

MANAGEMENT ASSOCIATION OF PAKISTAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MANAGEMENT ASSOCIATION OF PAKISTAN (incorporated as a company limited by guarantee)** as at **December 31, 2006** and the related income and expenditure account, cash flow statement and statement of changes in capital and reserves, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Association's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

- a) in our opinion, proper books of account have been kept by the Association as required by the Companies Ordinance, 1984;
- b) in our opinion :
 - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Association's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Association.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in capital and reserves together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Association's affairs as at **December 31, 2006** and of the surplus, its cash flows and changes in capital and reserves for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

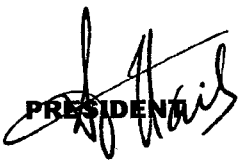
KARACHI: March 28, 2007

Ford Rhodes Sidat Hyder
CHARTERED ACCOUNTANTS

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET AS AT DECEMBER 31, 2006**

	Note	2006 (Rupees)	2005 (Rupees)
Fixed Assets	3	1,530,604	676,490
Long term investments	4	-	8,290,600
Current Assets			
Seminar fee receivable		122,900	31,500
Subscription receivable from members		181,000	124,000
Advances, deposits, prepayments and other receivables	5	719,134	658,022
Current portion of long term investments	4	2,246,354	166,540
Short term investments	6	10,976,421	1,127,909
Cash and bank balances	7	2,267,198	3,861,430
		16,513,007	5,969,401
Less: Current Liabilities			
Advance fee and subscription	8	2,305,835	1,529,255
Sundry creditors	9	659,705	112,020
		2,965,540	1,641,275
Net Current Assets		13,547,467	4,328,126
Deferred liability for staff gratuity	10	(1,837,300)	(1,545,437)
		13,240,771	11,749,779
REPRESENTED BY:			
Capital and reserves			
Capital		87,356	87,356
Library fund		5,000	5,000
Members' general fund		2,218,250	1,981,600
Unrealized (loss)/gain on available for sale investment		(7,705)	127,909
Accumulated surplus		10,937,870	9,547,914
		13,240,771	11,749,779

The annexed notes form an integral part of these financial statements. *JRN*


PRESIDENT


HONORARY TREASURER


EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2006**

INCOME	Note	2006 (Rupees)	2005 (Rupees)
Entrance fee		236,650	271,000
Subscription from members		3,263,315	3,237,334
Net income from seminars and courses	11	1,377,023	1,434,287
Net income from management convention	12	1,839,749	-
Return on investments		934,275	862,252
Other income	13	519,750	341,770
		<u>8,170,762</u>	<u>6,146,643</u>
EXPENDITURE			
Staff cost	14	3,700,078	3,237,650
Other establishment costs and administrative expenses	15	2,844,078	2,259,216
		<u>6,544,156</u>	<u>5,496,866</u>
Surplus for the year		<u>1,626,606</u>	<u>649,777</u>
Accumulated surplus brought forward		9,547,914	9,169,137
Accumulated surplus available for appropriation		<u>11,174,520</u>	<u>9,818,914</u>
Appropriations:			
Transferred to members' general fund		(236,650)	(271,000)
Accumulated surplus carried forward		<u>10,937,870</u>	<u>9,547,914</u>

The annexed notes form an integral part of these financial statements.

For


PRESIDENT


HONORARY TREASURER


EXECUTIVE DIRECTOR

MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006 (Rupees)	2005 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		1,626,606	649,777
Adjustments for:			
Depreciation		292,561	84,358
Provision for gratuity		291,863	204,850
Return on investments		(934,275)	(862,252)
Profit on term deposit		(13,938)	(25,000)
Bad debts written off		87,000	183,000
Loss on encashment of long term investment		180,750	-
		1,530,567	234,733
Working capital changes			
Decrease / (increase) in seminar fee receivable		(91,400)	740,500
(Increase) in subscription receivable		(57,000)	(2,500)
(Increase) / decrease in advances, deposits, prepayments and other receivables		(72,174)	(33,488)
Increase in advance fee and subscription		776,580	38,280
(Decrease) / increase in sundry creditors		547,685	(113,502)
		1,103,691	629,290
		2,634,258	864,023
Gratuity paid		-	(14,620)
Net cash generated from operating activities		2,634,258	849,403
CASH FLOW FROM INVESTING ACTIVITY			
Fixed capital expenditure		(1,146,675)	(103,500)
Investments made		(9,500,000)	(2,000,000)
Investments encashed upon maturity		5,923,790	1,333,070
Interest received		494,395	851,823
Net cash inflow/(outflow) from investing activities		(4,228,490)	81,393
Net increase in cash and cash equivalents		(1,594,232)	930,796
Cash and cash equivalents at the beginning of the year		3,861,430	2,930,634
Cash and cash equivalents at the end of the year	7	2,267,198	3,861,430

The annexed notes form an integral part of these financial statements. *F/10*


PRESIDENT


HONORARY TREASURER


EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN CAPITAL & RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Capital	Library Fund	Members' General Fund	Unrealized gain/ (loss) on available for sale investments	Accumulated Surplus	Total
-----Rupees-----						
Balance as at January 1, 2005	87,356	5,000	1,710,600	-	9,169,137	10,972,093
Net surplus for the year	-	-	-	-	649,777	649,777
Transferred during the year	-	-	271,000	-	(271,000)	-
Unrealised gain on available for sale investments	-	-	-	127,909	-	127,909
Balance as at December 31, 2005	87,356	5,000	1,981,600	127,909	9,547,914	11,749,779
Net surplus for the year	-	-	-	-	1,626,606	1,626,606
Transferred during the year	-	-	236,650	-	(236,650)	-
Unrealised loss on available for sale investments	-	-	-	(135,614)	-	(135,614)
Balance as at December 31, 2006	87,356	5,000	2,218,250	(7,705)	10,937,870	13,240,771

The annexed notes form an integral part of these financial statements. *JKW*


RESIDENT


HONORARY TREASURER


EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31,2006**

1. LEGAL STATUS AND NATURE OF ACTIVITIES

The Association was incorporated in 1966 in Pakistan as a company limited by guarantee under the Companies Act, 1913 (now the Companies Ordinance, 1984). The main activities of the Association are to disseminate information of management practices through seminars, courses and conventions. The registered office of the Association is situated at 36-A/4, Chawla House, Opp: Beach Luxury Hotel, Lalazar, Karachi.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

Standards, interpretation and amendments to published approved accounting standards that are not yet effective

Following amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2006 or later periods:

- | | | | |
|------|--------|---|--------------------------------|
| i. | IAS 19 | Amendments – Employee Benefits | Effective from January 1, 2006 |
| ii. | IAS 39 | Financial Instrument: Recognition and Measurement – Fair Value Option | Effective from January 1, 2006 |
| iii. | IAS 1 | Presentation of Financial Statements Capital Disclosures | Effective from January 1, 2007 |

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for certain available for sale investments which are carried at fair value.

2.3 Fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method. Full year's depreciation is charged on additions, while no depreciation is charged on assets disposed off during the year. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in income currently.

2.4 Revenue recognition

- Entrance fee from members is recorded on receipt basis.
- Seminar fee is recognized on accrual basis.
- Management convention fee is recognized on accrual basis.
- Subscription from members is recorded on accrual basis. Subscription received in advance for the following year(s) is taken to liabilities.
- Return on investments is recognized on accrual basis based on effective interest rate method.
- Profit on bank deposits is recognized on accrual basis.

2.5 Investments

Held to maturity

Investments are classified as held to maturity, which are securities with a fixed maturity that the Association has the intent and ability to hold until maturity. All investments are initially recorded at cost. Held to maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Available for sale

Investments that are not held-for-trading or held-to-maturity are classified as available-for-sale. Investments in quoted securities are initially recorded at cost and are subsequently remeasured at fair value, with the resulting gain/(loss) is reported as a component of equity until the investment is sold or otherwise disposed off or until the investment is determined to be impaired, at which time, the cumulative gain/(loss) previously reported in equity is included in the income and expenditure account.

2.6 Financial instruments

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received and are recognized at the time when the Association becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition of the financial assets and financial liabilities is reported in the income and expenditure account for the period in which it arises.

2.7 Staff retirement benefits

An unfunded gratuity scheme is in force for all employees of the Association who are eligible for this benefit and obligations under the scheme are accrued in the financial statements. Every permanent employee who resigns from his service or his service is terminated by the Association shall be paid gratuity equivalent to the product of his 15 days last drawn salary and the year of services rendered after 3 completed years of service. No actuarial valuation has been carried out to make an estimate of the amount of benefits, as the management is of the opinion that the financial impact of the actuarial valuation would not be material.

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash in transit, cash with banks on current, saving and deposit accounts.

3. FIXED ASSETS – Tangible

	Cost as at January 01, 2006	Additions	Cost as at December 31, 2006	Accumulated depreciation as at January 01,2006	Depreciation for the year	Accumulated depreciation as at December 31,2006	Book value as at December 31, 2006	Depreci- ation rate %
Furniture and fixture	453,327	-	453,327	142,389	18,656	161,045	292,282	6
Library books	8,909	-	8,909	8,691	33	8,724	185	15
Office equipment	778,071	205,250	983,321	496,930	72,958	569,888	413,433	15
Air conditioner and refrigerator	242,883	-	242,883	158,690	12,629	171,319	71,564	15
Others	1,063	-	1,063	1,063	-	1,063	-	15
Motor Vehicle	-	941,425	941,425	-	188,285	188,285	753,140	20
2006 - Rupees	1,484,253	1,146,675	2,630,928	807,763	292,561	1,100,324	1,530,604	
2005 - Rupees	1,380,753	103,500	1,484,253	723,405	84,358	807,763	676,490	

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4. LONG TERM INVESTMENTS – Held to maturity	Note	2006 (Rupees)	2005 (Rupees)
Term Finance Certificates		-	166,540
Less: current portion		-	166,540
Certificates of investment		-	-
Less: current portion	4.1	<u>2,246,354</u>	<u>8,290,600</u>
		-	<u>8,290,600</u>

4.1 Current portion	Amount (Rupees)	Yield (per annum)	Maturity
- ORIX Leasing Pakistan Limited	1,015,596	13.75%	February, 2007
- ORIX Leasing Pakistan Limited	<u>1,230,758</u>	13.50%	April, 2007
	<u>2,246,354</u>		

5. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances – unsecured, considered good			
- Corporate excellence award		86,822	9,667
Deposits		115,480	115,480
Prepayments		502,894	507,875
Other receivable		<u>13,938</u>	<u>25,000</u>
		<u>719,134</u>	<u>658,022</u>

6. SHORT TERM INVESTMENTS

Held to maturity – Term Finance Certificates - amortised cost	6.1	9,984,126	-
Available-for-sale – Quoted securities – fair value	6.2	992,295	1,127,909
		<u>10,976,421</u>	<u>1,127,909</u>

6.1 Held to maturity – Term Finance Certificates – amortised cost

	Amount (Rupees)	Yield (per annum)	Maturity
- Saudi Pak Leasing Company Limited	1,500,000	9.90%	April, 2007
- Faysal Bank Limited	5,324,123	11.00%	May, 2007
- Atlas Bank Limited	<u>3,160,003</u>	10.50%	June, 2007
	<u>9,984,126</u>		

6.2 Available-for-sale - Quoted securities – fair value

		2006 (Rupees)	2005 (Rupees)
	<u>No. of units</u>		
	2006 2005		
	UNITS		
	<u>22,051</u> <u>22,051</u>	<u>992,295</u>	<u>1,127,909</u>
	National Investment Trust Units		

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Management Association of Pakistan

	Note	2006 (Rupees)	2005 (Rupees)
7. CASH AND BANK BALANCES			
In hand		2,841	8,755
With banks on - current account		34,098	-
- PLS account	7.1	1,830,259	1,852,675
- Term deposit	7.2	400,000	2,000,000
		2,267,198	3,861,430

7.1 It carries profit at the rate of 1.0 % (2005: 1.0 %) per annum.

7.2 This represents amount deposited for a period of six months with MCB Bank Limited and carries profit at the rate of 0.03 percent per annum.

	Note	2006 (Rupees)	2005 (Rupees)
8. ADVANCE FEE AND SUBSCRIPTION			
Seminar fee	8.1	517,560	141,500
Subscription from members		1,751,525	1,387,755
		2,305,835	1,529,255

8.1 This includes Rs.400,000/- advance received from English Biscuit Manufacturers (Private) Limited in respect of future seminars.

9. SUNDRY CREDITORS

Seminar expenses	91,822	68,848
Audit fee	35,000	25,000
Utilities	10,005	3,300
Telephone	4,720	8,250
Newspapers	2,320	2,200
Postage	8,379	-
Entertainment	3,740	4,422
Convention income payable	457,969	-
Subscription	45,750	-
	659,705	112,020

10. DEFERRED LIABILITY - Gratuity

Opening balance	1,545,437	1,355,207
Provision for the year	291,863	204,850
Paid to employees	-	(14,620)
	1,837,300	1,545,437

11. NET INCOME FROM SEMINARS AND COURSES

Fee	2,916,117	2,734,987
Expenses	(1,539,094)	(1,300,700)
	1,377,023	1,434,287

12. NET INCOME FROM MANAGEMENT CONVENTION

Fee	9,953,254	-
Expenses	8,113,505	-
	1,839,749	-

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Management Association of Pakistan

	Note	2006 (Rupees)	2005 (Rupees)
13. OTHER INCOME			
Income from corporate excellence awards		385,999	301,890
Profit on PLS account		33,812	14,880
Profit on term deposit account		13,938	25,000
Income from sale of articles		86,001	-
		<u>519,750</u>	<u>341,770</u>
14. STAFF COST			
Salaries and allowances	14.1	3,026,437	2,677,876
Provision for gratuity		291,863	204,851
Ex-gratia payments		242,638	224,688
Contribution to Employees Old Age Benefits Institution		20,580	18,240
Medical assistance		118,560	111,995
		<u>3,700,078</u>	<u>3,237,650</u>

14.1 Salaries and allowances

These include Rs. 1.561 million (2005: Rs. 1.342 million) in respect of remuneration paid to the Executive Director of the Association.

	2006 (Rupees)	2005 (Rupees)
15. OTHER ESTABLISHMENT COSTS AND ADMINISTRATIVE EXPENSES		
Office rent	518,713	471,558
Utilities	131,431	109,550
Telephone expenses	80,210	98,215
Office and general expenses	265,496	196,427
Printing and stationery	140,540	140,852
Postage	108,580	85,201
Conveyance	91,766	22,464
Annual report and meeting	120,524	86,495
Entertainment	119,144	163,839
Corporate excellence award	276,047	279,048
Depreciation	292,561	84,358
Bad debts	87,000	183,000
Bank charges	18,283	23,869
Audit fee	35,000	25,000
Membership subscriptions	60,346	40,881
Travelling, boarding and lodging	247,620	146,279
Repair and maintenance	2,800	32,300
Website cost	67,267	69,880
Loss on encashment of long term investment	180,750	-
	<u>2,844,078</u>	<u>2,259,216</u>

16. TAXATION

The Association, being a charitable organization, is exempt from tax under clause 58 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Therefore, no provision for taxation has been made in these financial statements in respect of the sources of income specified to be exempt from tax under the said clause.

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17. FINANCIAL INSTRUMENTS

17.1 Interest/mark-up rate risk exposure

Interest / mark-up risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. As the Association's financial instruments are invested in fixed rate securities, with well rated balances, financial institutions and companies, the Association does not believe it is exposed to interest rate risks.

Financial assets and liabilities:

2006		----- (Rupees) -----							
		Interest/mark-up bearing			Non Interest/mark-up bearing				
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity from one to five years	Maturity after five years	Total
Financial assets									
Investments		2,246,354	-	-	2,246,354	-	-	-	2,246,354
Deposits		-	-	-	-	115,480	-	-	115,480
Seminar fee receivable		-	-	-	-	122,900	-	-	122,900
Short term investments		9,984,126	-	-	9,984,126	992,295	-	-	10,976,421
Cash and bank balances		2,230,259	-	-	2,230,259	36,939	-	-	2,267,198
		<u>14,460,739</u>	<u>-</u>	<u>-</u>	<u>14,460,739</u>	<u>1,267,614</u>	<u>-</u>	<u>-</u>	<u>15,728,353</u>
Financial liabilities									
Sundry creditors		-	-	-	-	659,705	-	-	659,705
Gratuity payable		-	-	-	-	1,837,800	-	-	1,837,800
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,497,505</u>	<u>-</u>	<u>-</u>	<u>2,497,505</u>
2005		----- (Rupees) -----							
		Interest/mark-up bearing			Non Interest/mark-up bearing				
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity from one to five years	Maturity after five years	Total
Financial assets									
Long term investments		166,540	8,290,600	-	8,457,140	-	-	-	8,457,140
Deposits		-	-	-	-	115,480	-	-	115,480
Seminar fee receivable		-	-	-	-	31,500	-	-	31,500
Short term investments		-	-	-	-	1,127,909	-	-	1,127,909
Cash and bank balances		3,844,050	-	-	3,844,050	17,380	-	-	3,861,430
		<u>4,019,215</u>	<u>8,290,600</u>	<u>-</u>	<u>12,309,815</u>	<u>1,283,644</u>	<u>-</u>	<u>-</u>	<u>13,593,459</u>
Financial liabilities									
Sundry creditors		-	-	-	-	112,020	-	-	112,020
Gratuity payable		-	-	-	-	1,545,437	-	-	1,545,437
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,657,457</u>	<u>-</u>	<u>-</u>	<u>1,657,457</u>

The effective interest/mark-up rates for the monetary financial assets are mentioned in the respective notes to the financial statements.

17.2 Fair value of financial assets and liabilities

The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values.

17.3 Risk management

Association does not believe that it is exposed to major concentration of credit risk.

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18. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Executive Committee of the Association on ~~28 MAR~~ 2007.

19. GENERAL

Figures have been rounded off to the nearest rupee.

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PRESIDENT


HONORARY TREASURER


EXECUTIVE DIRECTOR