

MANAGEMENT ASSOCIATION OF PAKISTAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

 **ERNST & YOUNG**

■ **Ford Rhodes Sidat Hyder & Co.**
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541
Karachi 75530, Pakistan

■ Phone: (92-21) 565 0007-11
Fax: (92-21) 568 1965
frsh.khi@pk.ey.com
Offices at Lahore & Islamabad
www.ey.com/pk

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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, 2007** 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, 2007** 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 26, 2008


CHARTERED ACCOUNTANTS

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET AS AT DECEMBER 31, 2007**

	Note	2007 (Rupees)	2006 (Rupees)
Property, plant and equipment	3	1,429,550	1,530,604
Long term investments	4	1,054,462	-
Current Assets			
Seminar fee receivable		137,900	122,900
Subscription receivable from members		355,625	181,000
Advances, deposits, prepayments and other receivables	5	757,933	719,134
Current portion of long term investments	4	-	2,246,354
Short term investments	6	13,237,096	10,976,421
Cash and bank balances	7	1,889,218	2,267,198
		<u>16,377,772</u>	<u>16,513,007</u>
Less: Current Liabilities			
Advance fee and subscription	8	2,139,664	2,305,835
Trade and other payables	9	143,214	659,705
		<u>2,282,878</u>	<u>2,965,540</u>
Net Current Assets		<u>14,094,894</u>	<u>13,547,467</u>
Deferred liability for staff gratuity	10	(2,096,509)	(1,837,300)
		<u>14,482,397</u>	<u>13,240,771</u>

REPRESENTED BY:

Capital and reserves

Capital	87,356	87,356
Library fund	5,000	5,000
Members' general fund	2,590,975	2,218,250
Unrealized gain/(loss) on available for sale investment	319,752	(7,705)
Accumulated surplus	11,479,314	10,937,870
	<u>14,482,397</u>	<u>13,240,771</u>

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

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PRESIDENT

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HONORARY TREASURER

Yaseen Hussain
EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007 (Rupees)	2006 (Rupees)
INCOME			
Entrance fee		372,725	236,650
Subscription from members		4,283,313	3,263,315
Net income from seminars and courses	11	1,615,528	1,377,023
Profit on investments		1,363,909	934,275
Other income	12	688,810	519,750
Net income from management convention		-	1,839,749
		<u>8,324,285</u>	<u>8,170,762</u>
EXPENDITURE			
Staff cost	13	4,007,578	3,700,078
Other establishment costs and administrative expenses	14	3,402,538	2,844,078
		<u>7,410,116</u>	<u>6,544,156</u>
Surplus for the year		914,169	1,626,606
Accumulated surplus brought forward		<u>10,937,870</u>	<u>9,547,914</u>
Accumulated surplus available for appropriation		<u>11,852,039</u>	<u>11,174,520</u>
Appropriations:			
Transferred to members' general fund		(372,725)	(236,650)
Accumulated surplus carried forward		<u><u>11,479,314</u></u>	<u><u>10,937,870</u></u>

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


PRESIDENT


HONORARY TREASURER

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EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007 (Rupees)	2006 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		914,169	1,626,606
Adjustments for:			
Depreciation		265,629	292,561
Provision for gratuity		306,109	291,863
Profit on investments		(1,363,909)	(934,275)
Profit on term deposit		(4,765)	(13,938)
Bad debts written off		31,000	87,000
Loss on encashment of long term investment		-	180,750
		148,233	1,530,567
Working capital changes			
(Increase) in seminar fee receivable		(15,000)	(91,400)
(Increase) in subscription receivable		(174,625)	(57,000)
(Increase) in advances, deposits, prepayments and other receivables		(38,799)	(72,174)
(Decrease)/ increase in advance fee and subscription		(166,171)	776,580
(Decrease) / increase in trade and other payables		(516,491)	547,685
		(911,086)	1,103,691
		(762,853)	2,634,258
Gratuity paid		(46,900)	-
Net cash (used in)/generated from operating activities		(809,753)	2,634,258
CASH FLOW FROM INVESTING ACTIVITY			
Fixed capital expenditure		(164,575)	(1,146,675)
Investments made		(2,000,000)	(9,500,000)
Investments encashed upon maturity		1,500,000	5,923,790
Profit received		1,096,348	494,395
Net cash generated from/(used in) investing activities		431,773	(4,228,490)
Net decrease in cash and cash equivalents		(377,980)	(1,594,232)
Cash and cash equivalents at the beginning of the year		2,267,198	3,861,430
Cash and cash equivalents at the end of the year	7	1,889,218	2,267,198

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

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, 2007**

	Capital	Library Fund	Members' General Fund	Unrealized gain on available for sale investments	Accumulated Surplus	Total
-----Rupees-----						
Balance as at January 1, 2006	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
Net surplus for the year	-	-	-	-	914,169	914,169
Transferred during the year	-	-	372,725	-	(372,725)	-
Unrealised gain on available for sale investments	-	-	-	327,457	-	327,457
Balance as at December 31, 2007	87,356	5,000	2,590,975	319,752	11,479,314	14,482,397

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

PRESIDENT

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 31,2007**

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. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Small-Sized Entities issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

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. Property, plant and equipment

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.
- Profit 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.

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Available for sale

Investments that are not held-to-maturity or financial assets at fair value through profit or loss 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

The Association operates an unfunded defined benefit gratuity scheme for all employees who have completed the minimum qualifying period of service. Provision is made annually to cover the obligations under the scheme on the assumption that such benefits are payable to all employees at the end of each accounting year.

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.

2.9 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost as at January 01, 2007	Additions	Cost as at December 31, 2007	Accumulated depreciation as at January 01,2007	Depreciation for the year (Note 14)	Accumulated depreciation as at December 31,2007	Book value as at December 31, 2007	Depreci- ation rate %
Furniture and fixture	453,327	-	453,327	161,045	17,537	178,582	274,745	6
Library books	8,909	-	8,909	8,724	28	8,752	157	15
Office equipment	983,321	164,575	1,147,896	569,888	86,701	656,589	491,307	15
Air conditioner and refrigerator	242,883	-	242,883	171,319	10,735	182,054	60,829	15
Motor vehicle	941,425	-	941,425	188,285	150,628	338,913	602,512	20
Others	1,063	-	1,063	1,063	-	1,063	-	15
2007 - Rupees	2,630,928	164,575	2,795,503	1,100,324	265,629	1,365,953	1,429,550	
2006 - Rupees	1,484,253	1,146,675	2,630,928	807,763	292,561	1,100,324	1,530,604	

4. LONG TERM INVESTMENTS – Held to maturity – amortised cost	Note	2007 (Rupees)	2006 (Rupees)
Certificates of investment	4.1	1,054,462	2,246,354
Less: current portion		-	2,246,354
		<u>1,054,462</u>	<u>-</u>

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Management Association of Pakistan

	Note	2007 (Rupees)	2006 (Rupees)
9. TRADE AND OTHER PAYABLES			
Seminar expenses		27,637	91,822
Accrued liabilities		115,577	64,164
Convention income payable		-	457,969
Subscription		-	45,750
		143,214	659,705
10. DEFERRED LIABILITY – Staff gratuity			
Opening balance		1,837,300	1,545,437
Provision for the year		306,109	291,863
Payment during the year		(46,900)	-
		2,096,509	1,837,300
11. NET INCOME FROM SEMINARS AND COURSES			
Fee		3,345,589	2,916,117
Expenses		(1,730,061)	(1,539,094)
		1,615,528	1,377,023
12. OTHER INCOME			
Income from corporate excellence awards		519,825	385,999
Profit on PLS account		19,842	33,812
Profit on term deposit account		4,765	13,938
Income from sale of articles		3,335	86,001
Liability no longer payable written back		141,043	-
		688,810	519,750
13. STAFF COST			
Salaries and allowances	13.1	3,259,627	3,026,437
Provision for gratuity		306,109	291,863
Ex-gratia payments		280,078	242,638
Contribution to Employees Old Age Benefits Institution		20,384	20,580
Medical assistance		141,380	118,560
		4,007,578	3,700,078

13.1 Salaries and allowances

These include Rs. 1.353 million (2006: Rs. 1.241 million) in respect of remuneration paid to the Executive Director of the Association.

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	Note	2007 (Rupees)	2006 (Rupees)
14. OTHER ESTABLISHMENT COSTS AND ADMINISTRATIVE EXPENSES			
Office rent		570,585	518,713
Utilities		164,304	131,431
Telephone expenses		68,520	80,210
Office and general expenses		353,171	265,496
Printing and stationery		186,195	140,540
Postage		103,684	108,580
Conveyance		102,418	91,766
Annual report and meeting		124,037	120,524
Entertainment		148,688	119,144
Corporate excellence award		848,230	276,047
Depreciation	3	265,629	292,561
Bad debts		31,000	87,000
Bank charges		19,060	18,283
Auditor's remuneration		50,000	35,000
Membership subscriptions		14,839	60,346
Travelling, boarding and lodging		239,159	247,620
Repair and maintenance		39,249	2,800
Website cost		73,770	67,267
Loss on encashment of long term investment		-	180,750
		3,402,538	2,844,078

15. 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.

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Executive Committee of the Association on 20 MAR, 2008.

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A. A. M. M.

Shahid Hussain

PRESIDENT

HONORARY TREASURER

EXECUTIVE DIRECTOR