

**MANAGEMENT ASSOCIATION
OF PAKISTAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**



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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, 2005** 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, 2005** 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 29, 2006

Ford Rhodes Sidat Hyder
CHARTERED ACCOUNTANTS

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET AS AT DECEMBER 31, 2005**

	Note	2005 (Rupees)	2004 (Rupees)
Fixed Assets	3	676,490	657,348
Long term investments	4	8,290,600	8,446,711
Current Assets			
Seminar fee receivable		31,500	772,000
Subscription receivable from members		124,000	304,500
Advances, deposits, prepayments and other receivables	5	658,022	599,534
Current portion of long term investments	4	166,540	333,070
Short term investments	6	1,127,909	-
Cash and bank balances	7	3,861,430	2,930,634
		5,969,401	4,939,738
Less: Current Liabilities			
Advance fee and subscription	8	1,529,255	1,490,975
Sundry creditors	9	112,020	225,522
		1,641,275	1,716,497
Net Current Assets		4,328,126	3,223,241
Deferred liability for staff gratuity	10	(1,545,437)	(1,355,207)
		11,749,779	10,972,093

REPRESENTED BY:

Capital and reserves

Capital	87,356	87,356
Library fund	5,000	5,000
Members' general fund	1,981,600	1,710,600
Unrealized gain on available for sale investment	127,909	-
Accumulated surplus	9,547,914	9,169,137
	11,749,779	10,972,093

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


PRESIDENT


HONORARY TREASURER

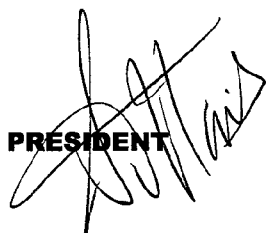

EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005 (Rupees)	2004 (Rupees)
INCOME			
Entrance fee		271,000	335,500
Subscription from members		3,237,334	3,009,100
Net income from seminars and courses	11	1,434,287	2,295,835
Net income from management convention	12	-	1,411,436
Return on investments		862,252	712,301
Other income	13	341,770	775,941
		<u>6,146,643</u>	<u>8,540,113</u>
EXPENDITURE			
Staff cost	14	<u>3,237,650</u>	<u>3,174,267</u>
Other establishment costs and administrative expenses	15	<u>2,259,216</u>	<u>2,365,686</u>
		<u>5,496,866</u>	<u>5,539,953</u>
Surplus for the year		<u>649,777</u>	<u>3,000,160</u>
Accumulated surplus brought forward		<u>9,169,137</u>	<u>6,504,477</u>
Accumulated surplus available for appropriation		<u>9,818,914</u>	<u>9,504,637</u>
Appropriations:			
Transferred to members' general fund		(271,000)	(335,500)
Accumulated surplus carried forward		<u>9,547,914</u>	<u>9,169,137</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, 2005**

	Note	2005 (Rupees)	2004 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		649,777	3,000,160
Adjustments for:			
Depreciation		84,358	78,743
Provision for gratuity		204,850	299,913
Return on investments		(862,252)	(712,301)
Profit on term deposit		(25,000)	-
Bad debts written off		183,000	190,880
Gain on disposal of fixed assets		-	(502,698)
		234,733	2,354,697
Working capital changes			
Decrease / (increase) in seminar fee receivable		740,500	(636,370)
(Increase) in subscription receivable		(2,500)	(181,880)
(Increase) / decrease in advances, deposits, prepayments and other receivables		(33,488)	193,053
Increase in advance fee and subscription		38,280	740,275
(Decrease) / increase in sundry creditors		(113,502)	179,867
		629,290	294,945
		864,023	2,649,642
Gratuity paid		(14,620)	(46,082)
Net cash generated from operating activities		849,403	2,603,560
Fixed capital expenditure		(103,500)	(26,450)
Investments made		(2,000,000)	(3,000,000)
Investments encashed upon maturity		1,333,070	333,060
Interest received		851,823	684,056
Proceeds from disposal of fixed assets		-	600,000
Net cash inflow/(outflow) from investing activities		81,393	(1,409,334)
Net increase in cash and cash equivalents		930,796	1,194,226
Cash and cash equivalents at the beginning of the year		2,930,634	1,736,408
Cash and cash equivalents at the end of the year	7	3,861,430	2,930,634

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

PRESIDENT

HONORARY TREASURER

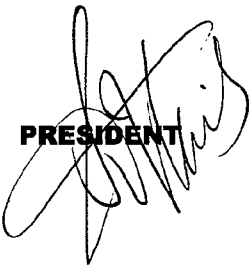
EXECUTIVE DIRECTOR

**MANAGEMENT ASSOCIATION OF PAKISTAN
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN CAPITAL & RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Capital	Library Fund	Members' General Fund	Unrealized gain on available for sale investments	Accumulated Surplus	Total
-----Rupees-----						
Balance as at January 1, 2004	87,356	5,000	1,375,100	-	6,504,477	7,971,933
Net surplus for the year	-	-	-	-	3,000,160	3,000,160
Transferred during the year	-	-	335,500	-	(335,500)	-
Balance as at December 31, 2004	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

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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)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31,2005**

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.

2.2 Accounting convention

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

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 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.
- 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 and held-to-maturity are classified as available-for-sale. Investment 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 profit and loss 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, 2005	Additions/ (deletions)	Cost as at December 31, 2005	Accumulated depreciation as at January 01,2005	Depreciation for the year/ (Accumulated depreciation on deletions)	Accumulated depreciation as at December 31,2005	Book value as at December 31, 2005	Depreci- ation rate %
Furniture and fixture	453,327	-	453,327	122,542	19,847	142,389	310,938	6
Library books	8,909	-	8,909	8,652	39	8,691	218	15
Office equipment	674,571	103,500	778,071	447,317	49,613	496,930	281,141	15
Air conditioner and refrigerator	242,883	-	242,883	143,832	14,858	158,690	84,193	15
Others	1,063	-	1,063	1,062	1	1,063	-	15
2005 - Rupees	<u>1,380,753</u>	<u>103,500</u>	<u>1,484,253</u>	<u>723,405</u>	<u>84,358</u>	<u>807,763</u>	<u>676,490</u>	
2004 - Rupees	<u>1,662,439</u>	<u>26,450</u> <u>(268,136)</u>	<u>1,380,753</u>	<u>815,495</u>	<u>78,743</u> <u>(170,833)</u>	<u>723,405</u>	<u>657,348</u>	

	Note	2005 (Rupees)	2004 (Rupees)
4. LONG TERM INVESTMENTS – Held to maturity			
Term finance certificates	4.1	<u>166,540</u>	<u>499,610</u>
Less: current portion		<u>166,540</u>	<u>333,070</u>
		-	166,540
Certificates of investment	4.2	<u>8,290,600</u>	<u>8,280,171</u>
		<u>8,290,600</u>	<u>8,446,711</u>

4.1 These represent Term Finance Certificates of Sui Southern Gas Company Limited, carrying profit at the rate of 14 percent per annum.

4.2 Certificates of investments are for a term of 5 years with the following institutions:

	Amount (Rupees)	Yield (per annum)	Maturity
- ORIX Leasing Pakistan Limited	<u>2,245,953</u>	13.5% - 13.75%	April, 2007
- Atlas Investment Bank Limited	<u>6,044,647</u>	7.5% - 8.25%	February, 2010
	<u>8,290,600</u>		

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Management Association of Pakistan

	Note	2005 (Rupees)	2004 (Rupees)
5. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances – unsecured, considered good			
- Corporate excellence award		9,667	28,695
Deposits		115,480	115,480
Prepayments		507,875	455,359
Other receivable		25,000	-
		<u>658,022</u>	<u>599,534</u>
6. SHORT TERM INVESTMENTS			
Available-for-sale - Quoted securities			
	<u>No. of units</u>		
	2005 2004		
	UNITS		
	<u>22,051</u> -	National Investment Trust Units	<u>1,127,909</u> -
7. CASH AND BANK BALANCES			
In hand		8,755	6,482
With banks on - current account		-	630,528
- PLS account	7.1	1,852,675	2,293,624
- Term deposit	7.2	2,000,000	-
		<u>3,861,430</u>	<u>2,930,634</u>
7.1 It carries profit at the rate of 1 (2004: 0.5) percent per annum.			
7.2 This represents amount deposited for a period of six months with MCB Bank Limited (formerly Muslim Commercial Bank Limited) and carries profit at the rate of 2.5 percent per annum.			
8. ADVANCE FEE AND SUBSCRIPTION			
Seminar fee		141,500	119,650
Subscription from members		1,387,755	1,371,325
		<u>1,529,255</u>	<u>1,490,975</u>
9. SUNDRY CREDITORS			
Seminar expenses		68,848	143,865
Audit fee		25,000	15,000
Electricity, gas and water		3,300	3,800
Telephone		8,250	16,220
Newspapers		2,200	2,595
Salaries		-	44,042
Entertainment		4,422	-
		<u>112,020</u>	<u>225,522</u>
10. DEFERRED LIABILITY - Gratuity			
Opening balance		1,355,207	1,101,376
Provision for the year		204,850	299,913
Paid to employees		(14,620)	(46,082)
		<u>1,545,437</u>	<u>1,355,207</u>

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Management Association of Pakistan

	Note	2005 (Rupees)	2004 (Rupees)
11. NET INCOME FROM SEMINARS AND COURSES			
Fee		2,734,987	5,767,948
Expenses		<u>(1,300,700)</u>	<u>(3,472,113)</u>
		<u>1,434,287</u>	<u>2,295,835</u>
12. NET INCOME FROM MANAGEMENT CONVENTION			
Fee		-	4,513,400
Expenses		<u>-</u>	<u>(3,101,964)</u>
		<u>-</u>	<u>1,411,436</u>
13. OTHER INCOME			
Income from corporate excellence awards		301,890	262,260
Profit on PLS account		14,880	-
Profit on term deposit account		25,000	-
Income from sale of articles		-	10,983
Gain on disposal of fixed assets		<u>-</u>	<u>502,698</u>
		<u>341,770</u>	<u>775,941</u>
14. STAFF COST			
Salaries and allowances	14.1	2,677,876	2,643,698
Provision for gratuity		204,851	299,913
Ex-gratia payments		224,688	116,147
Contribution to Employees Old Age Benefits Institution		18,240	16,320
Medical assistance		<u>111,995</u>	<u>98,189</u>
		<u>3,237,650</u>	<u>3,174,267</u>
14.1 Salaries and allowances			
These include Rs. 1.342 million (2004: Rs. 1.099 million) in respect of remuneration paid to the Executive Director of the Association.			
15. OTHER ESTABLISHMENT COSTS AND ADMINISTRATIVE EXPENSES			
Office rent		471,558	660,692
Utilities		109,550	114,611
Telephone expenses		98,215	170,483
Office and general expenses		196,427	246,520
Printing and stationery		140,852	288,194
Postage		85,201	79,487
Conveyance		22,464	46,760
Annual report and meeting		86,495	101,733
Entertainment		163,839	130,391
Corporate excellence award		279,048	134,824
Depreciation		84,358	78,743
Bad debts		183,000	190,880
Bank charges		23,869	12,170
Audit fee		25,000	15,000
Membership subscriptions		40,881	30,199
Travelling, boarding and lodging		146,279	48,599
Repair and maintenance		32,300	16,400
Website cost		<u>69,880</u>	<u>-</u>
		<u>2,259,216</u>	<u>2,365,686</u>

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17. NUMBER OF EMPLOYEES

	2005	2004
Number of employees at year end	<u>10</u>	<u>13</u>

18. FINANCIAL INSTRUMENTS

18.1 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:

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	Sub-total	Total
Financial assets									
Long term investments	166,540	8,290,600	-	8,457,140	-	-	-	-	8,457,140
Deposits	-	-	-	-	115,840	-	-	115,840	115,840
Seminar fee receivable	-	-	-	-	31,500	-	-	31,500	31,500
Short term investments	-	-	-	-	1,127,909	-	-	1,127,909	1,127,909
Cash and bank balances	3,852,675	-	-	3,852,675	8,755	-	-	8,755	3,861,430
	<u>4,019,215</u>	<u>8,290,600</u>	<u>-</u>	<u>12,309,815</u>	<u>1,284,004</u>	<u>-</u>	<u>-</u>	<u>1,284,004</u>	<u>13,593,819</u>
Financial liabilities									
Sundry creditors	-	-	-	-	225,522	-	-	225,522	225,522
Gratuity payable	-	-	-	-	1,355,207	-	-	1,355,207	1,355,207
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,581,143</u>	<u>-</u>	<u>-</u>	<u>1,581,143</u>	<u>1,581,143</u>
2004	----- (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									
Investments	333,070	8,446,711	-	8,779,781	-	-	-	-	8,779,781
Deposits	-	-	-	-	115,840	-	-	115,840	115,840
Seminar fee receivable	-	-	-	-	772,000	-	-	772,000	772,000
Cash and bank balances	2,293,624	-	-	2,293,624	637,010	-	-	637,010	2,930,634
	<u>2,293,624</u>	<u>8,779,781</u>	<u>-</u>	<u>11,073,405</u>	<u>1,524,850</u>	<u>-</u>	<u>-</u>	<u>1,524,850</u>	<u>12,598,255</u>
Financial liabilities									
Sundry creditors	-	-	-	-	225,522	-	-	225,522	225,522
Gratuity payable	-	-	-	-	1,355,207	-	-	1,355,207	1,355,207
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,580,729</u>	<u>-</u>	<u>-</u>	<u>1,580,729</u>	<u>1,580,729</u>

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

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18.2 Fair value of financial assets and liabilities

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

18.3 Risk management

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

19. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Executive Committee of the Association on March 29, 2006.

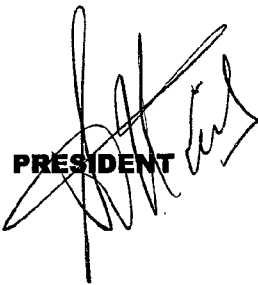
20. GENERAL

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

20.2 Figures have been rounded off to the nearest rupee.

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PRESIDENT


HONORARY TREASURER


EXECUTIVE DIRECTOR