



دولة فلسطين
State of Palestine

FOURTH QUARTER REPORT 2019



Fourth Quarter Report

Reporting Principles



This is the fourth 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 Securities Continuing Disclosure Obligation of Issuers Regulation 2019.

This report includes events for the period from 01st October 2019 to 31st December 2019.

Report was published on 29th January 2020.

Note: The financial performance statement on page 20 was revised on 30th January 2020.

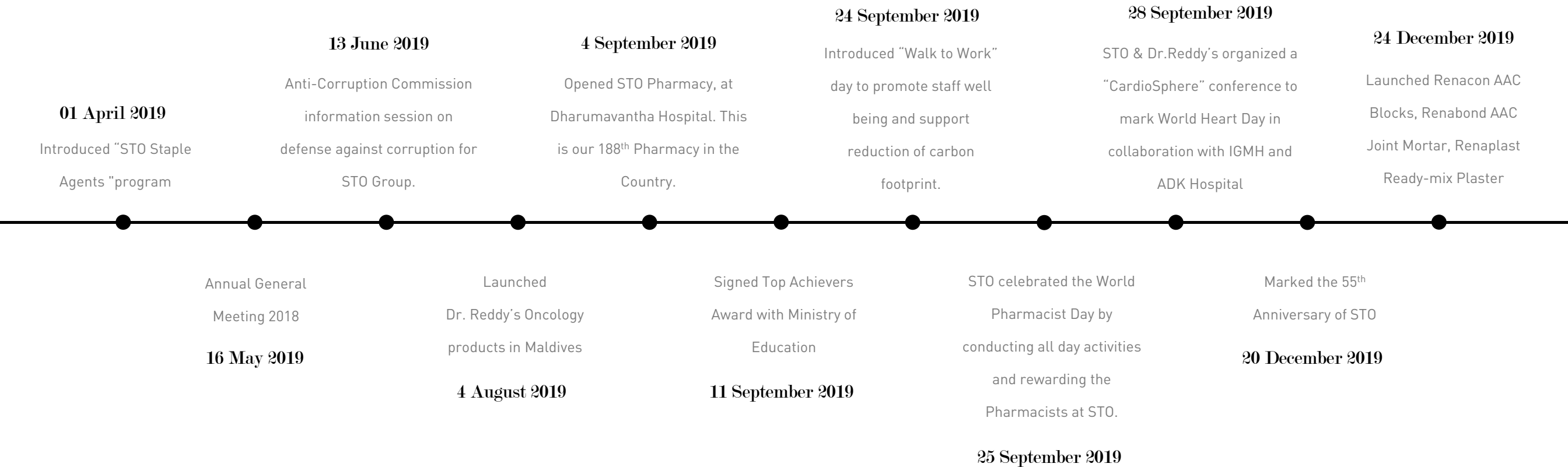
This Report has been revised on 5th February 2020.

Information on Page 22 has been revised after including segment revenue breakdown, on 19th February 2020.

Key Facts



This Year So Far

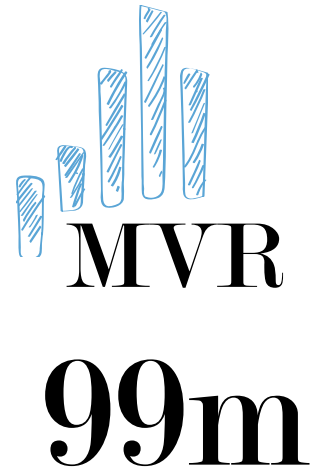


Financial Highlights



Q1/2019 – 2,344m
Q2/2019 – 2,378m
Q3/2019 – 2,247m

REVENUE



Q1/2019 – 167m
Q2/2019 – 120m
Q3/2019 – 151m

OPERATING PROFIT



Q1/2019 – 104m
Q2/2019 – 77m
Q3/2019 – 95m

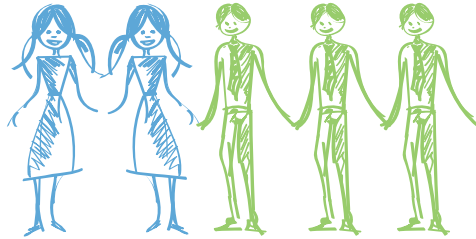
NET PROFIT AFTER TAX



Q1/2019 – 92
Q2/2019 – 68
Q3/2019 – 84

EPS

Human Resources



2,091

Q1/2019 – 2,138

Q2/2019 – 2,123

Q3/2019 – 2,113

EMPLOYEES



35%_F, 65%_M

Q1/2019 F– 35%, M–65%

Q2/2019 F– 35%, M–65%

Q3/2019 F– 35%, M–65%

*** GENDER**

81%_{LOCAL}

19%_{FOREIGN}

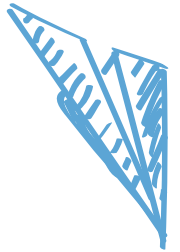
Q1/2019 82% Local, 18% Foreign

Q2/2019 82% Local, 18% Foreign

Q3/2019 81% Local, 19% Foreign

LOCAL/FOREIGN EMPLOYEES

* F – Female, M – Male



Corporate Events

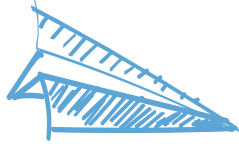


On December 20, 2019, STO marked its 55th year of service.



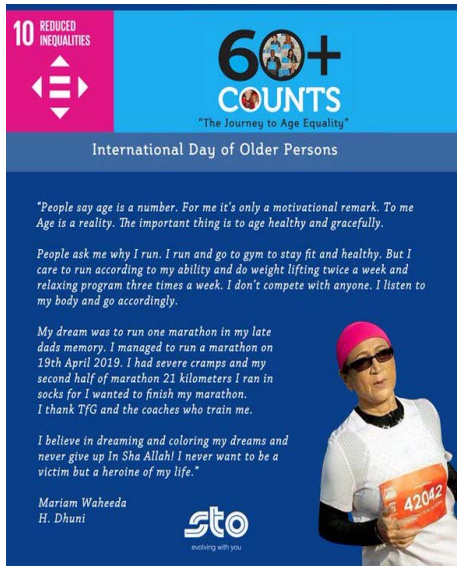
STO launched Renacon AAC Blocks, Renabond AAC Joint Mortar, Renaplast Ready-mix Plaster on December 24, 2019. These products are believed to bring innovative changes to the construction industry.





Fourth Quarter Report

CSR



A social media campaign to make aware on International day of Older Persons and to convey a message to respect them, was carried out from August 01, 2019 to August 31, 2019.



STO launched its agriculture CSR initiative, "Grown in Maldives" at the Maldives Tourism Conference 2019, held on October 03, 2019.



STO contributed to Cancer Society by participating in their fundraising dinner on October 04, 2019.

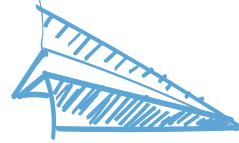


STO together with WHO and IGMH marked World Mental Health Day 2019 on October 10, 2019.



STO pays the salary of two caretakers in Guraidhoo Center for People with Disabilities. This commitment continued till end of 2019. STO had paid MVR156,558 for this commitment in 2019.

Marketing Events



STO Year End Sale was held on November 17, 2019.



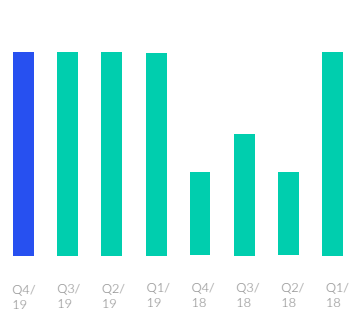
Nippon Paint Application Service was launched on December 15, 2019. To mark the commencement of this service, STO painted the walls of Fiyavathi Kudakudhinge Hiya.



Several Knowledge sharing sessions were held for our customers, mainly in the medical sector.



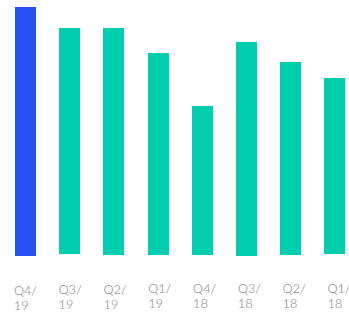
Share Performance



M V R 500

HIGHEST TRADE PRICE

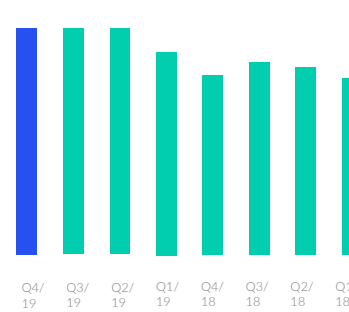
Q1/2019 – MVR500
 Q2/2019 – MVR500
 Q3/2019 – MVR500



M V R 500

LOWEST TRADE PRICE

Q1/2019 – MVR400
 Q2/2019 – MVR450
 Q3/2019 – MVR500

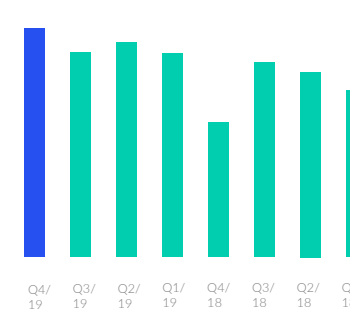


M V R 500

LAST TRADE PRICE

Q1/2019 – MVR450
 Q2/2019 – MVR490
 Q3/2019 – MVR500

(Last Trade on 29/12/2019)



M V R 500

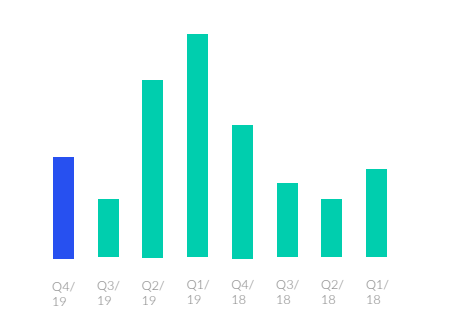
WATP

Q1/2019 – MVR443
 Q2/2019 – MVR482
 Q3/2019 – MVR457





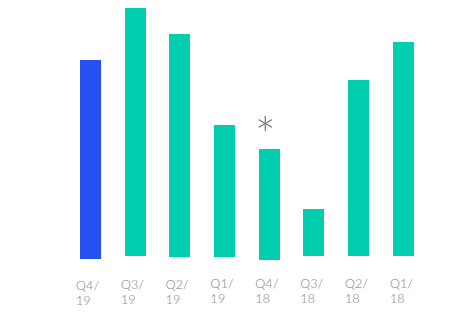
Share Performance



7

NUMBER OF TRADES

Q1/2019 – 15
 Q2/2019 – 12
 Q3/2019 – 4

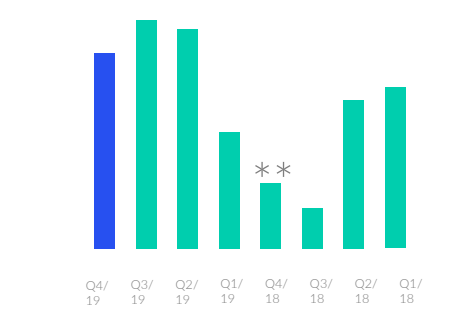


221

NUMBER OF SECURITIES TRADED

Q1/2019 – 146
 Q2/2019 – 249
 Q3/2019 – 277

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



110,500

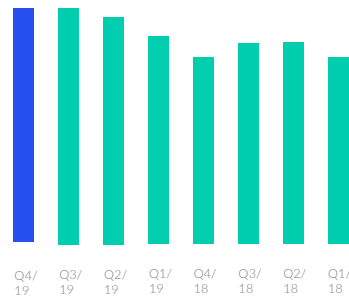
VALUE OF SECURITIES TRADED

Q1/2019 – 64,650
 Q2/2019 – 119,979
 Q3/2019 – 126,555

** 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



M V R **564**

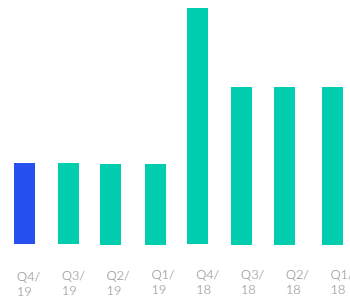
MARKET CAPITALIZATION

Q1/2019 – MVR507

Q2/2019 – MVR552

Q3/2019 – MVR563

(All amounts in million MVR)



12 %

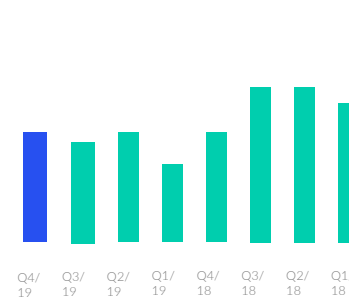
DIVIDEND YIELD

Q1/2019 – 12%

Q2/2019 – 12%

Q3/2019 – 12%

*



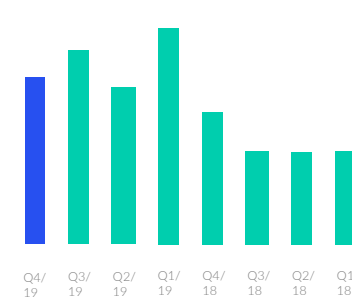
7

PRICE EARNING RATIO

Q1/2019 – 5

Q2/2019 – 7

Q3/2019 – 6



M V R **73**

EPS

Q1/2019 – MVR92

Q2/2019 – MVR68

Q3/2019 – MVR84

* 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)

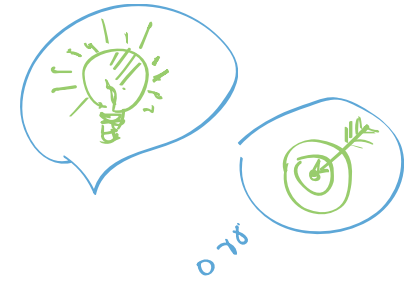


Shimad Ibrahim

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 14.

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

- Strategic discussion were held to review the strategies of the Company and its individual segments
- Budget 2020 was approved
- Approved to establish shipping/container vessel business
- Approved necessary works and budget regarding Grown in Maldives project, a CSR initiative
- Discussed various reports submitted to and by the committees

Meetings in Q4/2019

3
Board Meetings

4
ARC Meeting

1
CGC Meeting

1
NR Meeting

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's Minimum Criteria for Periodic Reporting for Listed Companies.

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

Financials





Fourth Quarter Report

Financials at a glance

MVR
2,351

Q3/2019 – 2,247m

**Total
Revenue**

MVR
82

Q3/2019 – 95m

Net Profit

MVR
73

Q3/2019 – 84

**Earnings
Per Share**

MVR
2,020

Q3/2019 – 1,953

**Net Assets
Per Share**

MVR
44

Q3/2019 – (26)

**Cashflow
Per Share**

1.92

Q3/2019 – 1.91

**Assets Cover
Available**

1.78

Q3/2019 – 1.72

**Debt Equity
Ratio**

0.22

Q3/2019 – 1.34

**Debt Service
Covering Ratio**

1.61

Q3/2019 – 3.81

**Interest Service
Covering Ratio**

MVR
2,192

Q3/2019 – 2,116m

Reserves

MVR
2,276

Q3/2019 – 2,200m

Net Worth



Financial Performance

Revenue

STO PLC reports impressive financial results for the financial year 2019 owing to clear focus on strategic business areas and strengthening of performance targets for business units. The company generated a total revenue of MVR 9.3 billion which is in par with the revenue of previous year.

Total revenue generated in Q4 is MVR 2.35 billion which is an increase of MVR 104 million compared to the previous quarter. Major sales segments of the company achieved a higher revenue in Q4, contributing to an increase in revenue of 5% compared to Q3.

4th quarter: 2.35 billion

3rd quarter: 2.25 billion

Note: Unaudited Financials

Note: This financial performance statement has been revised on 30th January 2020.

Gross Profit

The financial year 2019 has been an outstanding year for the Company in terms of achievement of gross profit. The company had generated a gross profit of MVR 1.35 billion which is an increase of MVR 154 million compared to previous year.

As STO focuses on stabilizing the oil prices in the local economy to minimize the impact arising from oil price fluctuations, the increase in international oil prices was partly absorbed by the company, resulting in a total reduction of gross profit by 3%. However, the non-fuel segments continued to maintain the profitability at same level as previous quarter, resulting in a gross profit of MVR 329 million in fourth quarter compared to MVR 341 million of previous quarter.

4th quarter: 329 million

3rd quarter: 341 million

Net Profit before Tax

The net profit of the company has significantly improved in financial year 2019 resulted by higher gross profit and a slight drop in total operating expenses net of other income.

Fall in gross profit and a slight increase in total expenses resulted a profit before tax of MVR 92 million in fourth quarter compared to MVR 113 million of previous quarter. Though profits for the fourth quarter reduced, the company generated a total net profit of MVR 422 million for the financial year 2019 which is an increase of 68% compared to the previous year (excluding the impairment for Hulhumale hotel)

We are in the process of finalizing the sale of Hulhumale hotel with a buyer. The final prices agreed between STO & buyer may bring further impairments to asset value recorded in our balance sheet and impact our reported profit for the year 2019. However, STO has initiated a discussion with Government on the possibility of offsetting some receivables from government owned companies against the dividend payable to the Government, which may lead to a reversal of provision on receivables.

4th quarter: 92 million

3rd quarter: 113 million

Debt Securities



Previous due date for the payment of interest	30.11.2019
Repayment of principal	21,396,997
Interest	4,963,970
The amounts and where the same has been paid or not	Paid
Next due date for the payment of interest/dividend	29.02.2020
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

	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Y2019	Y2018
Fuel Revenue	1,661,674,729	1,586,941,963	1,740,919,893	1,701,196,128	6,690,732,713	6,755,244,250
Non-Fuel Revenue	688,966,806	659,970,143	636,936,167	642,646,812	2,628,519,928	2,648,870,236
Total Revenue	2,350,641,535	2,246,912,106	2,377,856,060	2,343,842,940	9,319,252,641	9,404,114,486
Cost of Sales	(2,021,392,945)	(1,906,210,218)	(2,051,529,692)	(1,990,480,451)	(7,969,613,306)	(8,208,448,143)
Gross Profit	329,248,590	340,701,888	326,326,368	353,362,489	1,349,639,335	1,195,666,343
Other Operating Income	17,509,588	21,168,751	16,847,353	14,679,072	70,204,764	45,243,735
	346,758,178	361,870,639	343,173,721	368,041,561	1,419,844,098	1,240,910,078
Selling and Marketing Costs	(68,613,471)	(43,918,313)	(40,581,153)	(40,672,435)	(193,785,371)	(244,131,166)
Administrative Costs	(179,265,721)	(166,378,965)	(181,351,939)	(159,663,488)	(686,660,113)	(613,855,656)
Other Operating Expenses	(159,992)	(167,602)	(795,072)	(794,369)	(1,917,036)	(2,451,229)
Operating Profit	98,718,994	151,405,759	120,445,556	166,911,268	537,481,578	380,472,027
Finance Costs	(6,985,023)	(38,880,582)	(27,681,464)	(41,465,155)	(115,012,224)	(129,010,596)
Profit before tax and impairment of investment of hulhumale hotel	91,733,971	112,525,177	92,764,093	125,446,113	422,469,354	251,461,431
Impairment of investment in hulhumale hotel	-	-	-	-	-	(209,894,959)
Profit Before Tax	91,733,971	112,525,177	92,764,093	125,446,113	422,469,354	41,566,472
Business Profit Tax Expense	(9,357,967)	(17,614,901)	(16,126,966)	(21,461,785)	(64,561,619)	(27,154,607)
Profit After Tax	82,376,004	94,910,276	76,637,127	103,984,328	357,907,735	14,411,865
Attributable to						
Equity Holders of the Parent	82,376,004	94,910,276	76,637,127	103,984,238	357,907,735	14,411,865
Non-Controlling Interest						
Earnings per share Attributable to Equity holders of the Parent	73.10	84.22	68.01	92.27	317.60	12.79



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Balance Sheet

	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Y2019	Y2018
ASSETS						
NON CURRENT ASSETS						
Property Plant and Equipment	2,005,279,812	2,021,602,127	1,955,493,426	1,970,892,156	2,005,279,812	1,992,934,250
Investment in Subsidiaries	104,944,380	112,288,081	112,288,081	112,288,081	104,944,380	112,288,081
Investment in Associates	10,567,267	10,567,267	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	4,700,000	4,700,000
Available-for-sale Financial Assets	4,820,026	4,820,026	4,820,026	4,820,026	4,820,026	4,820,026
Investments	10,730,445	12,422,436	11,377,046	12,840,920	10,730,445	14,304,794
Deferred Tax Asset	115,928,722	115,928,722	115,928,722	115,928,722	115,928,722	115,928,722
Total Non-Current Assets	2,256,970,652	2,282,328,659	2,215,174,567	2,232,037,172	2,256,970,652	2,255,543,140
CURRENT ASSETS						
Inventories	911,471,653	606,330,958	732,447,680	612,513,564	911,471,653	755,060,533
Trade and Other Receivables	3,052,205,881	3,004,652,251	2,984,816,607	3,135,722,967	3,052,205,881	3,122,029,293
Cash and Cash Equivalents	114,720,571	90,584,308	73,638,387	151,663,715	114,720,571	151,964,745
Total Current Assets	4,078,398,104	3,701,567,518	3,790,902,673	3,899,900,246	4,078,398,104	4,029,054,571
Total Assets	6,335,368,756	5,983,896,177	6,006,077,241	6,131,937,418	6,335,368,756	6,284,597,711
EQUITY						
Share Capital	56,345,500	56,345,500	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	27,814,500	27,814,500
Reserves	740,198,236	723,723,035	704,740,980	689,413,555	740,198,236	336,669,597
Retained Earnings	1,451,737,971	1,392,421,059	1,316,492,837	1,320,543,918	1,451,737,971	1,569,303,548
Total Equity	2,276,096,207	2,200,304,094	2,105,393,818	2,094,117,473	2,276,096,207	1,990,133,145

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Balance Sheet

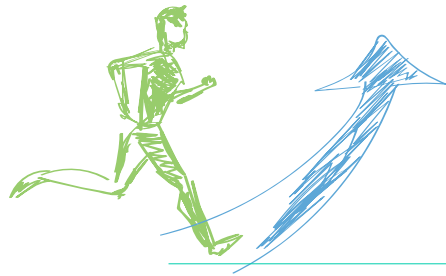


	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Y2019	Y2018 (Audited)
LIABILITIES						
NON-CURRENT LIABILITIES						
Loans and Borrowings	284,332,965	309,188,614	333,752,225	358,027,580	284,332,965	382,132,431
Current Liabilities						
Current Tax Liabilities	43,813,922	34,455,955	36,871,614	27,424,502	43,813,922	22,653,351
Trade and Other Payables	1,672,634,193	1,451,696,059	1,710,041,412	1,750,652,296	1,672,634,193	2,365,046,508
Borrowings	2,058,491,468	1,988,251,454	1,820,018,173	1,901,715,567	2,058,491,468	1,524,632,276
Total Current Liabilities	3,774,939,584	3,474,403,469	3,566,931,199	3,679,792,365	3,774,939,584	3,912,332,135
Total Liabilities	4,059,272,549	3,783,592,083	3,900,683,424	4,037,819,945	4,059,272,549	4,294,464,566
Total Equity and Liabilities	6,335,368,756	5,983,896,177	6,006,077,241	6,131,937,418	6,335,368,756	6,284,597,711

Mohamed Mihad
CFO / Executive Director

Husen Amru Mohamed Rashad
CEO and Managing Director

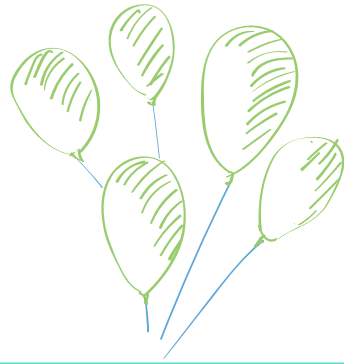
Shimad Ibrahim
Audit & Risk Committee Chairman



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Cash flow Statement

	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Y2019	Y2018
Profit before business profit tax	91,733,971	112,525,177	92,764,093	125,446,113	422,469,354	41,566,473
Adjustments for:						
- Depreciation & amortization	31,577,699	31,054,379	30,083,319	29,583,244	122,298,642	104,097,137
- Interest income	(894,258)	(970,962)	(1,126,929)	(1,280,206)	(4,272,355)	(5,587,308)
- Interest expense	61,365,384	39,705,879	38,586,183	43,247,861	182,905,307	175,647,721
- Dividend income	(54,999,700)	-	(9,859,988)	-	(64,859,688)	(43,109,833)
- Provision for impairment of receivables	6,137,007	(2,324,458)	2,267,350	5,096,056	11,175,955	24,042,049
- Provision for impairment of investments in shares						209,894,959
- Receivables written off						3,780,430
- Provision for slow and non moving inventories	(2,602,863)	(6,434,671)	5,567,157	4,073,574	603,198	(6,126,085)
- Profit on disposal of property, plant and equipment	(41,080)		(2,830)	(339)	(44,249)	9,837,950
Changes in working capital:						
- Inventories	(302,537,831)	132,551,392	(125,501,273)	138,473,395	(157,014,317)	(83,804,804)
- trade and other receivables	25,101,355	(18,547,281)	146,053,007	(17,325,856)	62,221,806	(479,015,956)
- Trade and other payables	255,864,745	(257,084,855)	(92,041,960)	(613,739,281)	(710,531,607)	(254,386,903)
	110,704,429	30,474,602	86,788,129	(286,425,439)	(135,047,954)	(303,164,172)
Cash flows from operating activities						
Interest paid	(61,365,384)	(39,705,879)	(38,586,183)	(43,247,861)	(182,905,307)	(175,647,721)
Business profit tax paid	-	(20,030,560)	(6,679,854)	(16,690,634)	(43,401,048)	(36,934,554)
Net cash generated from / (used in) operating activities	49,339,045	(29,261,838)	41,522,092	(346,363,934)	(361,354,309)	(515,746,447)



Fourth Quarter Report

Cash flow Statement

Cont.....

	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Y2019	Y2018
Cash flows from investing activities						
Purchases of property, plant and equipment - net	(15,214,304)	(97,163,080)	(14,681,760)	(7,540,810)	(134,599,954)	(123,067,116)
Interest received	7,343,701				7,343,701	12,882,528
Dividends received	894,258	970,962	1,126,929	1,280,206	4,272,355	5,587,308
Net cash generated from / (used in) investing activities	54,999,700		9,859,988		64,859,688	43,109,833
	48,023,355	(96,192,118)	(3,694,843)	(6,260,604)	(58,124,210)	(61,487,447)
Cash flows from financing activities						
Net proceeds from / (repayment of) borrowings	(72,017,109)	143,669,671	(105,972,749)	352,978,439	395,247,927	552,041,656
Dividends paid to shareholders	(1,209,028)	(1,269,793)	(9,879,829)	(654,931)	(13,013,581)	(10,332,770)
Net cash generated from / (used in) financing activities	(73,226,137)	142,399,878	(115,852,578)	352,323,508	382,234,346	541,708,886
Net increase / (decrease) in cash and cash equivalents	24,136,263	16,945,923	(78,025,329)	(301,030)	(37,244,173)	(35,525,008)
Cash, cash equivalents and bank overdrafts at beginning of the quarter	90,584,308	73,638,386	151,663,715	151,964,745	151,964,745	187,489,754
Bank Overdraft						
Cash, cash equivalents and bank overdrafts at end of the quarter	114,720,570	90,584,308	73,638,386	151,663,715	114,720,571	151,964,745

Statement of Changes in Equity



	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance as at 1st January 2019	56,345,500	27,814,500	668,616,689	1,237,356,454	1,990,133,143
Profit for the year				103,984,328	103,984,328
Transfer to general reserve			20,796,866	(20,796,866)	
Dividends					
Balance as at 31st March 2019	56,345,500	27,814,500	689,413,555	1,320,543,916	2,094,117,471
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

Statement of Changes in Equity

Cont.....



	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance as at 1st July 2019	56,345,500	27,814,500	707,740,980	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
Balance as at 1st October 2019	56,345,500	27,814,500	723,723,035	1,392,421,058	2,200,304,094
Profit for the year				82,376,004	82,376,004
Remeasurement of retirement benefit liability (OCI)				(6,583,891)	(6,583,891)
Transfer to general reserve			16,475,201	(16,475,201)	
Dividends					
Balance as at 31st December 2019	56,345,500	27,814,500	740,198,236	1,451,737,971	2,276,096,207



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