



دولة فلسطين
The State of Palestine

SECOND QUARTER REPORT 2019



Second Quarter Report

Reporting Principles



This is the second 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.

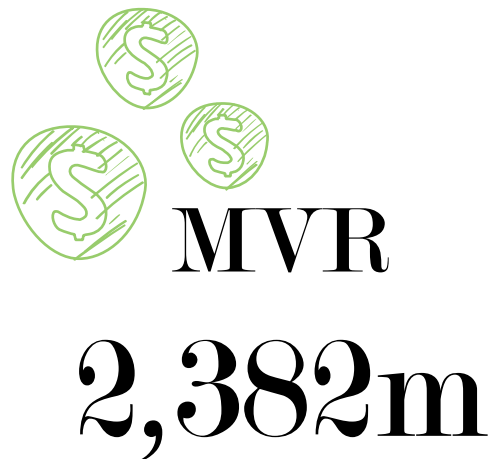
This report includes events for the period from 01st April 2019 to 30th June 2019.

Report was published on 30th July 2019.

Key Facts

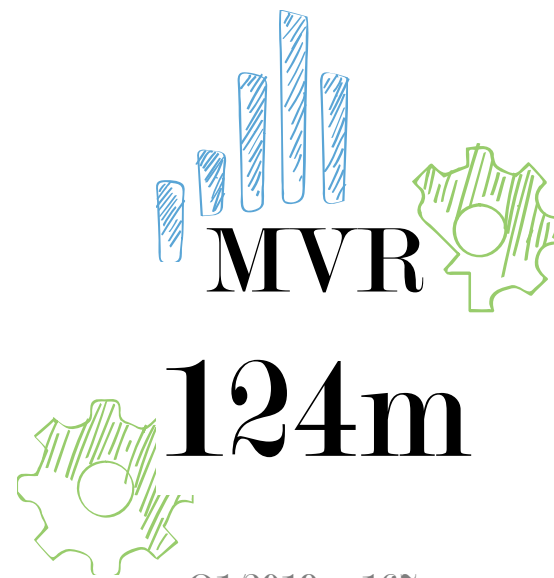


Financial Highlights



Q1/2019 – 2,344m

REVENUE



Q1/2019 – 167m

OPERATING PROFIT



Q1/2019 – 104m

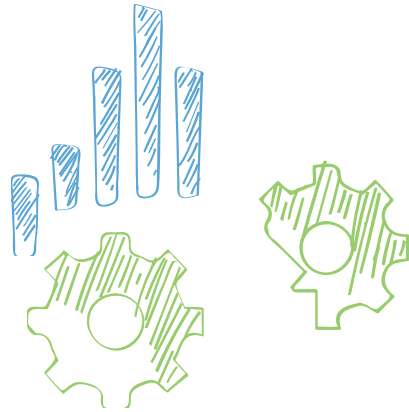
NET PROFIT AFTER TAX



Q1/2019 – 92

EPS

Financial Review



Revenue

The financial year 2019 has been a phenomenal year in terms of revenue for STO Plc. Revenue for 1st half of 2019 increased by 6% compared to the same period of 2018.

Revenue for 2nd quarter 2019 increased by MVR 38 million compared to the previous quarter, with fuel segment being the most prominent contributor for revenue growth.

2nd quarter 2019: MVR 2,382 million

1st quarter 2019: MVR 2,344 million

Gross Profit

As STO plc 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 gross profit of MVR 330 million for the 2nd quarter 2019.

Despite the increase in revenue, lower gross profit margin reduced the fuel gross profit by 14%.

However, the gross profit from other segments increased in the 2nd quarter, resulting in total reduction of gross profit by 7% compared to previous quarter.

2nd quarter 2019: MVR 330 million

1st quarter 2019: MVR 353 million

Net Profit before tax

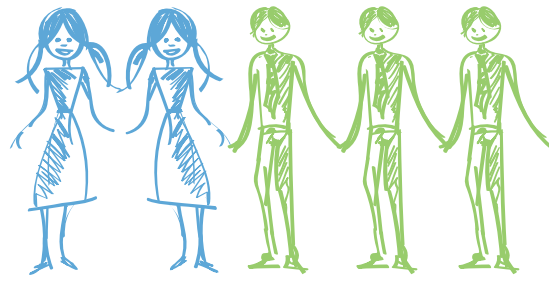
The reduction in fuel gross profit and high operational expenses (due to inclusion of Ramadhan allowances and bonus) reduced net profit for the 2nd quarter 2019. Net profit before tax for the 2nd quarter 2019 is MVR 97 million.

2nd quarter 2019: MVR 97 million

1st quarter 2019: MVR 125 million



Human Resources



2,123

Q1/2019 – 2,138

EMPLOYEES



35%_F, 65%_M

Q1/2019 F– 35%, M-65%

* **GENDER**

81%_{LOCAL}

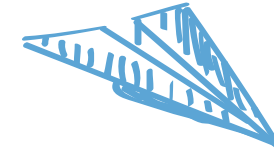
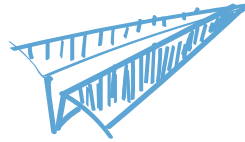
19%_{FOREIGN}

Q1/2019 82% Local, 18% Foreign

LOCAL/FOREIGN EMPLOYEES

* F – Female, M – Male

Events of this Quarter



1 STO sponsor “Hunaraveri 2019”

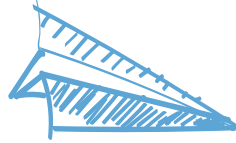
STO signed a sponsorship agreement with TVET Authority to conduct the skill show 'Hunaraveri 2019'.



2 Annual General Meeting

Our Annual General Meeting for 2018, was held on 16th May 2019 at Dharubaaruge, Male'.

CSR



STO celebrated World Autism Awareness Day 2019 on April 1st, 2019.



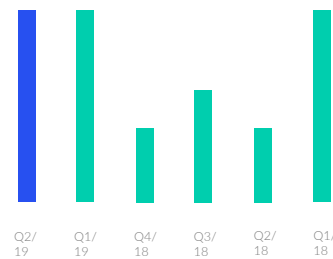
Diabetes awareness & screening sessions were held for the staff on 4th April 2019, in collaboration with Diabetes Society of Maldives.



STO celebrated World Health Day 2019 by conducting awareness sessions for Staff.



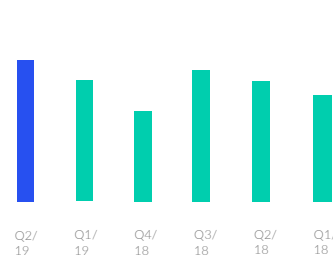
Share Performance



500 MVR

HIGHEST TRADE PRICE

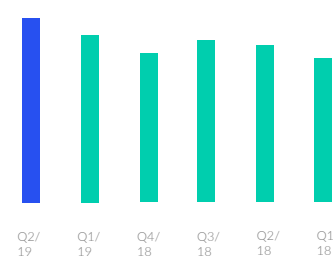
Q1/2019 – MVR500



450 MVR

LOWEST TRADE PRICE

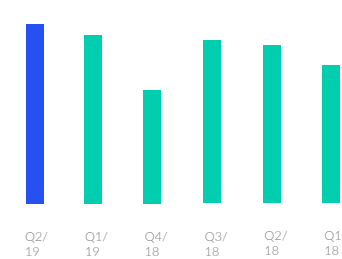
Q1/2019 – MVR400



490 MVR

LAST TRADE PRICE

Q1/2019 – MVR450



482 MVR

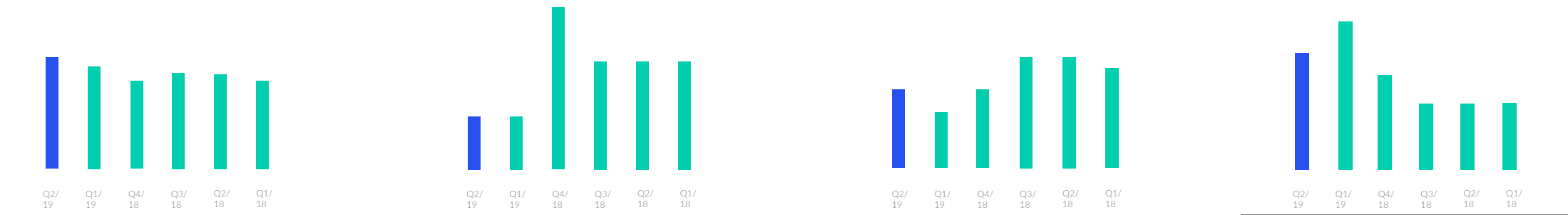
WATP

Q1/2019 – MVR443





Share Performance



552 M V R

12 %

7

72 M V R

MARKET CAPITALIZATION

DIVIDEND YIELD

PRICE EARNING RATIO

EPS

Q1/2019 – MVR507

Q1/2019 – MVR12%

Q1/2019 – 5

Q1/2019 – MVR92

(All amounts in million MVR)

*

* Dividend yield has been calculated based on dividend value of MVR58.00, approved by the shareholders at 2018 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



Husen Amru Mohamed Rashad

CEO & MD

Executive Director



Ismail Gais

Non-Executive,
Independent Director



Mohamed Mihad

CFO

Executive Director



Aminath Rushma

Non-Executive,
Independent Director

Chairperson of CG Committee

(Director elected to represent
public shareholders)



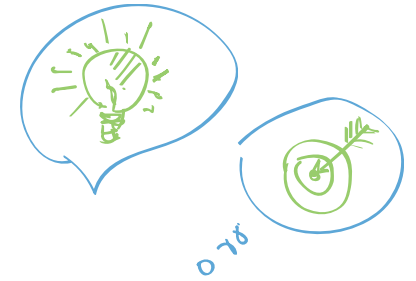
Shimad Ibrahim

Non-Executive,
Independent Director

Chairman 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.

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.

Meetings in Q2/2019



Major Decisions of Board and its Committees

- Approved AGM Notice and other documents relating to it,
- Approved to recommend KPMG as auditors for 2019, for shareholder approval at Annual General Meeting,
- Approved financials 2018,
- Approved to distribute MVR58 per share as dividend,
- Approved staff bonus and Ramazan allowance,
- Approved Annual Report 2018 for publication,
- Appointed board committee members,
- Brought changes to the board members of subsidiaries,
- Appointed an HOD to ICT department,
- Discussed on strategic plans for Funadhoo development,
- The Audit and Risk Committee discussed on the work plan, adequacy of resources, meetings schedule, several audit reports and made recommendations to management on improvement of internal controls

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

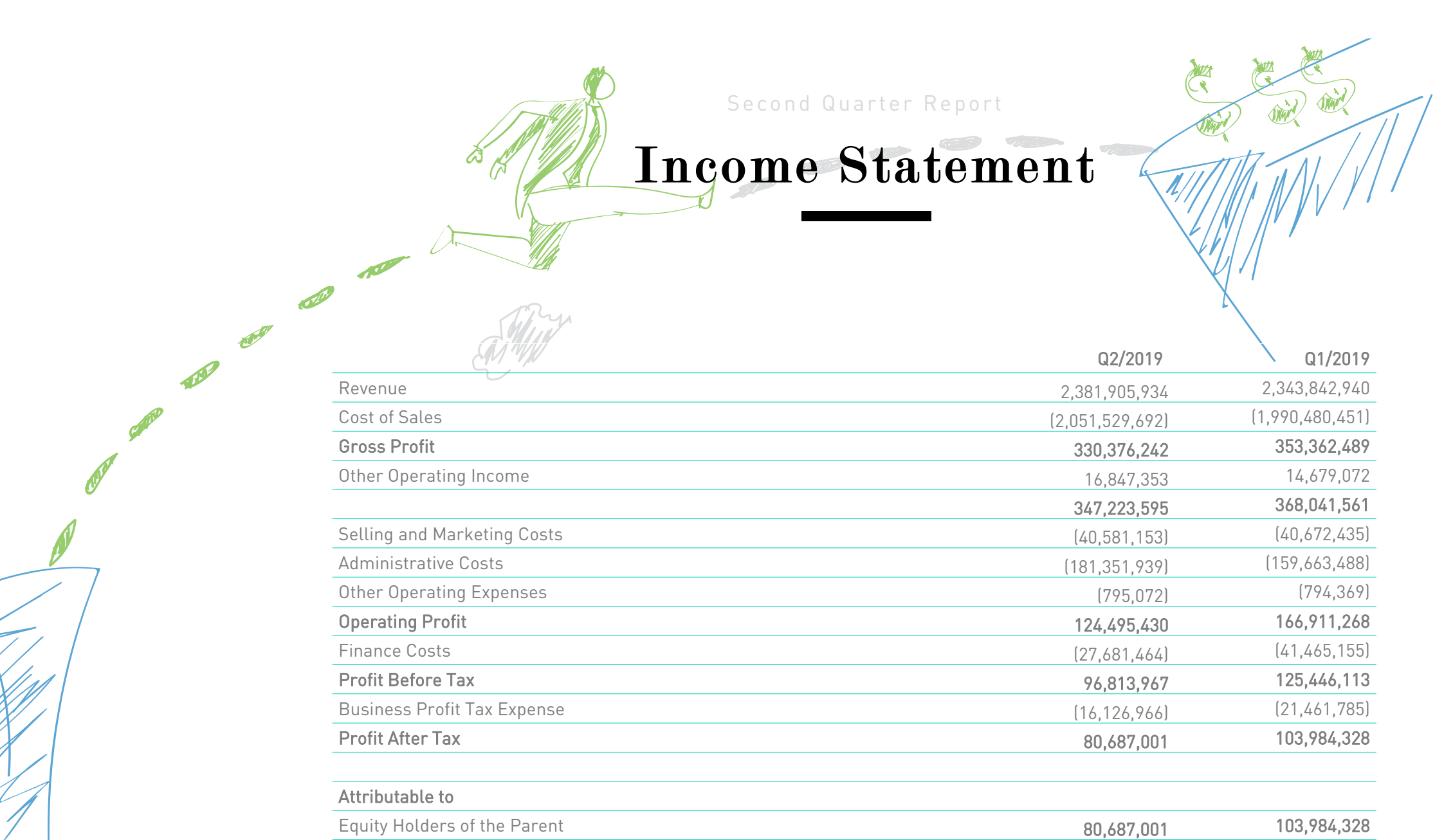
This report has been prepared in compliance with the Capital Market Development Authority Minimum Quarterly Reporting Requirements for Listed Companies.

Financials



Second Quarter Report

Income Statement



The page features a central illustration of a person in a suit running towards the right, leaving a trail of green coins behind them. To the right of the person is a blue funnel with several green coins falling into it. The background is white with light blue and green scribbles.

	Q2/2019	Q1/2019
Revenue	2,381,905,934	2,343,842,940
Cost of Sales	(2,051,529,692)	(1,990,480,451)
Gross Profit	330,376,242	353,362,489
Other Operating Income	16,847,353	14,679,072
	347,223,595	368,041,561
Selling and Marketing Costs	(40,581,153)	(40,672,435)
Administrative Costs	(181,351,939)	(159,663,488)
Other Operating Expenses	(795,072)	(794,369)
Operating Profit	124,495,430	166,911,268
Finance Costs	(27,681,464)	(41,465,155)
Profit Before Tax	96,813,967	125,446,113
Business Profit Tax Expense	(16,126,966)	(21,461,785)
Profit After Tax	80,687,001	103,984,328
Attributable to		
Equity Holders of the Parent	80,687,001	103,984,328
Non-Controlling Interest		
Earnings per share Attributable to Equity holders of the Parent	71.60	92.27



Second Quarter Report

Balance Sheet

	Q2/2019	Q1/2019
ASSETS		
NON CURRENT ASSETS		
Property Plant and Equipment	1,955,493,426	1,970,892,156
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	11,377,046	12,840,920
Deferred Tax Asset	115,928,722	115,928,722
Total Non-Current Assets	2,215,174,567	2,232,037,172
CURRENT ASSETS		
Inventories	732,447,680	612,513,564
Trade and Other Receivables	2,988,866,484	3,135,722,967
Cash and Cash Equivalents	73,638,387	151,663,715
Total Current Assets	3,794,952,550	3,899,900,246
Total Assets	6,010,127,118	6,131,937,418
EQUITY		
Share Capital	56,345,500	56,345,500
Share Premium	27,814,500	27,814,500
General Reserve	705,550,955	689,413,555
Retained Earnings	1,319,732,739	1,320,543,918
Total Equity	2,109,443,694	2,094,117,473

Balance Sheet



	Q2/2019	Q1/2019
LIABILITIES		
NON-CURRENT LIABILITIES		
Loans and Borrowings	333,752,225	358,027,580
Current Liabilities		
Current Tax Liabilities	36,871,614	27,424,502
Trade and Other Payables	1,710,041,413	1,750,652,296
Borrowings	1,820,018,173	1,901,715,567
Total Current Liabilities	3,566,931,200	3,679,792,365
Total Liabilities	3,900,683,425	4,037,819,945
Total Equity and Liabilities	6,010,127,118	6,131,937,418

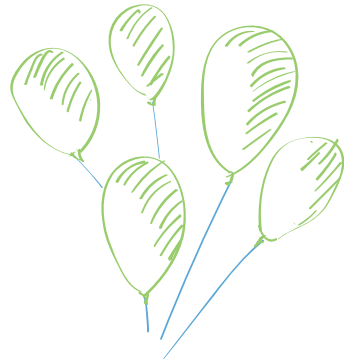
Mohamed Mihad
CFO / Executive Director

Husen Amru Mohamed Rashad
CEO and Managing Director

Cash flow Statement

	Q2/2019	Q1/2019
Profit before business profit tax	96,813,967	125,446,113
Adjustments for:		
- Depreciation & amortization	30,083,319	29,583,244
- Interest income	(1,126,929)	(1,280,206)
- Interest expense	38,586,183	43,247,861
- Dividend income	(9,859,988)	-
- Provision for impairment of receivables	2,267,350	5,096,056
- Provision for impairment of investments in shares	-	-
- Receivables written off	-	-
- Provision for slow and non moving inventories	5,567,157	4,073,574
- Profit on disposal of property, plant and equipment	(2,830)	(339)
Changes in working capital:		
- Inventories	(125,501,273)	138,473,395
- Trade and other receivables	146,053,007	(17,325,856)
- Trade and other payables	(96,091,834)	(613,739,281)
	86,788,129	(286,425,439)
Cash flows from operating activities		
Interest paid	(38,586,183)	(43,247,861)
Business profit tax paid	(6,679,854)	(16,690,634)
Net cash generated from / (used in) operating activities	41,522,092	(346,363,934)





Second Quarter Report

Cash flow Statement

Cont.....

	Q2/2019	Q1/2019
Cash flows from investing activities		
Purchases of property, plant and equipment - net	(14,681,760)	(7,540,810)
Interest received	1,126,929	1,280,206
Dividends received	9,859,988	-
Net cash generated from / (used in) investing activities	(3,694,843)	(6,260,604)
Cash flows from financing activities		
Net proceeds from / (repayment of) borrowings	(105,972,749)	352,978,439
Dividends paid to shareholders	(9,879,829)	(654,931)
Net cash generated from / (used in) financing activities	(115,852,578)	352,323,508
Net increase / (decrease) in cash and cash equivalents	(78,025,328)	(301,030)
Cash, cash equivalents and bank overdrafts at beginning of the quarter	151,663,715	151,964,745
Cash, cash equivalents and bank overdrafts at end of the quarter	73,638,387	151,663,715



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