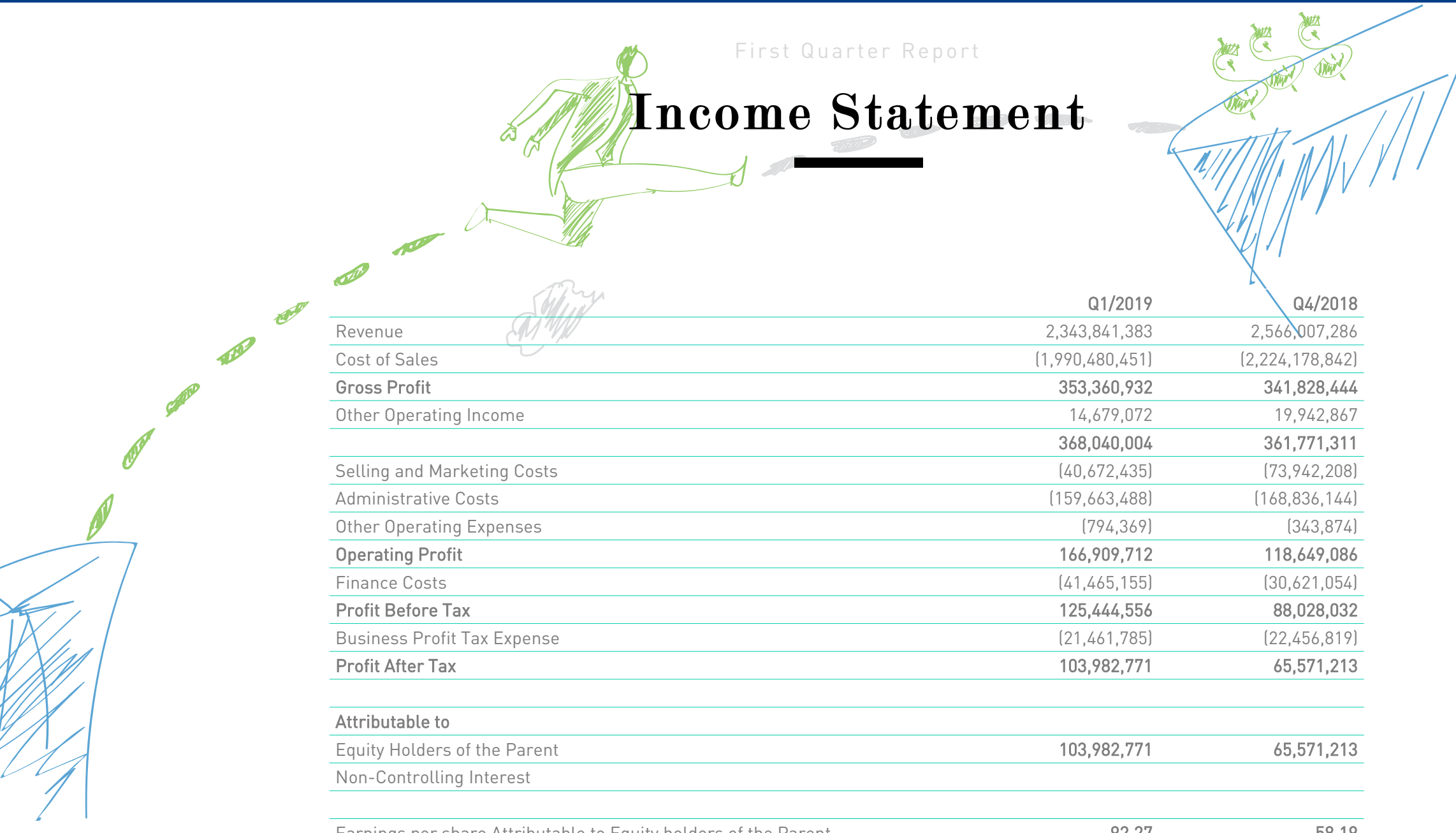
Reporting Compliance

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

Financials



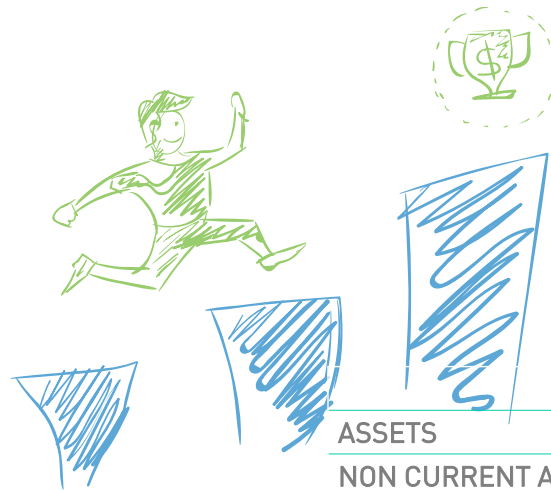
Income Statement



	Q1/2019	Q4/2018
Revenue	2,343,841,383	2,566,007,286
Cost of Sales	(1,990,480,451)	(2,224,178,842)
Gross Profit	353,360,932	341,828,444
Other Operating Income	14,679,072	19,942,867
	368,040,004	361,771,311
Selling and Marketing Costs	(40,672,435)	(73,942,208)
Administrative Costs	(159,663,488)	(168,836,144)
Other Operating Expenses	(794,369)	(343,874)
Operating Profit	166,909,712	118,649,086
Finance Costs	(41,465,155)	(30,621,054)
Profit Before Tax	125,444,556	88,028,032
Business Profit Tax Expense	(21,461,785)	(22,456,819)
Profit After Tax	103,982,771	65,571,213
Attributable to		
Equity Holders of the Parent	103,982,771	65,571,213
Non-Controlling Interest		
Earnings per share Attributable to Equity holders of the Parent	92.27	58.19

First Quarter Report

Balance Sheet



	Q1/2019	Q4/2018
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,972,492,531	2,193,697,180
Investment in Subsidiaries	112,288,081	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	4,820,026	12,740,800
Investments	12,840,920	-
Deferred Tax Asset	115,928,722	60,325,618
Total Non-Current Assets	2,233,637,546	2,399,280,700
CURRENT ASSETS		
Inventories	612,513,563	665,129,644
Trade and Other Receivables	3,001,983,472	2,926,823,791
Cash and Cash Equivalents	151,662,065	158,871,721
Total Current Assets	3,766,159,100	3,750,825,157
Total Assets	5,999,796,646	6,150,105,857
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	689,413,243	679,276,123
Retained Earnings	1,320,542,671	1,489,221,295
Total Equity	2,094,115,914	2,252,657,417

Balance Sheet



	Q1/2019	Q4/2018
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	358,027,580	382,018,413
Current Liabilities		
Current Tax Liabilities	27,424,502	27,845,069
Trade and Other Payables	1,921,053,435	2,456,973,185
Borrowings	1,599,175,215	1,524,746,294
Total Current Liabilities	3,547,653,152	4,009,564,549
Total Liabilities	3,905,680,732	4,391,582,962
Total Equity and Liabilities	5,999,796,646	6,788,793,039

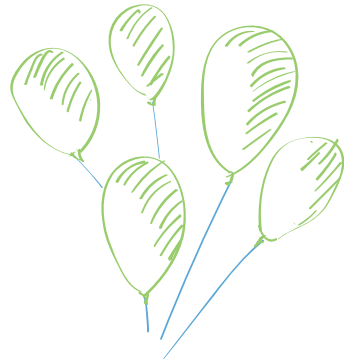
Mohamed Mihad
CFO / Executive Director

Husen Amru Mohamed Rashad
CEO and Managing Director

Cash flow Statement

	Q1/2019	Q4/2018
Profit before business profit tax	125,444,556	88,028,032
Adjustments for:		
- Depreciation & amortization	29,583,244	31,753,521
- Interest income	(1,280,206)	(1,360,833)
- Interest expense	43,247,861	40,641,277
- Dividend income		(10,009,967)
- Provision for impairment of receivables	5,096,056	14,747,568
- Receivables written off		
- Provision for slow and non moving inventories	4,073,574	498,045
- Profit on disposal of property, plant and equipment	(339)	15,425
Changes in working capital:		
- Inventories	138,473,396	21,368,695
- trade and other receivables	116,413,638	56,495,186
- Trade and other payables	(447,023,860)	70,074,139
	14,027,921	312,244,094
Cash flows from operating activities		
Interest paid	(43,247,861)	(40,641,277)
Business profit tax paid	(16,690,634)	(5,507,428)
Net cash generated from / (used in) operating activities	(45,910,574)	266,095,389





First Quarter Report

Cash flow Statement

Cont.....

LIABILITIES	Q1/2019	Q4/2018
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(5,455,467)	(37,248,404)
Loan repayments received from related parties		
Interest received	1,280,206	1,360,833
Dividends received	-	10,009,967
Net cash generated from / (used in) investing activities	(4,175,262)	(25,877,604)
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	50,438,087	(296,164,628)
Dividends paid to shareholders	(654,931)	(273,699)
Net cash generated from / (used in) financing activities	49,783,156	(296,438,327)
Net increase / (decrease) in cash and cash equivalents	(302,680)	(56,231,547)
Cash, cash equivalents and bank overdrafts at beginning of the quarter	151,964,745	208,178,292
Cash, cash equivalents and bank overdrafts at end of the quarter	151,662,065	151,957,750



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