

**MANAGEMENT ASSOCIATION
OF PAKISTAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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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, 2003** 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 except for the change as stated in note 2.4 and 2.5 with which we concur;
 - 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.

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- 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, 2003** 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.

The financial statements of the Association for the year ended December 31, 2002 were audited by another firm of Chartered Accountants whose report dated May 23, 2003, expressed an unqualified opinion.

KARACHI:

CHARTERED ACCOUNTANTS

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**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET AS AT DECEMBER 31, 2003**

	NOTE	2003 (Rupees)	2002 (Rupees)
Operating Fixed Assets – Tangible	3	806,943	630,391
Investments – at cost	4	6,032,670	6,499,400
Current Assets			
Seminar fee receivable		135,630	286,080
Subscription receivable from members		313,500	-
Advances, deposits, prepayments and other receivables	5	844,513	688,964
Cash and bank balances	6	1,736,408	1,824,662
		3,030,051	2,799,706
Less: Current Liabilities			
Advance fee and subscriptions	7	750,700	1,170,175
Sundry creditors	8	45,655	32,812
		796,355	1,202,987
Net Current Assets		2,233,696	1,596,719
Deferred liability for staff gratuity	9	(1,101,376)	(843,648)
		7,971,933	7,882,862

REPRESENTED BY:

Capital & Reserves

Capital	87,356	87,356
Library fund	5,000	5,000
Members' general fund	1,375,100	1,296,850
Accumulated surplus	6,504,477	6,493,656
	7,971,933	7,882,862

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

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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, 2003**

	NOTE	2003 (Rupees)	2002 (Rupees)
INCOME			
Entrance fee		78,250	282,600
Subscriptions from members		3,007,325	2,189,764
Net income from seminars and courses	10	1,481,681	2,665,681
Return on investments		727,185	672,210
Other income – net		265,157	351,125
		<u>5,559,598</u>	<u>6,161,380</u>
EXPENDITURE			
Staff costs	11	3,124,656	2,780,010
Other establishment costs and administrative expenses	12	2,345,871	2,219,563
		<u>5,470,527</u>	<u>4,999,573</u>
Surplus for the year		89,071	1,161,807
Accumulated surplus brought forward		6,493,656	5,614,449
Accumulated surplus available for appropriation		<u>6,582,727</u>	<u>6,776,256</u>
Appropriations:			
Transferred to members' general fund		(78,250)	(282,600)
Accumulated surplus carried forward		<u>6,504,477</u>	<u>6,493,656</u>

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

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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, 2003**

	Note	2003	2002
		(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		89,071	1,161,807
Adjustments for:			
Depreciation		91,717	76,857
Provision for gratuity		257,728	262,305
Return on investments		(727,185)	(672,210)
Amortization – web site cost		-	71,221
		(288,669)	899,980
Working capital changes			
Decrease / (increase) in seminar fees receivable		150,450	(101,980)
Increase in subscription fees receivable		(313,500)	-
Increase in advances, deposits, prepayments and other receivables		(270,605)	(71,940)
(Decrease)/increase in advance fee and subscription		(419,475)	542,447
Increase/(decrease) in sundry creditors		12,843	(18,038)
		(840,287)	350,489
		(1,128,956)	1,250,469
Gratuity paid		-	(176,596)
Net cash (used in) / generated from operating activities		(1,128,956)	1,073,873
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(268,270)	(35,550)
Investment made		(2,000,000)	(4,200,000)
Investment encashed upon maturity		2,466,730	3,200,400
Interest received		842,242	633,156
Net cash inflow/(outflow) from investing activities		1,040,702	(401,994)
Net increase in cash and bank balances		(88,254)	671,879
Cash and bank balances at the beginning of the year		1,824,662	1,152,783
Cash and bank balances at the end of the year	6	1,736,408	1,824,662

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

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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, 2003**

	Capital	Library Fund	Members' General Fund	Accumulated Surplus	Total
-----Rupees-----					
Balance as at January 1, 2002	87,356	5,000	1,014,250	5,614,449	6,721,055
Net surplus for the year	-	-	-	1,161,807	1,161,807
Transferred during the year	-	-	282,600	(282,600)	-
Balance as at December 31, 2002	87,356	5,000	1,296,850	6,493,656	7,882,862
Net surplus for the year	-	-	-	89,071	89,071
Transferred during the year	-	-	78,250	(78,250)	-
Balance as at December 31, 2003	<u>87,356</u>	<u>5,000</u>	<u>1,375,100</u>	<u>6,504,477</u>	<u>7,971,933</u>

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

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PRESIDENT

HONORARY TREASURER

EXECUTIVE DIRECTOR

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**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31,2003**

1. LEGAL STATUS AND NATURE OF ACTIVITIES

The Association was incorporated in 1966 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 Ordinance. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Overall valuation policy

These financial statements have been prepared on the basis of historical cost convention.

2.3 Tangible Fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged on reducing balance method. In respect of additions, depreciation is charged for the full year. No depreciation is charged on deletions in the year of sale. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised 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 recognised on accrual basis.
- Subscription from members is recorded on accrual basis. Uptil last year, subscription fee was being recognised on receipt basis except for fee received in advance for the following year(s), which was taken to liabilities.
Had the policy not been changed, surplus for the year would be converted into deficit of Rs.224,429/- .
- Profit on investments is recognized on accrual basis based on effective interest rate method .

2.5 Investments

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.

Uptil last year, these were carried at lower of cost and net realizable value. No adjustment has been required to be made due to the said change in policy.

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2.6 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the Institute 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 taken to revenue and expenditure account currently.

2.7 Gratuity

An unfunded gratuity scheme is in force for all employees who are eligible for this benefit and obligations under the scheme are accrued in accounts. 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 done 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.

3. OPERATING FIXED ASSETS – Tangible

	Cost as at January 01, 2003	Additions	Cost as at December 31, 2003	Accumulated depreciation as at January 01, 2003	Depreciation for the year	Accumulated depreciation as at December 31, 2003	Book value as at December 31, 2003	Depreci- ation Rate %
Building on leasehold land	255,778	-	255,778	164,085	4,585	168,670	87,108	5
Furniture and fixture	285,341	172,320	457,661	80,856	22,608	103,464	354,197	6
Library books	9,222	-	9,222	8,641	87	8,728	494	15
Office equipment	657,921	16,650	674,571	360,033	47,180	407,213	267,357	15
Air conditioner and refrigerator	144,833	79,300	224,133	109,099	17,255	126,354	97,779	15
Others	1,074	-	1,074	1,064	2	1,066	8	15
2003 - Rupees	<u>1,354,169</u>	<u>268,270</u>	<u>1,622,439</u>	<u>723,778</u>	<u>91,717</u>	<u>815,495</u>	<u>806,943</u>	
2002 - Rupees	1,318,619	35,550	1,354,169	646,921	76,857	723,778	630,391	

4. INVESTMENTS – Held to maturity	Note	2003 (Rupees)	2002 (Rupees)
Federal Investment Bonds		-	1,300,000
Term Deposits		-	1,000,000
Term Finance Certificates – Sui Southern Gas Company Limited	4.1	832,670	999,400
Certificate of Investments	4.2	<u>5,200,000</u>	<u>3,200,000</u>
		<u>6,032,670</u>	<u>6,499,400</u>

4.1 This carries profit at the rate of 14 percent and will be matured latest by 2006.

4.2 Certificates of investments are for a term of five years with the following institutions:

	Amount (Rupees)	Yield
- Saudi Pak Leasing Company Limited	1,000,000	13.75% - 7.65%
- ORIX Leasing Pakistan Limited	2,200,000	13.5% - 13.75%
- Atlas Investment Bank Limited	2,000,000	8.25%
	<u>5,200,000</u>	

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Management Association of Pakistan

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Building on leasehold land	255,778	-	255,778	164,085	4,585	168,670	87,108	5
Furniture and fixture	285,341	172,320	457,661	80,856	22,608	103,464	354,197	6
Library books	9,222	-	9,222	8,641	87	8,728	494	15
Office equipment	657,921	16,650	674,571	360,033	47,180	407,213	267,357	15
Air conditioner and refrigerator	144,833	79,300	224,133	109,099	17,255	126,354	97,779	15
Others	1,074	-	1,074	1,064	2	1,066	8	15
2003 - Rupees	<u>1,354,169</u>	<u>268,270</u>	<u>1,622,439</u>	<u>723,778</u>	<u>91,717</u>	<u>815,495</u>	<u>806,943</u>	
2002 - Rupees	1,318,619	35,550	1,354,169	646,921	76,857	723,778	630,391	

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- Atlas Investment Bank Limited	2,000,000	8.25%
	<u>5,200,000</u>	

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	Note	2003 (Rupees)	2002 (Rupees)
5. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances – unsecured, considered good			
- To suppliers		40,975	60,165
- Corporate excellence award		14,068	41,247
- Convention		10,855	-
		65,898	101,412
Deposits		101,130	101,130
Prepayments		625,559	319,440
Accrued income on investments		51,926	166,982
		<u>844,513</u>	<u>688,964</u>
6. CASH AND BANK BALANCES			
In hand		14,907	5,778
In transit		48,000	-
With banks on - current account		150,280	-
- PLS account		1,523,221	1,818,884
	6.1	<u>1,736,408</u>	<u>1,824,662</u>
6.1 The above account carries profit at the rate of 1.3 percent.			
7. ADVANCE FEE AND SUBSCRIPTION			
Seminar fee		443,700	99,250
Subscription from members		307,000	1,070,925
		<u>750,700</u>	<u>1,170,175</u>
8. SUNDRY CREDITORS			
Audit fee		12,000	12,000
Electricity, gas and water		650	1,470
Telephone		4,940	9,470
Newspapers		2,152	1,995
Salaries		23,993	-
Laundry		120	-
Medical		1,800	-
Seminar expenses		-	7,877
		<u>45,655</u>	<u>32,812</u>
9. DEFERRED LIABILITY - Gratuity			
Opening balance		843,648	757,939
Provision for the year		257,728	262,305
Paid to employees		-	(176,596)
		<u>1,101,376</u>	<u>843,648</u>
10. NET INCOME FROM SEMINARS AND COURSES			
Fee		2,896,860	4,966,413
Expenses		(1,415,179)	(2,300,732)
		<u>1,481,681</u>	<u>2,665,681</u>

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Management Association of Pakistan

	2003 (Rupees)	2002 (Rupees)
11. STAFF COSTS		
Salaries and allowances	2,601,422	2,303,734
Provision for gratuity	257,728	262,305
Ex-gratia payments	163,817	100,348
Contribution to Employees Old Age Benefits Institution	14,960	14,110
Medical assistance	86,729	99,513
	<u>3,124,656</u>	<u>2,780,010</u>
12. OTHER ESTABLISHMENT COSTS AND ADMINISTRATIVE EXPENSES		
Rent, rates and taxes	510,051	504,836
Telephone expenses	129,776	163,720
Office and general expenses	369,399	408,091
Printing and stationery	165,116	167,391
Postage	103,838	132,968
Conveyance	68,340	165,264
Annual report and meeting	143,035	94,833
Entertainment	144,375	118,223
Corporate excellence award	246,803	215,559
Depreciation	91,717	76,857
Bad debts	172,970	-
Bank charges	8,618	12,808
Accounting charges	-	27,500
Audit fee	12,000	12,000
Membership subscriptions	29,731	11,200
Amortisation of Web Site Development Cost	-	71,221
Travelling, boarding and lodging	104,602	15,865
Repair and maintenance	45,500	19,098
Other charges	-	2,129
	<u>2,345,871</u>	<u>2,219,563</u>

13. TAXATION

The Association, being a charitable organization, is exempt from tax under clauses 59 and 60 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.

14. NUMBER OF EMPLOYEES

Number of employees at year end

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Management Association of Pakistan

15. FINANCIAL INSTRUMENTS

15.1 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:

	----- (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	Sub-total	Total
2003									
Financial assets									
Investments	-	6,032,670	-	6,032,670	-	-	-	-	6,032,670
Deposits	-	-	-	-	-	101,130	-	101,130	101,130
Debtors	-	-	-	-	135,630	-	-	135,630	135,630
Other receivables	-	-	-	-	51,926	-	-	51,926	51,926
Bank balances	-	-	-	-	1,673,501	-	-	1,673,501	1,673,501
	<u>-</u>	<u>6,032,670</u>	<u>-</u>	<u>6,032,670</u>	<u>1,861,057</u>	<u>101,130</u>	<u>-</u>	<u>1,962,187</u>	<u>7,994,857</u>
Financial liabilities									
Creditors, accrued and other liabilities	-	-	-	-	1,147,031	-	-	1,147,031	1,147,031
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147,031</u>	<u>-</u>	<u>-</u>	<u>1,147,031</u>	<u>1,147,031</u>
2002									
----- (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	Sub-total	Total
Financial assets									
Investment	-	5,499,500	-	5,499,500	-	-	-	-	5,499,500
Deposits	-	-	-	-	101,130	-	-	101,130	101,130
Debtors	-	-	-	-	286,080	-	-	286,080	286,080
Other receivables	-	-	-	-	166,982	-	-	166,982	166,982
Term deposit	1,000,000	-	-	1,000,000	-	-	-	-	1,000,000
Bank balances	-	-	-	-	1,818,884	-	-	1,818,884	1,818,884
	<u>1,000,000</u>	<u>5,499,500</u>	<u>-</u>	<u>6,499,500</u>	<u>2,373,076</u>	<u>-</u>	<u>-</u>	<u>2,373,076</u>	<u>8,872,576</u>
Financial liabilities									
Creditors, accrued and other liabilities	-	-	-	-	876,460	-	-	876,460	876,460
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876,460</u>	<u>-</u>	<u>-</u>	<u>876,460</u>	<u>876,460</u>

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

15.2 Fair value of financial assets and liabilities

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

15.3 Risk management

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

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Management Association of Pakistan

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Executive Committee of the Association on _____, 2004.

17. GENERAL

17.1 Corresponding figures have been reclassified, wherever necessary, to facilitate comparison. There were no material reclassifications.

17.2 Figures have been rounded off to the nearest rupees.

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PRESIDENT

HONORARY TREASURER

EXECUTIVE DIRECTOR