

Financial Link Modaraba

Annual Report 2000

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CORPORATE INFORMATION

MODARABA COMPANY: Financial Link Limited

BOARD OF DIRECTORS :

Shahid Hameed	Chairman	Nominee Director Pak. Libya Holding Co. (Pvt) Ltd.
Syed Ghazanfar Ali		Nominee Director Pak Libya Holding Co. (Pvt) Ltd.
Tasnimul Haq Farooqui		Nominee Director Pakistan Kuwait Investment Co. (Pvt) Ltd.
Noman A. Qureshi		Nominee Director Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.
Sajid Ali Abbasi		Nominee Director The Bank of Khyber
Shahid Abdulla		Nominee Director International Brands (Pvt) Ltd.
Farooq Hashmi		Proposed Director

COMPANY SECRETARY : Farooq Hashmi

AUDITORS: Khalid Majid Husain Rahman, Chartered Accountants.

Bankers: Muslim Commercial Bank Limited

REGISTRAR: Khalid Majid Husain Rahman
 16-K, Block-6, P.E.C.H.S.,
 Off Shahra-e-Faisal, Karachi.

REGISTERED OFFICE : 1st Floor, Modern Motors House,
 Beaumont Road, Karachi.

POSTAL ADDRESS: 1st Floor, N.I.C. Building, Abbasi Shaheed Road,
 Off Shahra-e-Faisal, Karachi.

DIRECTORS' REVIEW

The Board of Directors of Financial Link Limited take pleasure in presenting the audited accounts of the Financial Link Modaraba for the year ended June 30, 2000.

FINANCIAL HIGHLIGHTS

	Rupees in thousand
Operating Income/(Loss)	5,617
Less - Expenses	1,232
Profit on Musharika obligations	--
Loss on diminution in value of investment	--
Financial Charges on lease assets	2

	1,234

Operating (loss) / Profit for the period	4,383
Other income	58

Transfer for Statutory Reserve	4,441
	444

Unappropriated Loss brought forward	3,997
	(100,767)

Profit (loss) carried forward	(96,770)
	=====

The accumulated loss of the company for the period under review has been further minimized as all the outstanding liabilities have been cleared by the management of Modaraba.

PROFIT DISTRIBUTION

The Board of Directors of Madaraba Company have not recommended any dividend for the year ended June 30, 2000. Accordingly, no management fee has been given to the company for the period under review.

FUTURE OUTLOOK

All the investments, pledged with various financial institutions, have been already settled. Presently, FLM is actively pursuing a "Settlement Plan" according to which the management of the Modaraba may be "taken-over" by one of sponsoring the institutions. After finalization of "Management take-over" the modaraba is envisaged to be re activated by way of injection of fresh capital, new sponsor ensuring its revival and safeguarding the interests of the certificate holders.

AUDITORS

The Present auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2001. Their appointment has been confirmed by the Board of Directors, subject to the approval by the Registrar of Madaraba Companies and Modaraba.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the dedicated, untiring and positive efforts of all the members of staff and valuable guidance and assistance extended to us by the Board of Directors, Registrar of Modaraba and the State Bank of Pakistan.

on behalf of the Board
FAROOQ HASHMI

Pattern of holding of certificates held by the Certificate holders as on dune 30, 2000

No. of Shareholders	Share From	Holding To	Total Shares Held
24	1	100	2,400
2,316	101	500	1,247,300
53	501	1000	50,400
60	1001	5000	160,200
38	5001	10000	336,500
6	10001	15000	72,500
3	15001	20000	55,500
2	20001	25000	42,300
5	25001	30000	145,100
2	0.30	35000	67,000
2	40001	45000	82,300
1	45001	50000	50,000
3	55001	60000	173,500
5	60001	65000	324,000
1	65001	70000	66,500
2	95001	100000	200,000
1	115001	120000	116,300
1	145001	150000	145,400
1	290001	295000	290,500
3	295001	300000	900,000
1	340001	345000	345,000
1	345001	350000	348,600
1	370001	375000	375,000
1	375001	380000	376,000
1	580001	585000	580,800
1	695001	700000	696,900

1	745001	750000	750,000
1	1995001	2000000	2,000,000
-----	-----	-----	-----
2,737			10,000,000
=====	=====	=====	=====

CATEGORIES OF SHARE HOLDERS	NUMBER	SHARES HELD	PERCENTAGE
JOINT STOCK COMPANIES	12	2,449,100	24.49
FINANCIAL INSTITUTIONS	6	1,222,300	12.22
LEASING/MODARABA COMPANIES	4	172,700	1.73
MODARABA COMPANIES	1	2,000,000	20.00
INSURANCE COMPANIES	2	87,500	0.88
INVESTMENT COMPANIES	7	1,267,600	12.68
INDIVIDUALS	2705	2,800,800	28.01
ASSOCIATED COMPANIES	0	0	0.00
FOREIGN INVESTORS	0	0	0.00
OTHERS	0	0	0.00
	-----	-----	-----
	2737	10,000,000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited, the annexed balance sheet as at June 30, 2000 and the related profit and loss account and statement of changes in financial position together with the notes to the financial statements for the year ended June 30, 2000 of Financial Link Modaraba which are Modaraba Company's (Financial Link Limited) representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Financial Link Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion, the balance sheet and the profit and loss account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981; and
- (c) in our opinion, and to the best of our information and according to the explanations given to US;
- (i) the balance sheet and the related profit and loss account and statement of changes in financial position, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the Modaraba's affairs as at June 30, 2000 and the profit and the changes in the financial position for the year ended on that date;
- (ii) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and
- (iii) the business conducted, investments made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which inter alia states that the Modaraba has accumulated losses of Rs. 96.77 million (1999: Rs. 100.77 million). Management is working on a plan to reduce expenses. Therefore, these financial statements have been prepared on a going concern assumption; and without qualifying our opinion, we draw attention to note 1.3 to the financial statements; the Board of Directors of the Modaraba company is considering an offer from International Brands (Pvt.) Limited for management takeover of the Modaraba.

KHALID MAJID HUSAIN RAHMAN
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	Note	2000 Rupees	1999 Rupees
CAPITAL AND RESERVES			
Authorised capital			
25,000,000 modaraba certificates of Rs. 10 each		250,000,000	250,000,000
Issued, subscribed and paid-up capital			
10,000,000 modaraba certificates of Rs. 10/- each			

fully paid in cash	3	100,000,000	100,000,000
Statutory reserve	3	1,812,104	1,368,000
Accumulated Loss	3	(96,770,428)	(100,767,361)
		-----	-----
		5,041,676	600,639
OBLIGATIONS UNDER FINANCE LEASE	4	--	2,756
CURRENT LIABILITIES			
Current maturity of obligation under finance lease	4	2,756	14545
Musharika obligations	5	--	22,802,659
Creditors, accrued expenses and other liabilities	6	633,974	9,450,019
Unclaimed profit distribution		69,016	69,016
		-----	-----
		705,746	32,336,239
		-----	-----
		5,747,422	32,939,634
		=====	=====
TANGIBLE FIXED ASSETS	7	41,657	32,774
LONG TERM INVESTMENTS	8	4,560	20,552.65
CURRENT ASSETS			
Short term investments	9	27,122	1,967,038
Musharika investment	10	3,252,019	3,252,019
Advances, prepayments and other receivables	11	1,437,840	5,930,006
Cash and bank balances	12	984,224	1,205,146
		-----	-----
		5,701,205	12,354,209
		-----	-----
		5,747,422	32,939,634
		=====	=====

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000

	Note	2000 Rupees	1999 Rupees
Profit on musharika		733,710	1,056,045
Loss on sale of investments		(18,476,900)	(3,179,409)
Dividend Income		181,748	3,128
		-----	-----
		(17,561,442)	(2,120,236)
Operating expenses	13	1,497,574	1,133,945
Profit on musharika obligations		--	3,857,505
Financial charges on leased asset		2,435	5,323
Amortization of deferred cost		--	872,220
		-----	-----
		1,500,009	5,868,993
		-----	-----
Operating loss for the year		(19,061,451)	(7,989,229)
Reversal of/(provision) for diminution in value of investments		23,178,330	(336,562)
		-----	-----
		4,116,879	(8,325,791)
Other income	14	324,158	1,803,181
		-----	-----
Profit/(Loss) for the year		4,441,037	(6,522,610)
Appropriation			
Transfer to statutory reserve		444,104	--
		-----	-----
Accumulated loss brought forward		(100,767,361)	(94,244,751)
		-----	-----
Accumulated loss carried forward		(96,770,428)	(100,767,361)
		=====	=====
Earning per modaraba certificate	15	0.44	(0.65)

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2000

	2000	1999
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations (Note 16)	2,103,237	7,028,128
Dividend received	182,221	2,655
	-----	-----
Net cash generated from operating activities	2,285,458	7,030,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(14,400)	(1,600)
proceeds from sale of long term investments	--	900,386
	-----	-----
Net cash (used in)/generated from investing activities	(14,400)	898,786
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of musharika obligation	(2,475,000)	(7,900,000)
Payment against finance lease	(14,545)	(11,658)
Payment of finance charges	(2,435)	(5,323)
	-----	-----
Net cash used in financing activities	(2,491,980)	(7,916,981)
	-----	-----
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	(220,922)	12,588
OPENING CASH AND BANK BALANCES	1,205,146	1,192,558
	-----	-----
CLOSING CASH AND BANK BALANCES	984,224	1,205,146

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Financial Link Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Financial Link Limited. The Modaraba was floated on January 9, 1994 and commenced its operation in March 1994. The Modaraba is a perpetual and multipurpose modaraba, and is engaged in venture capital, equity investment, musharika financing arrangement and financial advisory services. The Modaraba is listed on the Karachi Stock Exchange.

1.2 The Modaraba has accumulated losses of Rs. 96.77 million as at June 30, 2000 (1999: Rs. 100.77 million) as against its paid-up capital of Rs. 100 million and statutory reserve of Rs. 1.81 million. The Modaraba earned a net profit of Rs. 4.44 million during the year (1999: Net loss of Rs. 6.52 million). Expenses of the Modaraba have been reduced significantly. Therefore, these financial statements have been prepared under the going concern assumption.

1.3 International Brands (Pvt) Limited has offered for management takeover of the Modaraba. The Board of Directors of the Modaraba Company is considering the offer for final approval. The takeover will take place subject to approval by Securities and Exchange Commission of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.2 Fixed assets and depreciation

2.2.1 Owned

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year.

Normal repairs and maintenance are charged to income as and when incurred.

Gains and losses if any, on disposal of assets are taken to the profit and loss account.

2.2.2 Leased

Assets subject to finance leases is stated at the inception of the lease, at the lower of the fair value of the assets and present value of minimum lease payments under the lease agreement. The related obligation under the lease is accounted for as liability. Depreciation is charged to income applying the straight line method in the same manner as for owned assets.

2.3 Investments in listed securities

Long term investments are stated at cost and provisions are made for other than temporary diminution in value, if any.

Short term investments are carried at the lower of average cost and market value determined on an aggregate portfolio basis.

2.4 Revenue recognition

- Profit from musharika transactions is recognised on the basis of pro-rata accrual of the estimated profit during the year.
- Gain/loss on sale of investments is accounted for in the period in which it arises.
- Dividend income is recognised when the right to the dividend is established.
- Profit on PLS account is recognised on accrual basis.

3. CHANGES IN EQUITY

	<i>Issued subscribed and paid-up capital</i>	<i>Reserve under Prudential Regulations for Modarabas</i>	<i>Accumulated loss</i>	<i>Total</i>
	Rupees			
Balance as at July 1, 1998	100,000,000	1,368,000	(94,244,751)	7,123,249
Net loss for the year	--	--	(6,522,610)	(6,522,610)
Balance as at June 30, 1999	100,000,000	1,368,000	(100,767,361)	600,639
Net profit for the year	--	--	4,441,037	4,441,037
Transfer from profit and loss account	--	444,104	(444,104)	--
Balance as at June 30, 2000	100,000,000	1,812,104	(96,770,428)	5,041,676

In accordance with the Prudential regulations for Modarabas, the Modaraba is required to transfer 10% of its after tax profits to statutory reserve until the reserve equals the paid-up capital. Thereafter, 5% of the tax profits are required to be transferred to the reserve.

4. OBLIGATIONS UNDER FINANCE LEASE

4.1 The rentals under the lease agreement aggregating Rs. 2,830 are payable in equal monthly installments under lease agreements latest by 2001. Taxes, repairs, replacement and insurance costs, if any, are to be borne by the Modaraba. The rate of financing is equal to 22.33% per annum which rate has been used as discounting factor.

4.2 The minimum lease payments for which the Modaraba has committed to pay in future under the lease agreement are due as follows:

	<i>1999 Rupees</i>	<i>2000 Rupees</i>
Year ending June 30, 2000	--	16,980
Year ending June 30, 2001	2,830	2,830
Finance charges allocated to future periods	(74)	(2,509)
Current maturity of obligation under finance lease	(2,756)	(14,545)
	--	2,756

5. MUSHARIKA OBLIGATIONS - Secured

These represent funds obtained from Non-Bank Financial Institutions on musharika basis for financing the Modaraba's activities. The profit and loss from these activities is to be shared between the Modaraba and the Non-Bank Financial Institutions in agreed proportions. The provisional profit rate under musharika agreements ranges between 19% to 22.5% per annum. These are secured against pledge of listed securities.

6. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

<i>2000 Rupees</i>	<i>1999 Rupees</i>
------------------------	------------------------

Creditors	--	2,250,000
Profit payable on musharika obligations	--	7,127,780
Accrued expenses	633,974	72,239
	633,974	9,450,019

7. TANGIBLE FIXED ASSETS

	as on July 1, 1999	additions/ (disposal) during the year	as at June 30, 2000	Depreciation		Written down value as at June 30, 2000	Rate of Depreciation per annum %
				For the year	as at June 30, 2000		
----- Rupees -----							
Owned:							
Furniture and fixtures	3,200	14,400	17,600	1,760	2,240	15,360	10
Assets subject to finance lease:							
Office equipment	37,570	--	37,570	3,757	11,273	26,297	10
2000	40,770	14,400	55,170	5,517	13,513	41,657	
1999	39,170	1,600	40,770	4,079	7,996	32,774	

8. LONG TERM INVESTMENTS - Listed securities

No. of shares of Rs. 10 each	Name of companies	2000	1999
		Rupees	Rupees
300,000	--Faysal Bank Ltd.	--	11,490,000
100,000	100 Kohinoor Raiwind Ltd.	1,150	1,150,000
358,800	300 Lucky Cement Ltd. Pakistan Telecommunication	8,265	9,884,252
120,000	--Corporation Ltd.	--	5,660,400
30,000	--Maple Leaf Electric Ltd.	--	764,100
160,000	--Elahi Electric Co. Ltd.	--	3,363,200
		9,415	32,311,952
Less: Provision for diminution in value of investments		(4,855)	(11,759,301)
		4,560	20,552,651

Included in the above are securities costing Rupees 9,415 (1999: Rs. 11,034,252) not transferred in the name of the Modaraba.

The aggregate amount of market value of these securities as at June 30, 2000 Rs. 4,560 (1999: Rs. 8,232,300).

9. SHORT TERM INVESTMENTS - Listed securities

No. of shares/ Certificates	Name of companies/modarabas	2000	1999
		Rupees	Rupees
	Modarabas		
445,000	LTV Capital Modaraba (Managed by National Technology --Development Corporation Ltd.) (ordinary certificates of Rupees 5 each)	--	5,037,578
39,000	Leasing Pakistan Industrial Leasing --Corporation Ltd.	--	1,666,470
	Investment Companies and Banks		
20,000	--Fidelity Investment Bank Ltd.	--	976,800
10,500	--AI-Towfeek Investment Bank Ltd.	--	448,925

7,500	-- Bankers Equity Ltd.	--	265,125
295	-- Crescent Investment Bank Ltd.	--	17,384
	Pakistan Industrial Credit and		
5,750	750 Investment Corporation Ltd.	77,970	597,743
1,687	1,940 Union Bank Ltd.	34,534	34,534
	Textile Spinning		
140	140 Saif Textile Mills Ltd.	9,614	9,614
	Synthetic and Rayon		
1,900--	Pakistan Synthetics Ltd.	--	87,266
	Cement		
25,225	-- D.G. Khan Cement Co. Ltd.	--	1,579,920
250	-- Maple Leaf Cement Factory Ltd.	--	10,098
	Transport and Communication		
111,000	-- Tristar Shipping Lines Ltd.	--	1,474,420
	Pakistan Telecommunication		
40,000	-- Corporation Ltd.	--	1,280,041
		-----	-----
		122,118	13,485,918
	Less: Provision for diminution in		
	value of investment	(94,996)	(11,518,880)
		-----	-----
		27,122	1,967,038
		=====	=====

Included in the above are securities costing Nil (1999: Rs. 3,399,311) not transferred in the name of the Modaraba.

The aggregate amount of market value of shares/certificates held by the Modaraba as at June 30, 2000 is Rs. 27.122 (1999: Rs. 1,967,038).

All the shares/certificates are of the face value of Rs. 10 each unless specified.

10. MUSHARIKA INVESTMENT- Unsecured

The Modaraba had entered into musharika agreements with a Non-Bank Financial Institution and the provisional profit rate under musharika agreement is 22.5% per annum. Subsequently the Modaraba has rescheduled this agreement with the same terms and conditions.

	2000	1999
	Rupees	Rupees
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advance against purchase of shares (Note 11.1)	--	5,000,000
Advance to staff (note 11.2)	82,910	47,736
Advance income tax	148,154	138,753
Prepaid rent	9,600	--
Profit receivable on musharika investment	1,1 66,719	433,009
Dividend income receivable	--	473
Provident fund account	--	7,922
Other receivables	30,457	302,113
	-----	-----
	1,437,840	5,930,006
	=====	=====

11.1 This represents amount paid in 1994 for subscription of shares of Capital Bank Ltd. The Securities and Exchange Commission of Pakistan (SECP) had subsequently frozen the subscription money. The Bank has refunded the amount in the current period with the permission of SECP.

11.2 The maximum amount at the end of the month during the period due from the staff was Rupees 82,910 (1999: Rs. 47,736).

12. CASH AND BANK BALANCES

	2000	1999
	Rupees	Rupees
Cash in hand	20,000	20,000
Pay orders in hand	550,000	--
Cash with banks on		
- PLS account	45,208	816,130
- State Bank of Pakistan account	300,000	300,000
- Dividend account	69,016	69,016
	-----	-----

984,224 1,205,146

=====

13. OPERATING EXPENSES

Salaries, allowances and benefits (Note 13.1)	383,288	896,414
Travelling, conveyance	43,881	8,017
Entertainment	3,483	2,561
Rent, rates and taxes	19,200	--
Telephone and communication	31,858	28,264
Printing, stationery and advertising	43,017	26,584
Repairs and maintenance	--	12,145
Fee and subscriptions	53,700	52,200
Legal and professional	565,585	48,550
Write off of other receivable	266,001	--
Auditors' remuneration (Note 13.2)	59,268	50,000
Depreciation	5,517	4,079
Books, news papers and periodicals	2,032	--
Bank charges and commission	425	349
Excise duty	10,307	--
Others	15,012	4,782
	-----	-----
	1,497,574	1,133,945
	=====	=====

13.1 Remuneration to officers and employees

The aggregate amount charged for remuneration, including all benefits to officers and employees of the Modaraba are as under:

	2000			1999		
	<i>Officers</i>	<i>Employees</i>	<i>Total</i>	<i>Officers</i>	<i>Employees</i>	<i>Total</i>
	----- Rupees -----					
Remuneration	--	200,133	200,133	482,104	194,123	676,227
Allowances	--	164,709	164,709	72,000	132,410	204,410
Medical	--	18,446	18,446	--	15,777	15,777
	-----	-----	-----	-----	-----	-----
	--	383,288	383,288	554,104	342,310	896,414
	=====					
Number of persons	--	2	2	1	2	3
	=====					

13.2 Auditors' Remuneration

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Audit fee	50,000	50,000
Out-of-pocket expenses	9,268	--
	-----	-----
	59,268	50,000
	=====	=====

14. OTHER INCOME

Profit on PLS accounts	57,894	67,338
Reversal of liabilities no longer payable	266,264	1,735,843
	-----	-----
	324,158	1,803,181
	=====	=====

15. EARNINGS PER CERTIFICATE

Profit/(Loss) for the year (Rupees)	4,441,037	(6,522,610)
	-----	-----
Number of certificates	10,000,000	10,000,000
	-----	-----
Earnings per certificate (Rupees)	0.44	(0.65)
	=====	=====

16. CASH GENERATED FROM OPERATIONS

Profit/(Loss) for the year	4,441,037	(6,522,610)
Adjustments for:		
Write off of other receivable	266,001	--
Depreciation	5,517	4,079
Amortization of deferred costs	--	872,220
Loss on sale of investments	(18,476,900)	5,583,139
Profit on musharika obligations	--	3,857,505
Dividend income	(181,748)	(3,128)
Reversal of liabilities no longer payable	(263)	(1,727,400)

(Reversal of) / Provision for diminution in value of investments	(23,178,330)	336,562
Financial charges on lease	2,435	5,323
	-----	-----
Operating(loss)/profit before working capital changes	(168,451)	2,405,690
Decrease/(increase) in working capital		
Advances, prepayments and other receivables	3,959,690	2,950,098
Short term investments	--	7,088,766
Musharika receivable	--	5,349,385
Creditors, accrued and other liabilities (excluding profit on musharika obligations)	(1,688,002)	(10,765,811)
	-----	-----
Cash generated from operations	2,103,237	7,028,128
	=====	=====

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying value as at June 30, 2000.

18. MARK-UP RATE RISK EXPOSURE

The information about modaraba's exposure to mark-up rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	2000				Total	1999				Total
	Mark-up bearing		Non Mark-up bearing			Mark-up bearing		Non Mark-up bearing		
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	
Financial Assets										
Long term investments	--	--	--	4,560	4,560	--	--	--	20,552,651	20,552,651
Short term investments	--	--	27,122	--	27,122	--	--	1,967,038	--	1,967,038
Musharika investments	3,252,019	--	--	--	3,252,019	3,252,019	--	--	--	3,252,019
Advances, deposits, prepayments and other receivables	--	--	1,280,086	--	1,280,086	--	--	--	--	791,253
Cash and bank balances	45,208	--	939,016	--	984,224	816,130	--	--	--	1,205,146
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	3,297,227	--	2,246,224	4,560	5,548,011	4,068,149	--	--	20,552,651	27,768,107
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Financial Liabilities										
Obligation under finance lease	--	--	2,756	--	2,756	--	--	14,545	2,756	17,301
Mushadka Obligations	--	--	--	--	--	22,802,659	--	--	--	22,802,659
Creditors, accrued expenses and other liabilities	--	--	633,974	--	633,974	--	--	9,450,019	--	9,450,019
Unclaimed profit distribution	--	--	69,016	--	69,016	--	--	69,016	--	69,016
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	--	--	705,746	--	705,746	22,802,659	--	91,533,580	2,756	32,338,995
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
On-balance sheet gap (a)	3,297,227	--	1,540,478	--	--	(18,734,510)	--	(6,386,273)	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total mark-up rate sensitivity gap	3,297,227	--	--	--	--	(18,734,510)	--	--	--	--
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(a) The on balance sheet gap represents the net amount of on-balance sheet items.

(b) The effective mark-up rates for financial assets and liabilities are as follows:

	2000	1999
	%	%
Financial assets		
Musharika investments	22.50	22.50
Cash and bank balances	8.00	8.00
Financial Liabilities		
Musharika Obligations	--	19.00
		19.00

19. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the credit worthiness of counter-parties.

20. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison.

Director	Director	Director
Financial Link Limited	Financial Link Limited	Financial