

DRAFT Minutes of the 21st MATI AGM

Recitation of Noble Quran

Chairman's Address: Mr. M U Maniku

Meeting called to order

Passing and Adoption of Minutes of the 20th Annual General Meeting.

The Minutes were proposed as being correct by Mr. Abdull Saeed of Cyprea Ltd and seconded by Mr. Hassan Bushree of Universal Ent.

Sim: I would like to thank His Excellency President Mohamed Nasheed for giving us the honour by recognizing the tremendous efforts of our Chairman Mr. M U Maniku and Mr. Hussain Afeef for their service to the nation in awarding them the title of State Dignitaries whose been instrumental in starting this industry and having worked in the industry up to now and having brought it to the success it is today. I would like to express my sincere thanks to the President for giving us that recognition; not just for the two gentlemen involved; but also for the entire industry. For recognition at a national level their work in pioneering the tourism industry.

Presentation of Annual Report

Presentation and Adoption of Financial Report

Hamza: Thank you Mr. Chairman for the very interesting comments by you and your team. I just want to make a small clarification because I see in the budget that last year we had passed for the year 2010 a budget of 2,301,000.00 and I see in the audit you have spent over 300,000. So can you explain? Am I reading wrong or how do I see that? What we have passed is 2.3 million and your audit says you have spent 2.6 million. What's the explanation to that?

Nazeer: If you go to Note 14 – you will see that it is explained there

Hamza: And at the end of the 2nd last page you find that last year's budget is 2.3 million. So I did not count the provision and finance cost. Besides that what we approved last year was 2.3 million and see that you spent 300 thousand extra. So my question is how do you explain this? Or is my reading of documents wrong?

Nazeer: The accounts statement is for 2009. Are you talking about the budget for 2010? 2010 the statements haven't come through. This is for 2009. The audited statement is for 2009. What happens is when we pass the

budget we only include the expenses but since we have made a building we are making money and we are also paying money to the bank because we borrowed money to build the building. Those things are not included in any of the budgets that we make for the year.

Hamza: Can I make another comment on the budget? Constantly the audit fees have been shown to be 13,000 Rufiyaa. What we have been incurring for audit is 13,000 Rufiyaa per year. You're budgeting for 50,000 Rufiyaa every year. I don't know why. Can you please explain?

Sim: I see only a 50,000. Audit fees have gone up.

Nazeer: We have estimated that it is going to be 50 thousand and that's why we have put 50 thousand

Hamza: But how can it go from 13 thousand to 50 thousand. The last 2 years it has been 13 thousand and your budget is 50 thousand. I don't really understand why.

Sim: This is audit fees plus book-writing fees. They do our book-writing as well. There is an assumption that it will increase. But if the members feel that this is too high you can find another auditor. It's up to you to decide.

Nazeer: I can explain that. What has happened is that since 2009 we have maintained that audit company to maintain our monthly books and they're charging a fee of USD 230/- per month. So that plus the audit fee is roughly about 50,000 Rufiyaa. It is in fact cheaper than hiring an accountant and keeping an accountant in our office and paying USD 2000 or USD 1000 per month or something like that.

Sim: This is the cheaper option for us to get a company to do this. Any more comments please?

Afeef: I would like to suggest that the book-keeping be done by one company and the be done by another company, if that is possible, rather than the same company doing the books and the audit as well. I think for the benefit of everybody the book-keeping and the audit should be done by a different company, if I may suggest. Thank you.

Sim: If you have specific questions on the audit report itself; if you have issues with the audit report? We cannot move on until this is passed by the members.

Afeef: If it is not passed by the members maybe we should refer to the Company Law to see if the Company Law allows that the audit and book-keeping be done by one company. So even if it is not passed here, if the Company Laws says that we have to do that.

Qasim: I think according to any law one company can do the internal audit and the balance sheet by a different company if the members feel it's ok. In this regards I would like to support Mr. Afeef's suggestion.

Chairman: I think in the future it would be good governance if we do like that; if we have a separate company to do the book-keeping and someone else to do the audit. And we can invite parties for this.

Sim: The point is taken. Its would be better to have an internal person doing the book-writing and an external person doing the audit. Thank you.

Qasim: I think in this matter our agenda is to pass the balance sheet and audit report. Therefore I propose to adopt the financial report.

Bushree: I second it.

Sim: Thank you.

Election of the Executive Board

Members agreed that the voting would be by a show of hands.

Members Elected:

1. Chairman	Mr. M U Maniku	Universal Ent
2. Vice Chairman	Mr. Hussain Afeef	Meeru Island
3. Vice Chairman	Mr. Qasim Ibrahim	Villa Hotels
4. Financial Controller	Mr. Ahmed Nazeer	Crown Company
5. Secretary General	Mr. Sim Ibrahim Mohamed	Faraway Holidays
6. Deputy. Sec. General	Mr. Ibrahim Noordeen	
7. Executive Board Member	Mr. Ibrahim Jihad	AAA Hotels
8. Executive Board Member	Mr. Ahmed Siyam Mohamed	Sun Travels
9. Executive Board Member	Mr. Abdulla Saeed	Cyprea Ltd
10. Executive Board Member	Mr. Ahmed Mujuthaba	Ihuru Investments
11. Executive Board Member	Mr. Hussain Hilmy	Sunland
12. Executive Board Member	Ms. Visha Mahir	
13. Executive Board Member	Mr. Salah Shihab	Voyages Maldives

Adoption of Budget for 2011

Nazeer: I would like to say something about the proposed Budget for 2011. As you can see we have estimated about 2.3 million to be spent and then the estimated revenue from members subscriptions; that is if all the members pay up we estimate that to be about 2.37 million. But normally I don't think we can collect hundred percent. But in the budget we have estimated expenses of 2.3 million leaving us with a surplus of 47,000/- Rufiyaa. We hope that if all the members pay up this much surplus will be there. But as usual there will be a number of people who don't pay for whatever reason and as a result we may find that this surplus ends up to be a deficit at the end of the day for that year. And if you have any questions regarding what we have here please come up with your suggestions. But you must notice that salaries are absorbing about 60% of the budget. Salaries for six or seven staff are costing us 1.3 million Rufiyaa per year.

Afeef: Regarding what Mr. Nazeer I would suggest that Mr. Nazeer play a more active role in the finances of MATI. That's a request from me to Mr. Nazeer.

Sim: If someone would please propose to pass the budget and have it seconded; then we can move on.

Qasim: I would suggest that the Financial Controller be requested to bring the expenses of the previous year at the time of proposing the budget, for example, bring the actual expenses of 2009 and budget for 2010 and estimated budget for 2011, three years in one page so that members can decide which item has increased or where we need to reduce. With this suggestion I propose this estimated budget to be passed.

Sim: Thank you Mr. Qasim. Any more comments please?

Afeef: I second it.

Sim: The budget has been proposed as passed by Mr. Qasim and seconded by Mr. Afeef. Thank you.

Writing-off Bad Debts

Nazeer: If the accountant is suggesting I would propose that we write-off this amount. After that we can decide on the other amounts. Because he is saying that it is a book entry due to the change in the accounting year I propose that all those be erased so that the total number of people owing money will be reduced by that much. I think that the majority of that is in the Rf1500 and Rf750 group; right?

Auditor: yes

Qasim: I think that the reason the accountant is giving is here is that before we had a different date for accounting year and recently we have changed to January-December. That is why in this year people have paid but have been booked as a double entry. And so Mr. Nazeer has suggested that the Rf1500 and Rf750 people are not eligible to pay but the others with the big amounts, as you can see on the sheet, those people have to pay. I suggest we circulate this sheet again informing the people with the Rf1500 and Rf750 that they do not need to pay, and those that are unable to pay should be waived off. And therefore I propose to go with Mr. Nazeer's suggestion. Thank you.

Sim: It has been seconded by Mr. Saeed. Thank you.

Afeef: I again emphasize that the auditing company and the Financial Controller coordinate this and play a more cooperative role in solving these things before it comes to this meeting. Here we are trying to solve something that should have been solved before it came to the meeting. So I again bed and pleased and emphasize that the Financial Controller and the auditing company work a little more closer together. Thank you.

Qasim: I support Mr. Afeef's suggestion.

Appointment of Auditors

PriceWaterHouse Coopers was appointed as proposed by Qasim and seconded by Nazeer.

Any Other Business

Qasim: Thank you for electing me again as a Vice Chairman. We have to be very careful in the coming year. Already GST has been imposed starting from January. In the meantime rent has been changed. I don't want to say it's an advantage or a disadvantage. I do not want to comment on that because it will take too long to discuss it here at this meeting. We are looking from the 1st of January to start the Business Profit Tax. The Committee in the parliament has now almost finalized the tax bill and we're talking about roughly 15% of net profit. We have to get ready as big changes are coming into the system. Otherwise this issue will have a huge impact. I was the Chair of the Committee and I know what it is and I suggest to everybody to take the GST law that we already have and also the Rules and procedures from MIRA and get ready for the tax. There are heavy penalties for these; both the GST and the BPT, if we are not paying so I suggest we all get prepared for this. This is my suggestion as a Parliament Member and as Vice Chairman of MATI. The lease period has now been increased to 50 years but you have to pay an amount upfront. According to the law we have to pay a \$100,000 for each additional year per island. The Ministry of Tourism's regulations allow you to pay for all additional years upfront if you want to or make the payment annually. This is a debatable issue. I believe that the government has a highly deficit budget and they need funds but we have to find a better way to obtain funds. We need to increase investor confidence and I suggest that our people talk with the Tourism Ministry and find out the reason for the misunderstanding/difficulties in the law. The same law also grants lease extension to 99-years if you go into public-listing of shares without paying any fees to the government. Therefore I thought I should tell you this. We should be familiar with the law and obey the rules. Thank you once again for appointing me as Vice Chairman and I congratulate the Chairman, the other Vice Chairman, the Secretary General and the Financial Controller and the other members of our Executive Board. Thank you very much.

Chairman: I'd like to thank Mr. Qasim Ibrahim for his very elaborate explanation of what is happening to our taxation system and what is coming. As he said before we have to be ready for it and ensure that we are following it. What is most disturbing in this whole thing is that I find that the penalties are very very high. I do not understand why in this country all the time the penalty seems to be very very high. I only hope through the good offices of the Members of Parliament and the public, will ensure that a little more flexible attitude will be adopted towards taking these very draconian measures for people who don't pay. This is only sector that is being dealt with so some leniency should be there. I can tell you that in the past we have had very bitter experience in fining by the government for non-payment of dues; even for being 5 minutes late. So

these are factors that have been given careful thought and I hope that the government will take a more careful and sympathetic attitude towards these draconian measures which have been put forward. Thank you.

Sim:

With the permission of the Chairman I would now like to introduce the new operational guidelines for MATI for next year. Apart from the Executive Board who are charged with specific mandates we will also now activate our Councils that we had in the past. The burden is now falling on only a few people to do all the work. On the very last page in your folders is the MATI Industry Councils for 2011. The Executive Board will appoint people who will carry out these tasks. This is really for us to tap into the knowledge and vast experience of the members because the Board itself does not have specialized knowledge on every issue. There are areas of confidence and there are areas of expertise that the people on the Board have. We had 7 Councils before; each one tasked with a different aspect of the industry and these Councils are going to be reappointed by the Board who will look into the research and the day to day affairs and negotiate with the government and attend government meetings and actually will come up with plans for the future and how to put things right. The structure there in front of you is what is had about 2 years ago. In 2008 we had meetings but in 2009 the Councils were not active because the Executive Board members were doing all the work. But now through these specialized areas of Diving, Product Development, Construction, Transport, Air Services, Tour Operations and Human Resource we will be able to pool the knowledge of our members in dealing with the government and the public. So I just wanted to bring this to your notice that we will have a broader participation of our members in the everyday work that we do so that Mr. Nazeer can be left to look after the accounts. What's going to happen next year is that this Business Profit Tax is going to come in and there's going to be all these laws that are going to come in and a lot of our time is going to be taken up on all these legal issues and we are not going to be able to be dealing with all these industry issues unless we have more people working at MATI on a regular basis. We cannot meet every week but we can meet every month, or maybe even every two weeks or something, and address the serious issues that we have. The industry is changing in so many different ways that it's very hard for us to keep up with these changes. So unless we have the input from the people on the ground; from the people who are working in the resorts and the transfer companies and the airline companies we are not going to be able to do much work in these specialized areas. I think that while the Executive Board will have to be dealing mainly with political issues and the legal issues and with the government and the Parliament, we will have to have some technical input from these areas. At the very bottom we have said that if members would like to change these 7 sectors that we have identified, or add or delete or change any of them in any way, you can send us an email or a fax and then I will submit it to the Executive Board and we will go on from there. The support that you have given us on the human resource and labour issues, and especially in the revision of the law and regulation on TGST has been tremendous and enormous. In terms of Dollars it's a lot of contribution that has come in I would sincerely like to thank you for what you have done and we're hoping we will have the same cooperation from our members in the coming year.

Afeef: I'd like to mention something about the 50-year lease and this problem we are having about not paying for this lease and this hundred thousand dollars per year and all these issues. I was thinking about it and I thought we don't mind paying 20 million dollars, 15 million dollars, 7 million dollars for an empty island for 25 years before it's even built so I can't really think why we are making such a fuss to pay 2.5 million dollars to get another 25 years, and 1.5 million for these 35 year islands to get another 15 years. We are all making such a big fuss about it while if tomorrow they put a new island with just coconut trees and sand and we will pay 7 million Dollars to take that island for 25 or 35 years. So what is this big issue of not paying 1.5 million Dollars to get another 15 years, that I cannot understand. Maybe my capacity to understand this thing is low. Thank you very much.

Hamza: Taking from where Mr. Afeef has stopped I propose that MATI Board take a stand on this difference between what our understanding of the law is and what the government position is. Our understanding of the law is you are eligible for extension of whatever remaining years from your lease to 50 years provided you pay hundred thousand per year. Now the government is asking you to pay upfront otherwise you lose this right within a particular time frame. What I disagree with Mr. Afeef is that if you are supposed to pay for 15 years 1.5 million you can pay a hundred thousand Dollars and enjoy the other 1.4 million for your business without paying it to the government. So if there's a whole misunderstanding of whether it should be paid upfront or should it be paid hundred thousand per year; this MATI has to take a position. In my opinion MATI's position should be that it should be paid yearly. It's in our financial interest. Why should we pay to the government something that the law allows us to pay every year hundred thousand? For example, for 15 years if you are supposed to 1.5 million and the law allows you to pay hundred thousand per year you have every right to enjoy that 1.4 million for your business. I agree with Mr. Afeef on the point that people are willing to pay 7 million or 10 million or whatever. What I request to the Board is to take a position; whether it's the government position or the position of the law. I think it's in our interest to see what position the MATI Board takes after studying and the issue looking into the issue; whether what the government is saying or what we are made to understand in the law. I think those two issues have to be looked at. A position has to be taken and we have elected you even today to defend our position, to defend us. So I think if the government position is asking us to pay upfront and the if the law is saying that you are eligible to pay hundred thousand every year and you have a right to that extension then I think we must have that. And that's my personal position and therefore I think we, MATI as a group, need to take a position. Why are we paying MATI fees? There must be a reason. I think if you look at last year's report there are some of us who have mentioned collective bargaining; that we as a group must have some collective bargaining. I propose that should be a hundred thousand to be paid yearly and that position has to be taken. If the members want then we must take a stand. Secondly I would like to dwell into another issue Mr. Chairman. There's now, with the recent developments in the country, with regard to the labour rights, I think the resorts are being challenged in various aspects, in terms of various demands, be it legal or legal, be it rightful or or unlawful. There have been demands. There are challenges. I think MATI specifically must

focus on these challenges, and we must also take an initiative to create awareness among the workers, and among the staff, what are the challenges MATI is facing? I think this issue has to be looked at separately. This I think we are going to see more and more often in our country. As an industry we must take a balance that would take the industry into the future. What we have seen in Bandos and Kurumba and various other places are some of the challenges that we are going to face. This issue we cannot forget. Tomorrow taxes are coming and costs are going to increase and tomorrow we are going to be not competitive. I think we have to highlight these issues and keep these issues alive and attend to these issues in a serious manner. I propose those issues. Thank you.

Afeef: Thank you Mr. Hamza for your comments on what I said and with all my due respects, if we get 25 years on one of our properties the value of that place doubles for me. So I would rather enjoy the big value of that property going up rather than hundred thousand dollars year. For me, as a businessman, if my property's value goes up by 30% or 50%, I think that's a hell of a game for my business, and I that's what I am trying to achieve; not enjoy the hundred thousand dollars a year for my business. I think it's just a difference of opinion. We are both taking about the same thing.

Shabeer: Thank you Mr. Chairman. I would like to support Mr. Hamza very much. I think it is very clear that this issue about the regulation and the law having a difference is clearly a misunderstanding; it's a mistake. Whether people agree or not it's a mistake. So I think it's very important that we, MATI, take a stand on it. If the Board is not willing to take a stand I also call upon MATI to have a motion on that because it is very important that support the members. Thank you.

Qasim: Thank you Mr. Chairman. I want to point out what Mr. Hamza has mentioned just now. In 2011 there are a few things that are coming in. First the GST and then there's the corporate profit tax; we're talking about something like 15%. The other one is the health insurance that we have to give for all the staff. The rule is now compulsory for foreign staff as well as for our local staff. The people who are carrying this also is the tourism industry. We do not want to argue on the issue that the most revenue is generated from the tourism industry. And the government is in need of funds because every year the budget comes to a deficit of 5 or 6 billion. In 2009 and 2010 also it is the same and there's no question that the government is in need of funds. But the problem is I see that everything is focused in the same area. This is maybe not the right decision or the right way to do it. That is why maybe Mr. Hamza and some of our other colleagues are talking about it. In addition to the medical insurance the pension scheme is also coming up from 1st of May and 7% has to be paid from every company and every staff including foreigners. I think we have to sit down with the MATI Board and pursue these issues and look and it properly and find out what the difficulties are for the industry and see what suggestions we can give to the members as well as the government. See if there are any differences between the laws and the regulations and bring it according to the law for the benefit of all the members. I think this is what we are talking about. And I also support what Mr. Afeef is saying that if the value of our

property is going so high and therefore it's good and so we have to do what is best. In the meantime we have to act according to the law. No one can make a difference in the regulation to violate the law. That is what we are discussing Thank you very much.

Chairman: Mr. Qasim has highlighted us o this and we will be working towards this. What is most confusing is that what the law says and what the tourism ministry is talking about is something very different. We are caught in the middle and up to now they have not been able to give a clear-cut answer on this. But we are working on this. And one more issue that the members have taken and we also have taken up with the pension people is that pension for foreigners is not applicable in many countries. There are people who come on contract basis work and then go back. It's not done in Singapore and its not done in many middle-eastern countries and in Maldives this will be a very big hit on us. So these are issues on which we have already started talking with the concerned Pension Board.

Nazeer: What has happened is we have on numerous occasions told the government that foreigners have to be excluded from the pension scheme. At the moment the law now states that everybody who is working in this country must contribute 7% and the employer has to pay 7%. For various reasons we have said that the foreigners who are working with us are on contract basis who can be sacked tomorrow and who has no long-term contract with will be very difficult for us to control and so to please there take them out. As a result of this the Pension Authority in partnership with the Ministry of Finance has proposed an amendment to the existing Bill hoping to change this law to enable the foreigners not to pay. At the moment my understanding is that the Bill is not tabled with the Parliament. It is with the government and hopefully it will be tabled very soon. But apparently according to this amendment it does not still delete the foreigners from not paying. It gives the authority to the Pensions Authority to postpone the collection of this 7% from the foreigners for maybe 2 or 3 years or whatever. And when we questioned the Pension Authority on why they are doing they said that hopefully during this interim period we could amend the law to take away the foreigners. That is where we stand at the moment on that issue. Thank you.

Sim: The issue that we have with annual payments for the increase in lease; the difficulty for us at the moment is telling the government that the law provides very clearly that it has to be paid annually. But what the government is saying is if you pay annually then we will extend your lease annually. That's not what the law says but that's what the government is saying. So that is where we are tied. This is the difficulty for us at the moment. We know the situation; we are talking about it but the feedback we are getting is this; if you pay for one year we'll extend for one year. I thought I should bring this to your attention.

Chairman: I would like to thank the members for electing me and rest of the Board and for having confidence in us for the work that we have we have done. In the last year we have had a lot of work done because this was one of the most challenging years that we have had in dealing with these sorts of problems that we have to tackle with the government. Nevertheless I

would say we have done fairly well as we have been able to make positive steps and make clear-cut decisions with the government in these issues. And that has saved in monetary terms a lot of money for the industry and made things much more easier and clear-cut. We do hope that in the next year also we would be able to continue with this process and make things much more easier for us to work. The whole message is that we telling the government to please make things clear to us so that we can make our operations easy instead of unclear things hanging over us. I think that it is very important that even any law that comes in has to be very clear-cut and has no ambiguity in it. As far as this year was concerned we have had enormous amounts of discussions with the government at different levels on different subjects and even our organizations have supported with their technical skills to work out the several formulas and in studying this. So I think it has been a very productive year and we thank you all for your contribution. Thank you.