



First Habib Modaraba

(An Islamic Financial Institution)
(Managed by: HabibMetro Modaraba Management)

September 18, 2024

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi.

TRANSMISSION OF THE ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2024

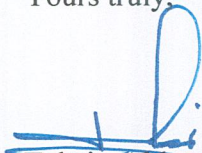
Dear Sir,

We would like to inform you that the Annual Report of First Habib Modaraba (FHM) for the year ended June 30, 2024 has been transmitted through PUCARS and is also available on the Modaraba's website from where it can be downloaded using the following link:

<https://www.habibmodaraba.com/financial-statements>

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours truly,


Tehsin Abbas
Company Secretary

First Habib Modaraba

(An Islamic Financial Institution)



ANNUAL REPORT 2024

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله الملك العليم

Growing Partnership

In this dynamic era, we believe in the strength of alliances that go beyond conventional business norms. Our remarkable continuous journey of success is marked by the great and growing partnerships that we have built with our partners and stakeholders.

Our long term success is built on a firm foundation of commitment, good governance, performance and prudent risk management. Effective corporate governance is an important foundation for success of our Modaraba.

Through purposeful partnerships, we aim to leverage on innovative solutions and contribute to the prosperity of our partners and the communities we serve.

We believe that to be successful in the long term we must continually reassess our competencies, business strategies and risk management approaches in order to cope up with day to day business challenges.

The relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive and leading Modaraba within the Modaraba sector of Pakistan.

Our achievements are evidence to the solid business fundamentals and consistent financial management policies practiced across the Modaraba. Our focused business strategy keeps us firmly on path of sustainable growth and profitability.

Islamic finance is a financial system operates in accordance with Islamic principle of finance. This system encourages economic activities and proper distribution of wealth which ultimately lead to promote social justice which is the key theory of Islamic economic financial system.

Alhamdulillah, FHM has recognized as a trusted partner for individuals and businesses seeking reliable financial services according to their need for their financial aspirations and growth.

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Business Model



**IT Governance &
Cyber Security**



Future Outlook



**Stakeholders
Relationship &
Engagement**



**Striving for Excellence
in Corporate Reporting**



**Financial
Statements**

CREDIT RATINGS - BY PACRA



FHM has been maintaining AA+ category rating since last 16 years

Corporate Information

MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

BOARD OF DIRECTORS

Mohammad Shams Izhar	- Chairman Non-Executive Director
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Syed Rasheed Akhtar	- Non-Executive Independent Director
Mr. Saeed Uddin Khan	- Non-Executive Independent Director
Mr. Usman Nurul Abedin	- Non-Executive Director
Dr. Irum Saba	- Non-Executive Director

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Muhammad Babar	- Secretary

HUMAN RESOURCE COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Syed Rasheed Akhtar	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Muhammad Jehanzeb	- Secretary

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

SHARES REGISTRAR

CDC Share Registrar Services Limited
Share Registrar Department
CDC House, 99-B, Block "B",
S.M.C.H.S
Main Shahrah-e-Faisal,
Karachi,
Pakistan. Tel: 111-111-500

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

COMPANY SECRETARY

Mr. Tehsin Abbas

SHARIAH ADVISOR

Mufti Faisal Ahmed

BANKERS

Al Baraka Bank
Dubai Islamic Bank
Faysal Bank Limited
Habib Bank Limited - (Islamic Banking)
Habib Metropolitan Bank - (Islamic Banking)
MCB Islamic Bank
Meezan Bank Limited
Soneri Bank - (Islamic Banking)

REGISTERED OFFICE

6th Floor, HBZ Plaza (Hirani Centre)
I.I. Chundrigar Road, Karachi.
Tel : 021-32635949-51
UAN : 111-346-346
Web : www.habibmodaraba.com
Email: fhm@habibmodaraba.com

GEOGRAPHICAL PRESENCE - BRANCH OFFICES

Karachi Branch:

3rd Floor, Al-Manzoor Building,
Dr. Ziauddin Ahmed Road. Karachi.
Tel: 021-32635949-51

Lahore Branch:

1st Floor, 5-Z Block, Phase III, Defence Housing
Authority, Lahore.
Tel: 042-35693074-76

Islamabad Branch:

Office No. 513, 5th Floor, ISE Towers, Jinnah
Avenue Blue Area, Islamabad.
Tel: 051-28994571-73

Multan Branch:

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan.
Tel: 061-4500121-3

About the Report

First Habib Modaraba (FHM) is dedicated to upholding the principles of transparency and value creation. We prioritize strong corporate governance and exemplary leadership, while maintaining a transparent and prudent approaches.

As one of the leading Modaraba within the modaraba sector, FHM plays a vital role in the economy. Our presence at the grassroots level and wide customer base contribute significantly to its growth.

In this Annual Report, our aim is to provide comprehensive insights into our endeavors. We wish to showcase how efficiently we utilize our resources and facilitate a thorough assessment of our business. Following the International Integrated Reporting (IR) Framework, this report offers an understanding of our strategic thinking. It covers various aspects such as strategy, governance, performance, and prospects within the global environment.

Scope and Boundary of Reporting

To continuously enhance the quality of information shared with stakeholders, we conduct an annual review of the IR Framework. This report incorporates all Content Elements of the IR Framework which includes the following sections:

- Organizational overview
- Risks and opportunities
- Strategy and resource allocation
- Governance
- Stakeholder relationship and engagement
- Performance Outlook
- Sustainability
- Corporate social responsibility
- Excellence in corporate reporting

We are dedicated to continuously evaluating and improving our approach to reporting by adhering to the highest standards of reporting practices and fulfilling the expectations of our stakeholders. Our objective is to offer transparency into how we create sustainable value for the communities we serve. We take a systematic approach by presenting both financial and non-financial information that directly relates to our business activities, supported by relevant explanations.

Reporting Period

This report encompasses the timeframe from July 1, 2023, to June 30, 2024, and provides a comprehensive overview of FHM.

External Assurance

To ensure impartiality and objectivity as required by regulatory bodies, our independent external auditors M/s. BDO Ebrahim & Co. has carefully examined the First Habib Modaraba's Financial Statements. The external auditors are regularly rotated every five years, guaranteeing their independence and unbiased assessment.

Contact

For further clarification and feedback on this report, please contact via email fhm@habibmodaraba.com

Corporate Excellence

VALUES • PRODUCTS • SERVICES

VALUES

FHM upholds the highest moral standards in all areas in which it conducts business. Our commitment to professionalism, honesty, and transparency makes us unique. We prioritize the needs of our clients and seek to build enduring relationships founded on trust and respect. Our modaraba's values form the foundation of our business and guide our decision-making to ensure that we adhere to our core values.

PRODUCTS

To bring innovation in its product category is one of the priorities by FHM. Our emphasis on product innovation guarantees our clients' access to the newest resources and opportunities in the rapidly changing business environment.

SERVICES

FHM is very proud to offer services that are catered to the specific requirements of each client. We also provide our clients with professional advice and guidance to help them navigate the intricate regulations of the financial market. At FHM, our mission is to continuously exceed our clients' expectations while providing outstanding services.



About First Habib Modaraba

First Habib Modaraba (FHM) a subsidiary of Habib Metropolitan Bank, Limited, established in 1985, and has completed 39th years of successful business operation. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBF and Modaraba sector of Pakistan.

Our commitment to enhance value for our stakeholders, driven through resilience of our business model and determination of our team members made us sound and leading Modaraba within the Modaraba sector. The Relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive Modaraba holding the loyalty and trust of thousands of stakeholders across the country. Our achievements are evidence to the solid business fundamentals and consistent financial management policies practiced across the Modaraba. Our focused business strategy keeps us firmly on path of sustainable growth and profitability.

Our constant commitment for corporate excellence has not only kept us as leading Modaraba within the sector but also earned us recognition at national and international level. So far, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBF and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC. Furthermore, since last 16 years FHM has been securing AA+ rating as long term rating from Pakistan Credit Rating Agency Ltd., (PACRA) which depict soundness of the entity and also matter of great satisfaction for our investors.

As one of the leading non-banking Islamic financial institutions, our core corporate objective always drive to create value for the society at large. Our financial strength, risk management protocols, governance framework and aspirations for sustainable growth are directly attributable to a discipline that regularly brings prosperity to our all stakeholders particularly our worthy investors and customers. Ambition, discipline and corporate excellence always motivate us for even better results. It is the combination of these key elements that frame our optimistic outlook for the future as well.

We sincerely believe that above all success and achievements are due to Blessings of Allah (SWT), dedication and hard work of entire staff members through excellent team work across all levels of the organization. We thank Almighty Allah and bow our head for His blessing and bestowing upon us of journey of continuous success. (BCR 1.02)

FHM hold a leading position in the Modaraba sector of Pakistan. Over the years FHM has continued to lead by example in forging strategic alliances to leverage expertise to innovate and transform for the purpose of expanding its reach and accessing new avenues for growth. Today, we are serving various segment of country and providing Shariah compliant financing and investment products solution at their entire satisfaction.

Alhamdulillah, FHM has recognized as a trusted partner for individuals and businesses seeking reliable financial services according to their need for their financial aspirations and growth.

Ownership and Operating Structure

First Habib Modaraba (FHM) is managed by Habib Metropolitan Modaraba Management Company (Private) Limited which is the fully owned subsidiary of Habib Metropolitan Bank Limited. The bank is having high reputation within the banking sector of Pakistan, with asset size of more than Rs.1,556 billion with branch network of over 540 as at December 31, 2023 throughout the country. (BCR 1.05)

Vision

To be the leading Islamic Financial Institution within Modaraba sector by providing the best innovative Sharia'h Compliant financial solutions at maximum satisfaction of customers.



Mission

An institution built on Trust, Integrity, Good Governance with Commitment to add value to all stakeholders through an effective human resource management in a modern and progressive organizational culture, maintaining high ethical and professional standards.



Core Values



Awards & Recognition

The most effective and successful teamwork happens when every individual of the institution work hard to achieve a common goal. Good team always develops through dedication, commitment and hard work. All the awards and recognition we have achieved is because of good team efforts. With the blessing of Allah (SWT) and with good team work, presently First Habib Modaraba (FHM) has become the most awarded Modaraba within the Modaraba sector of Pakistan.

**“THE HIGHEST AWARD
WINNING MODARABA
WITHIN THE MODARABA
SECTOR OF PAKISTAN”**

So far, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBF1 and Modaraba Association, FPCCI, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC.

Recognition through award and accolades are not only a great standing or a mark of distinction but it also support to encourage and motivate all team member to make further efforts and drive higher for even bigger accomplishments as individual or as an organization.

Awards received during last 5 years



CORPORATE EXCELLENCE AWARD



BEST PERFORMING MODARABA AWARD

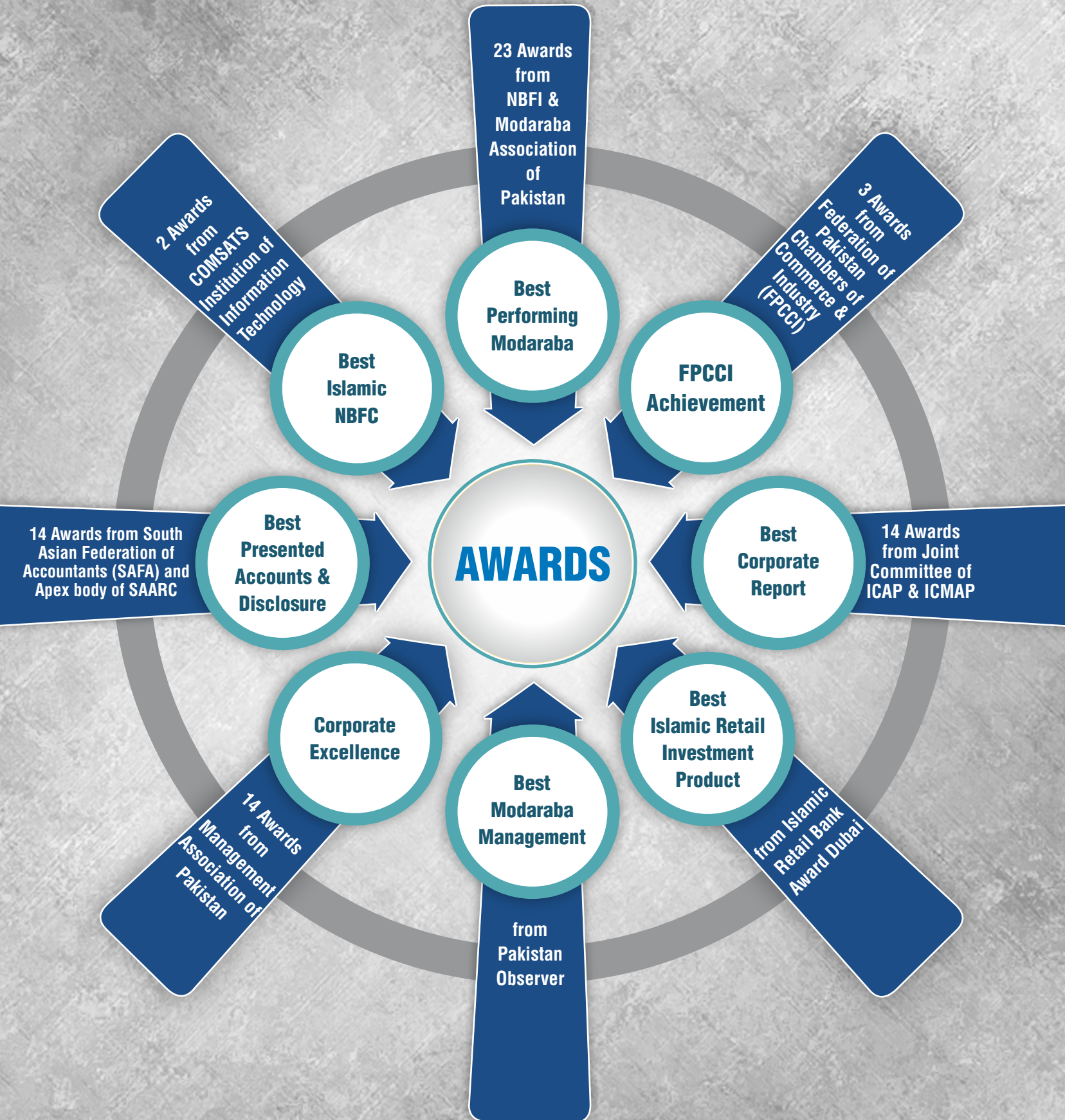


SAFA AWARD

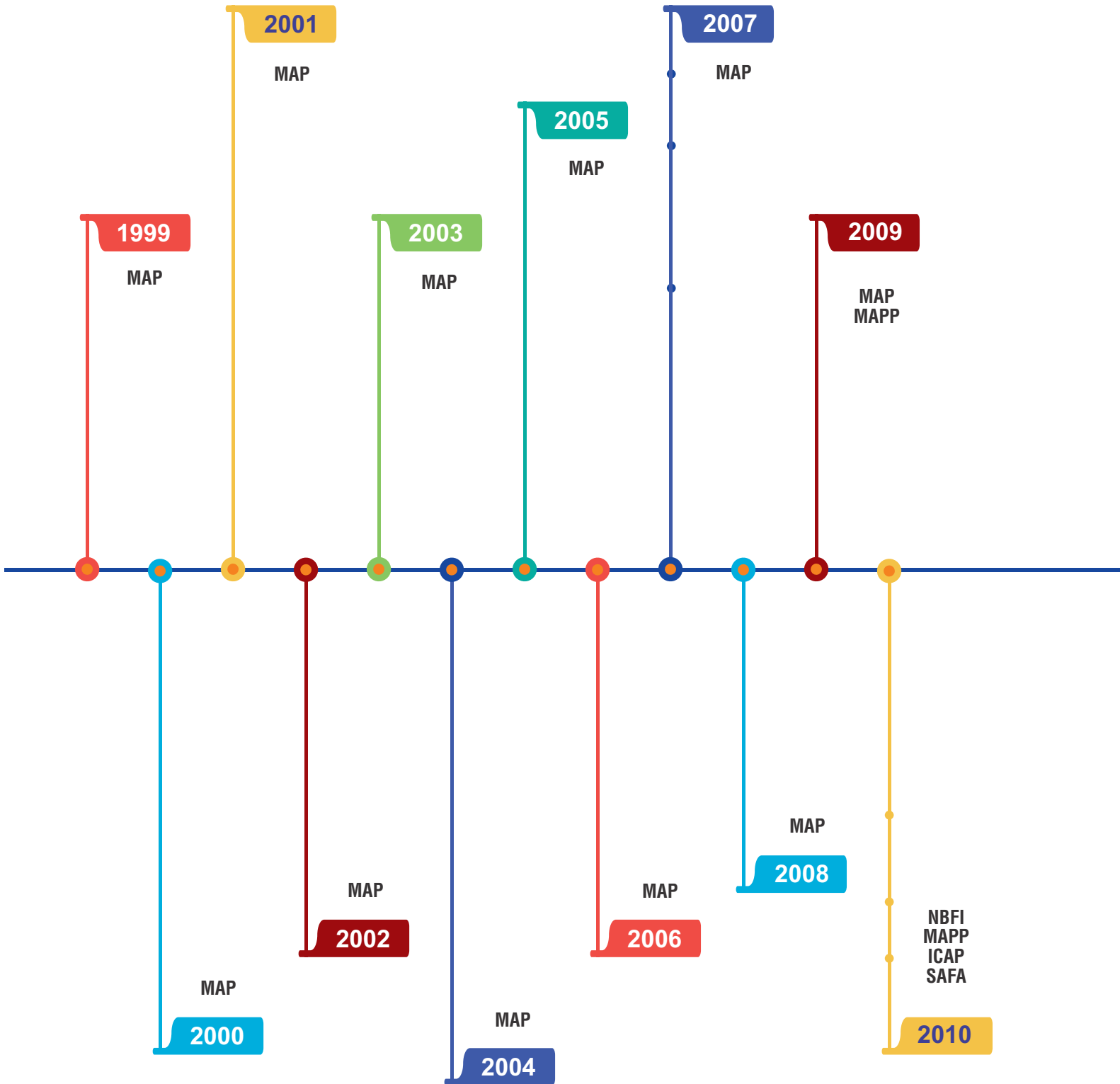


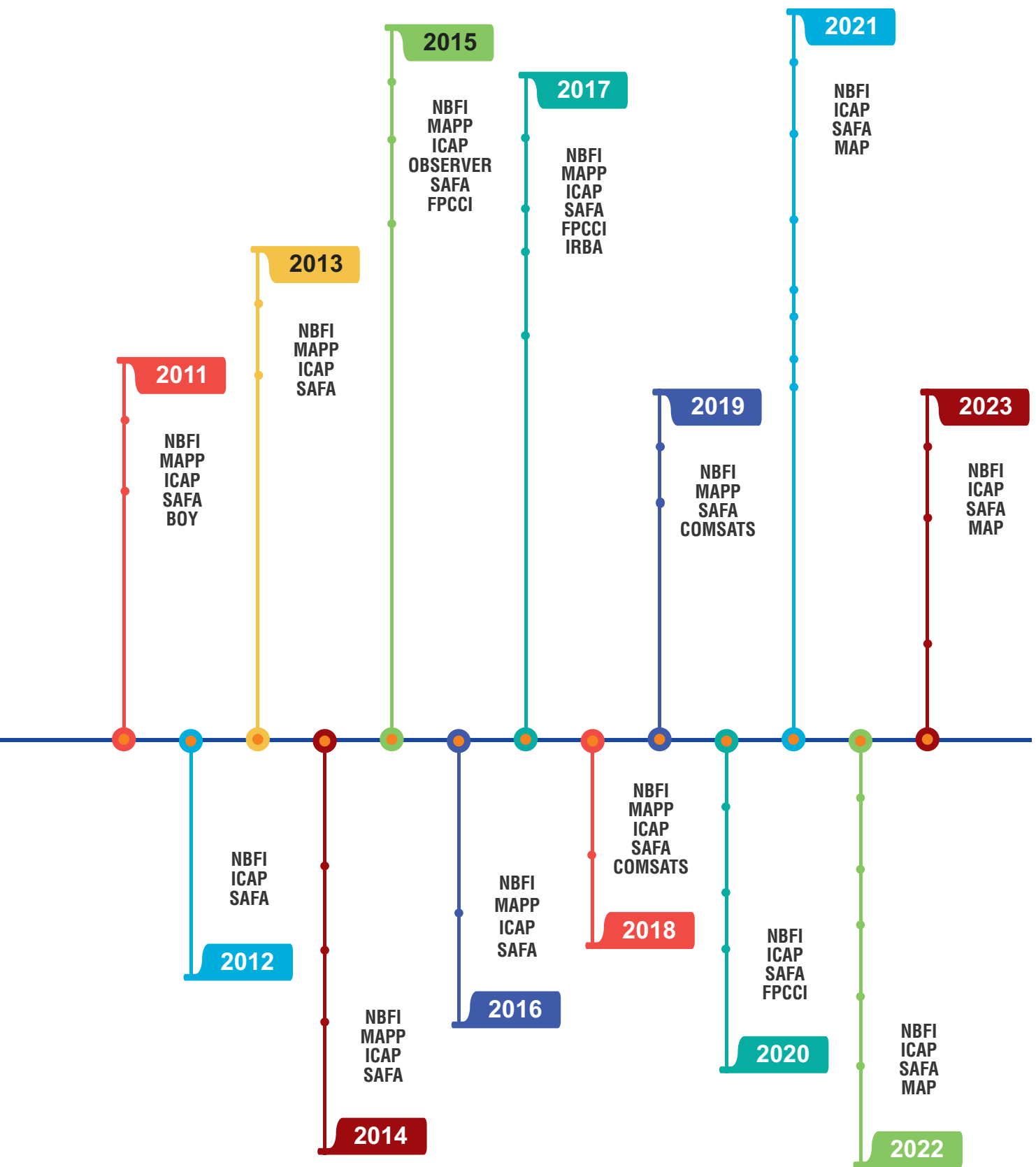
BEST CORPORATE REPORT AWARD

Updated Position of Awards & Achievements



FHM Awards Calendar

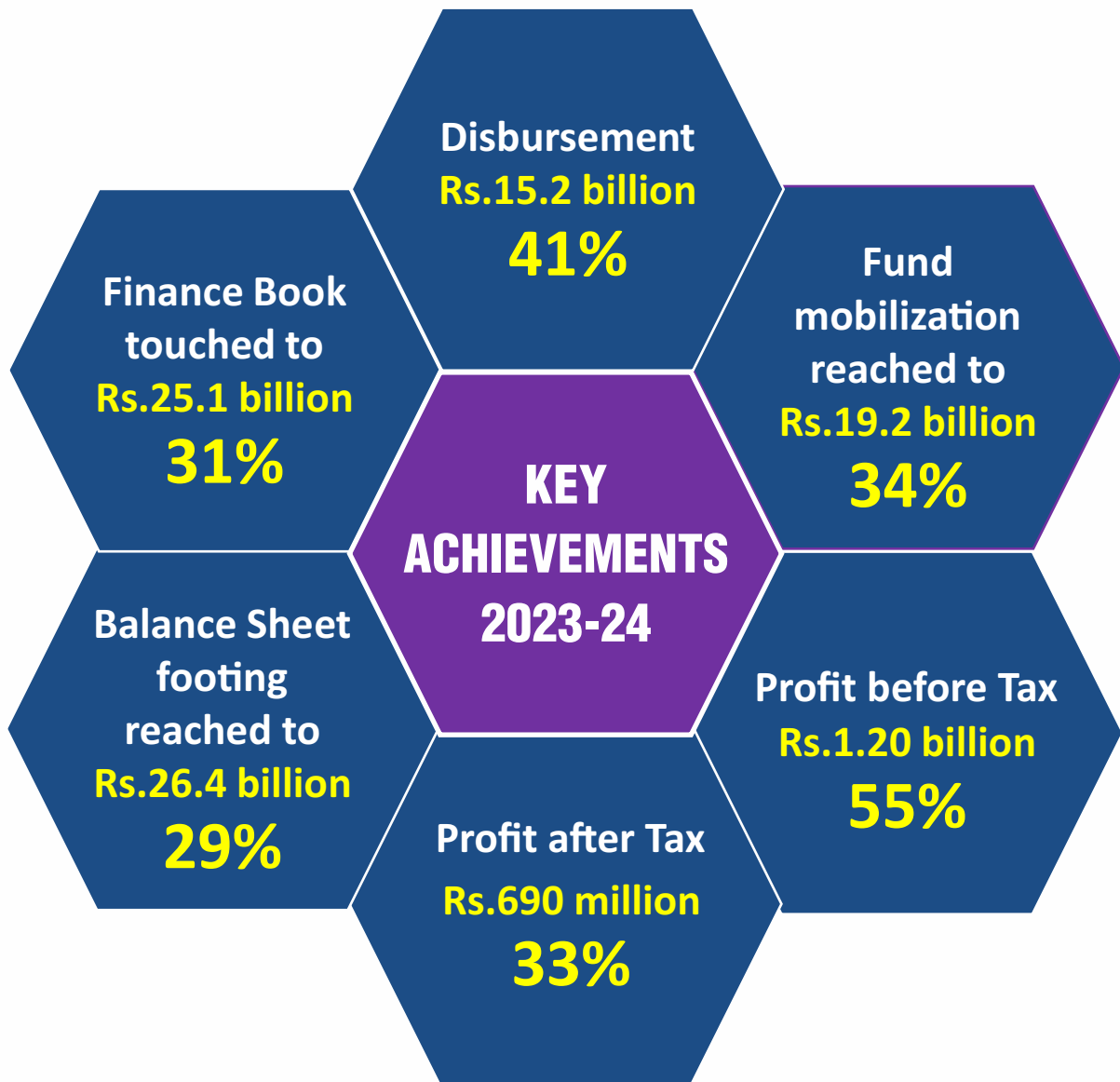




MAP
NBFI
MAPP
ICAP
SAFA
BOY
FPCCI
OBSERVER
IRBA
COMSAT

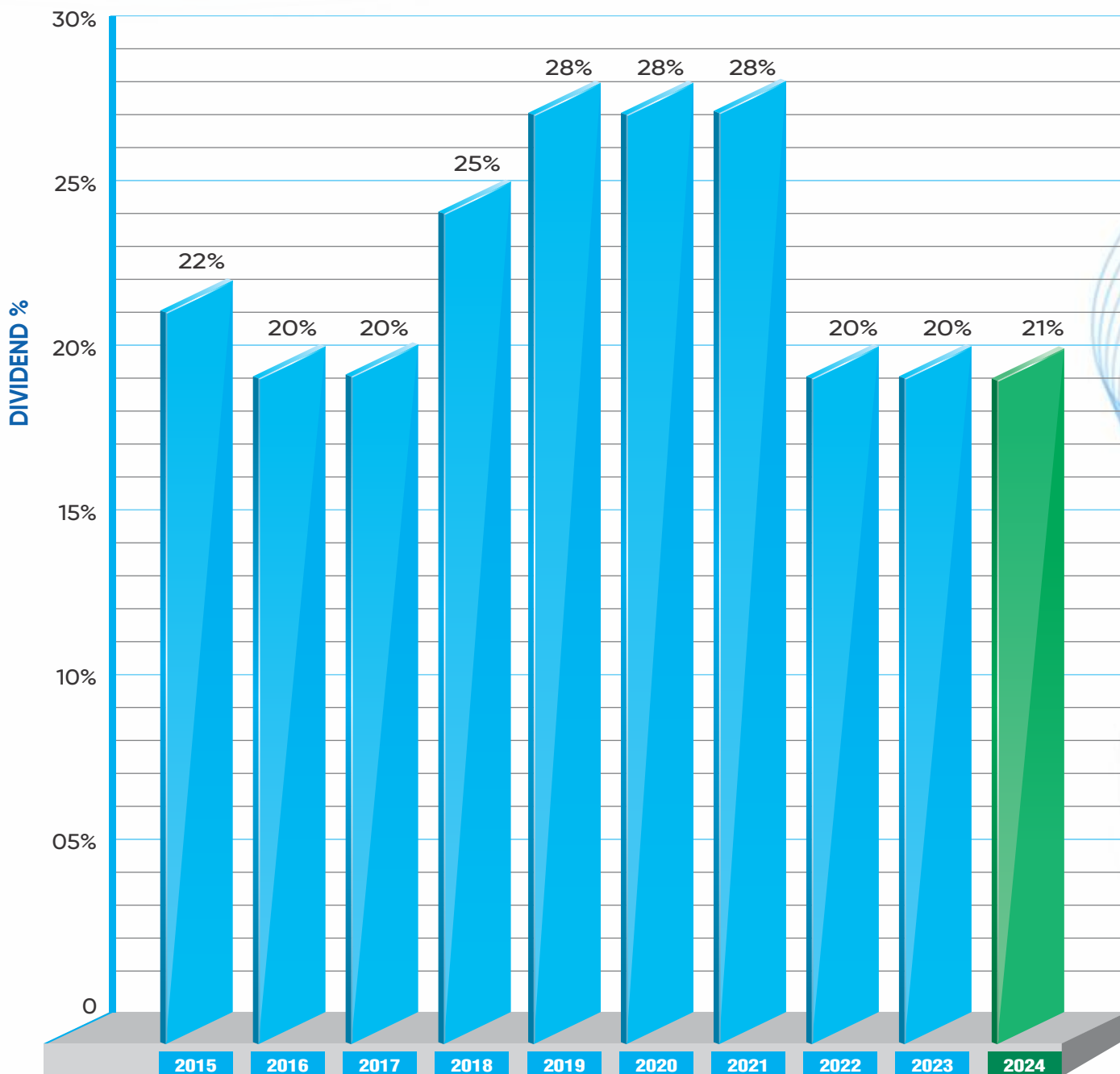
Modaraba Association of Pakistan
NBFI & Modaraba Association of Pakistan
Management Association of Pakistan
Joint Committee of ICAP and ICMAP
South Asian Federation of Accounts
Brand of the Year
Federation of Pakistan Chamber of Commerce and Industry
The Pakistan Observer
Islamic Retail Banking Awards - Cambridge IFA
The Commission on Science and Technology for
Sustainable Development in the South

Performance Highlights



39 Years of **Unbroken Dividend Payout**

Last 10 Years Average Dividend Payment 23.40% per annum



FHM NEVER SKIPPED DIVIDEND SINCE INCEPTION

Financial Performance and Value Appreciation

FHM is pleased to share with its certificate holders an update on the growth and value appreciation of their investments over the past year. The trust and commitment of our certificate holders have played a crucial role in our success, and we remain dedicated to delivering sustainable value and returns.

Over the past fiscal year, FHM has demonstrated strong financial growth, driven by strategic initiatives, operational efficiency, and market expansion. As a result, the net book value of certificates has appreciated significantly, reflecting our efforts to enhance certificate holder wealth.

We understand the importance of providing regular returns to our certificate holders, and we are committed to maintain a consistent and attractive dividend payouts. The Board of Directors of the Management

(BCR 10.08)

Company has approved cash dividend of 21% (Rs. 2.10 per Modaraba Certificate of Rs. 10/- each) for the financial year ended June 30, 2024

Commitment to Long-term Growth

In addition to delivering strong returns in the form of dividends and earning per certificate, we are actively reinvesting in key growth areas such as [technology, infrastructure, innovation, etc.]. Our strategy is designed to ensure long-term sustainability and continued growth, which will further enhance certificate holder's value in the years to come.

As we look ahead, we remain confident that our focused strategy, solid execution, and strong market position will continue to generate exceptional returns and enhance the investment in our modaraba.

Chairman's Review Report



Dear Modaraba Certificate Holders,

I am pleased to present report to our valued Certificate Holders on the affairs of First Habib Modaraba (FHM) for the year ended 30th June, 2024, on the overall performance of the Board of Directors and effectiveness of the role played by the Board in achieving Modaraba's strategic objectives.

Global economy and growth remained relatively slow in 2023. Key impediments to growth included a worldwide decline in output, tightening of monetary policy cycle, repercussions of climate change and high inflation. As an impact, Pakistan's economy also encountered multiple external shocks, including on account of supply chain disruption from the Russia-Ukraine war, global inflationary pressures leading to monetary tightening in economy of our trade partners, and oil price shocks due to geopolitical tensions in the Middle East.

Some stability in Pakistan's political environment has been observed following the general election and the formation of a new government. This effectively helped in completion of the IMF bailout package and standby arrangement planning for the current fiscal year, allowing some easing in import restrictions and improvement in the business sentiments. However, given the rising levels of both domestic and foreign debt, especially the significant repayment of external debt in FY2024-2025, rising energy prices, and the recent budget's excessively high taxes may further fuel inflation. Thus, we anticipate that this year too will be difficult.

In spite of the current state of the economy, we are optimistic that FHM will be able to add value for Certificate Holders by continued prioritization of customer satisfaction, efficient product delivery, deepening in some cities beyond Karachi already outreached and catering the product to customer needs while carefully pursuing our strategy of ensuring sustainable growth. Thanks to appreciation of our customers to our service to them and our dominant position/ name within the Modaraba industry.

However, I am glad that despite economic challenges, the performance of FHM remained more than satisfactory. FY2023-24 proved as one of the best years in terms of performance of FHM. According to results, the key business targets were not only achieved but also increased with significant margins. Balance sheet size grew by around 29% and profit after tax showed a remarkable growth depicting an increase of 29% over last financial year's actual, both reaching highest level marks since the inception of FHM at Rs.26.410 billion and Rs.690 million respectively. Significant achievements and exceptional growth gives immense satisfaction and gratitude to me and board members. Alhamdulillah, strengthened balance sheet of FHM with robust business model empowered us to be resilient even in challenging and difficult operating environment and give great satisfaction to investors and lenders.

FHM has completed 39th years of successful business operation and has maintained longstanding drive towards sustaining its position as leading Modaraba within NBF and Modaraba sector of Pakistan. Over the years FHM has continued to lead by example in forging strategic alliances to leverage expertise to innovate and transform for the purpose of expanding its reach and accessing new avenues for growth.

FHM's constant commitment for corporate excellence have not only kept prominent position within Modaraba sector but also earned recognition at national and international level. So far, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBF and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC. Furthermore, since last 16 years FHM has been securing AA+ rating as long term rating from Pakistan Credit Rating Agency Ltd., (PACRA) which depict soundness of the entity and also a matter of great satisfaction for our investors.

I sincerely believe that all success and achievements are due to Blessing of Allah (SWT) and hard and dedicated efforts of entire staff members through excellent team work across all levels of the organization. Each and every staff member of FHM deserve great appreciations on satisfactory results and maintaining consistency in growth.

Going forward, our strong leadership and capable management team, equipped with extensive experience and expertise, are fully geared to face challenges and explore opportunities for further growth. Insha'Allah, the team will remain aligned with continuous journey of success with excellence within the entity & industry by fostering innovation and generating sustainable long-term value for our Certificate Holders, Investors, Customers and Communities.

In conclusion, I must take this opportunity to thank the board for its guidance and vigilance that helped the Modaraba to be sound and sustainable entity within the financial market. The board's commitment to fostering a culture of transparency and accountability has been commendable. By promoting a forward-thinking mindset, the board has been able to proactively identify risks and opportunities, highlight areas of improvement and thereby safeguard the organization's long-term sustainability.

I also wish to commend our Chief Executive Officer, Senior Executives and all other staff members of FHM for their hard work, dedication and focused efforts for exceptional performance and producing excellent results of FY2023-24. I also place my sincere appreciation to our Certificate Holders, business partners and all other valued stakeholders for their belief and the confidence placed in our organization. I take this opportunity to thank Registrar of Modaraba, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Pakistan Stock Exchange, and other relevant regulatory bodies for their continued guidance and support extended to us.

Mohammad Shams Izhar
Chairman

Dated: August 08, 2024

چیمبر میں جائزہ رپورٹ

محترم مضاربہ سرٹیفکیٹ ہولڈرز،

مجھے 30 جون 2024 کو ختم ہونے والے سال کے لئے فرسٹ حبیب مضاربہ (ایف ایچ ایم) کے معاملات پر اپنے بورڈ آف ڈائریکٹرز کی تمام ترم کارکردگی اور ان کے قابل ذکر کردار کی جو انہوں نے مضاربہ کے اسٹریٹیجک مفادات کی تکمیل کیلئے اٹھائے وہ رپورٹ اپنے قابل قدر سرٹیفکیٹ ہولڈرز کو پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

2023 میں عالمی معیشت اور ترقی نسبتاً رڈی کا شکار رہی۔ ترقی کی راہ میں اہم رکاوٹوں میں عالمی پیداواری صلاحیت میں کمی، مالیاتی پالیسی کا سخت ہونا، موسمیاتی تبدیلی کے اثرات اور بلند شرح افراط زر شامل تھے۔ اس کے نتیجے میں، پاکستان کی معیشت کو بھی متعدد پیر ونی عوامل کا سامنا کرنا پڑا، جن میں روس-یوکرین جنگ کی وجہ سے سپلائی چین میں خلل، عالمی افراط زر کے دباؤ کی وجہ سے ہمارے تجارتی شرائط داروں کی معیشت میں مالیاتی سختی، اور مشرق وسطیٰ میں جغرافیائی و سیاسی کشیدگی کی وجہ سے تیل کی قیمتوں میں کمی زیادتی شامل ہیں۔

عام انتخابات اور اس کے نتیجے میں نئی حکومت کی تشکیل کے بعد پاکستان کے سیاسی ماحول میں کچھ استحکام دیکھا گیا ہے۔ اس سے آئی ایم ایف نیل آؤٹ پیج کی تکمیل اور موجودہ مالی سال کے لیے اسٹیٹ بینک کی انتظامات کی منصوبہ بندی میں مدد ملی، جس سے درآمدی پابندیوں میں کچھ نرمی اور کاروباری حالات میں بہتری آئی۔ تاہم، بڑھتے ہوئے ملکی اور غیر ملکی قرضوں کی سطح، خاص طور پر مالی سال 2024-2025 میں بیرونی قرضوں کی نمایاں ادائیگی، بڑھتی ہوئی توانائی کی قیمتیں، اور حالیہ بجٹ کے بہت زیادہ ٹیکسز افراط زر کو مزید بڑھا سکتے ہیں۔ اس لیے ہم توقع کرتے ہیں کہ یہ سال بھی مشکل ہو گا۔

معیشت کی موجودہ حالت کے باوجود، ہم پر امید ہیں کہ ایف ایچ ایم سرٹیفکیٹ ہولڈرز کے لیے قدر میں اضافہ کر سکے گا، صارفین کی اطمینان کو ترجیح دینے، مصنوعات کی موثر فراہمی، کراچی سے باہر کچھ شہروں تک رسائی اور صارفین کی ضروریات کے مطابق مصنوعات فراہم کرنے کی حکمت عملی کو احتیاط سے آگے بڑھاتے ہوئے پائیدار ترقی کو یقینی بنانے کی حکمت عملی پر عمل پیرا ہے۔ کسٹمرز کو فراہم کرنے والی سروسز پر ان کی سائنس کے باعث ہم مضاربہ انڈسٹری میں ایک اہم نام / مقام پر ہیں۔

تاہم، مجھے خوشی ہے کہ تمام تر کہ اقتصادی چیلنجوں کے باوجود، ایف ایچ ایم کی کارکردگی تسلی بخش رہی۔ مالی سال 2023-24 ایف ایچ ایم کی کارکردگی کے لحاظ سے بہترین سالوں میں سے ایک ثابت ہوا۔ نتائج کے مطابق، اہم کاروباری اہداف نہ صرف حاصل کیے گئے بلکہ نمایاں مارجن کے ساتھ بڑھائے گئے۔ بیلنس شیٹ کا حجم تقریباً 29 فیصد بڑھا اور ٹیکس کے بعد منافع میں 33 فیصد کا نمایاں اضافہ ہوا، جو پچھلے مالی سال کے اصل سے زیادہ ہے، ایف ایچ ایم کے آغاز سے دونوں اب تک کی بلند ترین سطح پر پہنچ گئے، بالترتیب 26.410 ارب روپے اور 690 ملین روپے۔ نمایاں کامیابیوں اور غیر معمولی ترقی مجھے اور بورڈ کے اراکین کو بے حد اطمینان اور شکرگزار فریہم کرتی ہے۔ الحمد للہ، مضبوط کاروباری ماڈل کے ساتھ ایف ایچ ایم کی مضبوط بیلنس شیٹ نے ہمیں مشکل اور چیلنجنگ آپریٹنگ ماحول میں بھی لچکدار بنایا اور سرمایہ کاروں اور قرض دہندگان کو بڑی تسلی دی۔

ایف ایچ ایم نے کامیاب کاروباری آپریشن کے 39 سال مکمل کر لیے ہیں اور پاکستان کے این بی ایف آئی اور مضاربہ سیکٹر میں ایک سرکردہ مضاربہ کے طور پر اپنی پوزیشن کو برقرار رکھنے کی طویل مدتی کوشش کی ہے۔ سالوں کے دوران، ایف ایچ ایم نے اپنی پہنچ کو وسیع کرنے اور ترقی کے نئے مواقع تک رسائی کے مقصد کے لیے اپنی مہارت کو بروئے کار لانے کے لیے اسٹریٹیجک اتحاد بنانے میں مثال قائم کی ہے۔

ایف ایچ ایم کی کارپوریٹ ایکیلینس کے لیے مستقل وابستگی نے نہ صرف مضاربہ سیکٹر میں نمایاں پوزیشن برقرار رکھی ہے بلکہ قومی اور بین الاقوامی سطح پر بھی پہچان حاصل کی ہے۔ اب تک، ایف ایچ ایم نے بہترین کارکردگی، بہترین کارپوریٹ رپورٹ، بہترین کارپوریٹ ڈسکلوزر اور کارپوریٹ ایکیلینس پر کئی ایوارڈز / تعریفی اسناد حاصل کی ہیں، جیسے کہ این بی ایف آئی اور مضاربہ ایسوسی ایشن، آئی سی اے پی اور آئی سی ایم اے پی، بیجمنٹ ایسوسی ایشن آف پاکستان، اور SAFA جو سارک کی ایک اعلیٰ تنظیم ہے۔ مزید برآں، پچھلے 16 سالوں سے ایف ایچ ایم نے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) سے طویل مدتی ریٹنگ کے طور پر AA+ ریٹنگ حاصل کی ہے، جو ادارے کی مضبوطی کو ظاہر کرتی ہے اور ہمارے سرمایہ کاروں کے لیے بھی بڑی تسلی کا باعث ہے۔

میں مخلصانہ طور پر یہ یقین رکھتا ہوں کہ تمام کامیابیاں اور کارنامے اللہ تعالیٰ کی برکت اور تنظیم کے تمام سطحوں پر بہترین ٹیم ورک کے ذریعے تمام عملے کے اراکین کی انتھک محنت اور دلی لگن کی وجہ سے ہیں۔ ایف ایچ ایم کے ہر ایک عملے کے رکن کو تسلی بخش نتائج اور ترقی میں تسلسل برقرار رکھنے پر زبردست تعریف کے مستحق ہیں۔

آگے بڑھتے ہوئے، ہماری مضبوط قیادت اور قابل انتظامی ٹیم، جو وسیع تجربے اور مہارت سے لیس ہے، چیلنجوں کا سامنا کرنے اور مزید ترقی کے مواقع تلاش کرنے کے لیے پوری طرح تیار ہے۔ انشاء اللہ، ایف ایچ ایم ٹیم ہمارے سرٹیفکیٹ ہولڈرز، سرمایہ کاروں، صارفین اور کمیونٹی کے لیے پائیدار طویل مدتی قدر پیدا کرنے اور جدت کو فروغ دینے کے ذریعے تنظیم اور صنعت کے اندر مسلسل کامیابی کے سفر کے ساتھ ہم آہنگ رہے گی۔

آخر میں، میں اس موقع سے فائدہ اٹھاتے ہوئے بورڈ کا شکریہ ادا کرنا چاہتا ہوں جس کی رہنمائی اور نگرانی نے مضاربہ کو مالیاتی مارکیٹ میں ایک مستحکم اور پائیدار ادارہ بنانے میں مدد دی۔ شفافیت اور جوابدہی کے کلچر کو فروغ دینے کے لیے بورڈ کا عزم قابل تعریف رہا ہے۔ مستقبل کی سوچ کو فروغ دے کر، بورڈ نے خطرات اور مواقع کی پیشگی شناخت کرنے، شعبوں کی بہتری کو اجاگر کرنے اور اس طرح تنظیم کی طویل مدتی پائیداری کو محفوظ بنانے میں کامیابی حاصل کی ہے۔

میں اپنے چیف ایگزیکٹو آفیسر، سینیئر ایگزیکٹوز اور ایف ایچ ایم کے دیگر تمام ممبران کی غیر معمولی کارکردگی اور مالی سال 2023-24 کے بہترین نتائج پیدا کرنے کے لیے ان کی محنت، لگن اور منتوج کوششوں کی بھی تعریف کرنا چاہتا ہوں۔ میں اپنے سرٹیفکیٹ ہولڈرز، کاروباری شرائط داروں اور دیگر تمام قابل قدر اسٹیک ہولڈرز کو ان کے اعتقاد اور ہماری تنظیم میں اعتماد کے لیے اپنی مخلصانہ تعریف بھی کرتا ہوں۔ میں اس موقع پر مسلسل رہنمائی اور ہماری مدد پر مضاربہ کے رجسٹرار، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایکسچینج، اور دیگر متعلقہ ریگولیٹری اداروں کا شکریہ ادا کرتا ہوں۔

محمد شمس اظہار

چیمبر میں

مورخہ: ۸ اگست ۲۰۲۳

CEO's Message



During last few years, the country has been encountering with various economic and business challenges, such as pandemic, political instability, severe geo political unrest, losing value of Pak rupees, high lending rates and exorbitant cost of doing business. In order to counter these challenges, it promptly required to re-align strategic direction in a way that safeguards both the institutions and the interests of other stakeholders. Alhamdulillah, First Habib Modaraba (FHM) encountered with all these challenges with well-planned and focused business strategy. Our present financial standing, growth and performance in challenging time truly testify our strength and resilience. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBF and Modaraba sector of Pakistan.

The year 2023-24 was a challenging year around the globe, geo-political tensions, disrupted supply chain, subdued consumer demand and persistently high inflation with high policy rates due to monetary tightening stance by State Bank of Pakistan. Monetary tightening stance adoption by almost all major economies around the globe to control inflation lead towards higher borrowing costs for customers. However, despite off several business and economic challenges, we have not only maintained our leading positions within the sector but also made exceptions in key areas of business.

With the high level of team spirit, Alhamdulillah, performance of financial year 2023-24 remained remarkable and all our key targets have not only achieved but also increased with good margins. Our total disbursement during the year touched to Rs.15.2 billion which is the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.26.4 billion as compared Rs.20.5 billion. Significant increase in profitability was also made. Profit before tax increased by 55% i.e., from Rs.771 million to Rs.1,197 million for the period ended June 30, 2024.

It gives me immense pleasure and pride that year under review proved one of the best and exceptional years in the operational history of FHM in terms of performance, disbursement, profitability and overall business growth. The impressive milestone reflect FHM's remarkable journey of excellence and its quest to meet and exceed expectation of investors and other stakeholders. I would like to thank each and every

While challenges are built-in part of doing business, we are well- equipped to address them and to stride on with positivity, well planned strategy and with focus approach

The resilience and adaptability demonstrated by the FHM are a testament to our sustainable business model and our employees' commitment to ensuring the success of the organization even in difficult operating environment.

team member of FHM who has been a part of this incredible accomplishment for their contributions and unwavering commitment to the Vision and Mission of FHM that has brought the Modaraba to where it is today.

Being a leading Modaraba within the sector, we aim to play a significant role in promotion of Islamic Finance within Non-Banking segment. Additionally, through our inclusive Shariah compliant finance initiatives with the leveraging digital technologies and enhance financial inclusion within the country.

I would like to thank the Chairman and the Board of Directors for their insight and vision and for leading from the front to enable me and my team members to deliver satisfactory results in such a difficult time. I also like to express my sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage and Certificate holders, investors who have remained committed to FHM. I also appreciate dedication, high level of professionalism and hard work of employees of FHM for smooth operations.

Muhammad Shoaib Ibrahim

Managing Director and CEO

Directors' Profile



Mohammad Shams Izhar

Chairman Non Executive Director

Mr. Mohammad Shams Izhar is an MBA from Institute of Business Administration (IBA), Karachi backed with a degree in Industrial Technology. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control. He also contributed towards improvement of the country's banking industry's standard as a member of Pakistan Banks Association's sub-committee and SBP working group. He is also a Fellow Institute of Bankers Pakistan and Certified Director by Pakistan Institute of Corporate Governance (PICG)."



Syed Rasheed Akhtar

Non-Executive Independent Director

Syed Rasheed Akhtar has rich experience in the banking field. His vast banking career spans over 36 years. He possesses masters in statistics degree from University of Karachi. He started his banking career from Habib Bank Limited in the year 1974 and carried diversified experience on very senior positions. He has been associated with Bank Indosuez, Habib Bank AG Zurich, HBZ Bank Limited, South Africa. He also headed an independent Islamic Banking Division of HBZ Bank Limited, South Africa from 2006-2010. He successfully completed Certificate on Islamic Banking arranged by N.I.B.A.F. State Bank of Pakistan. He has also completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan.



Saeed Uddin Khan

Non Executive Independent Director

Mr. Khan brings with him 40 years of diversified and senior management experience in Conventional as well as Islamic banking in different banks and financial institutions. He holds MBA degree from IBA, Karachi. He also holds Diploma in Banking (DAIBP) and PGD as well as NIBAF, SBP Certification in Islamic banking, besides short as well as extensive training within and outside Pakistan. He brings with him a rich knowledge of strategic planning, retail banking, product and brand development, corporate financing, risk management, asset recovery, budgeting, MIS etc. He served as CEO of HBL Mudaraba & Head, Islamic Banking, in two banks. Currently, he is the President & CEO of a Microfinance Bank.

Directors' Profile



Usman Nurul Abedin Non Executive Director

Mr. Usman Nurul Abedin has graduated from University of Karachi he possesses about of 44 years of diversified experience in the field of banking and finance. He has a vast experience in banking particularly in treasury operations international branch banking. He served Habib Metropolitan Bank for about 32 years at senior management positions and also well versed with risk of credit management policy making and administration. Before joining Habib Metropolitan Bank he was associated with Bank of Credit & commerce international (BCCI) for about 11 years and served as Manager international Operations / Overseas Banking / Credit and Marketing in Hong Kong and South Korea.



Dr. Irum Saba Non Executive Director

Dr. Saba has more than 17 years of progressive regulatory, research, training, and teaching experience with organizations of international repute. She trained more than 6000 employees in Pakistan's financial sector and taught more than 3000 students in Pakistan. She has extensive regulatory experience with specific focus to promote women empowerment, organisational development and Islamic banking and Finance while working in the Islamic Banking Department of SBP. She is a Shari'ah-registered financial planner (Shari'ah RFP). She holds the Chartered Islamic Finance Professional (CIFP) credential from INCEIF with distinction and PhD in Islamic Finance from INCEIF. She holds M.Com with distinction and PGD in Islamic Banking and Insurance from Institute of Islamic Banking and Insurance (IIBI), London. Her areas of interest are Political Economy, Management, Shari'ah, Wealth planning and Management, Islamic microfinance, corporate governance, and Islamic finance.



Mr. Muhammad Shoab Ibrahim CEO & Managing Director

With more than two decades' experience in non-Bank Islamic financial institutions and Modarabas, he is a senior expert on this topic in Pakistan. This experience has given him insight into the financial and technical aspects of the non-banking Islamic financial activities covering financial services, equity market and asset management.

Under his leadership, at present, FHM is well positioned in the Islamic financial market with a strong equity base, sound assets size and profitability within the Modaraba sector of Pakistan. Moreover, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBFi and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC during his tenor as CEO of FHM.

Mr. Shoab holds a Master of Business Administration (MBA) in banking and finance from the Institute of Business Administration (IBA). He has also completed a Post Graduate Diploma (PGD) in Islamic Banking from the Centre of Islamic Economics (Darul Ulum), Karachi Pakistan.

He has presented research papers on the Modaraba and other Islamic financial products at different local and international forums. He also holds following positions in different prestigious institutions.

- Member of SECP Committee of promotion of Islamic Finance within Non-Banking Islamic Finance Institutions.
- Former Chairman of NBFi and Modaraba Association of Pakistan
- Past President of Memon Professional Forum
- Ex-committee Members of FPCCI on SME

Currently he is Country Correspondent of Islamic Finance News, Malaysia and also Senior Vice President of Vanthali Memon Association.

Management Team



From Left to Right: Mr. Muhammad Shoaib Ibrahim Chief Executive Officer Mr. Amir Kaleem Head of Business Development
Mr. Tehsin Abbas CFO & Company Secretary Mr. Intisar Usmani Head of CAD, Legal & Recovery



From Left to Right: Mr. Fazal Abbas Head of Credit Mr. Zahid Hasan Head of IT Mr. Muhammad Babar Head of Internal Audit
Mr. Muhammad Jehanzeb Head of HR Mr. Azhar Hussain Head of Compliance

Directors' Report



On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of the Modaraba for the year ended June 30, 2024.

	(Rupees)
Profit before management fee	1,377,333,526
Profit before taxation	1,197,260,940
Net profit for the year	690,197,341
Appropriations	
Net profit for the year	690,197,341
Add: Unappropriated profit brought forward	43,523,358
Surplus transferred to unappropriated profit	-
Profit available for appropriation	731,735,488
Profit distribution @ 21%	232,744,050
General Reserve	490,000,000
Unappropriated profit carried forward	8,991,438
Earnings per certificate	6.23

DIVIDEND

The Board of Directors has pleased to declare cash dividend @ 21% i.e. Rs.2.10 per certificate of Rs.10/- each for the year ended June 30, 2024.

Economic Review

Recent past years have been characterized by exacerbated challenges for Pakistan. The country has encountered with multiple global shocks, including supply chain disruption from the Russia-Ukraine war, global inflationary pressures leading to monetary tightening, and oil price shocks due to geopolitical tensions in the Middle East. However, in FY 2023-24 the economy of Pakistan displayed on a stabilization phase. Key macroeconomic indicators were better than the comparable period of last year with GDP growth rate of 2.38% against negative 0.21% last year.

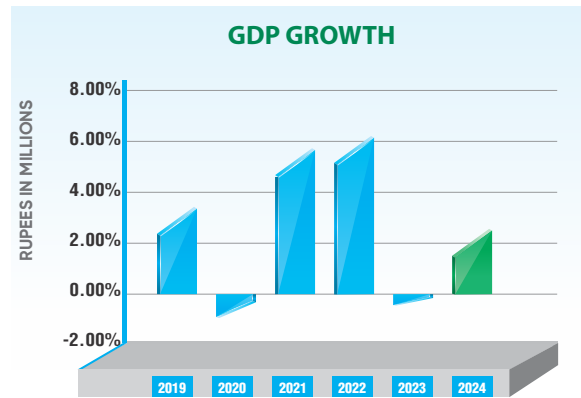
According to economic survey of 2023-24, agriculture emerged as a main driver of economic growth, registering a growth of 6.25% on the back of double-digit growth in output of major crops. Industrial and services sectors also showed resilience posting a growth of 1.21%. The economy has experienced in reviving of modest growth. Government's dedicated efforts to complete 2023 Stand-By Arrangement (SBA) have yielded significant progress in reinstating economic stability and reduced pressures on foreign exchange reserves.

PSX Index touched new heights and reclaimed the title of the world's best-performing market in the outgoing fiscal year 2023-24, with a remarkable cumulative increase. The PSX 100 index reached on record of around 80,000 which all time high. The robust rally began with approval of loan of International Monetary Fund and completion of general election with set up of new government.

On the external front, the government successfully reduced trade deficit with support of slight better exports and reduction in imports, leading towards a decrease in the current account deficit. Recently, Central Bank has further reduced policy rate by 1% and policy reduced to 19.5% from highest level of 22%. The reduction in rate was made due to lower in inflation. In monetary policy statement it is stated that inflationary impact of the FY25 budget is largely in line with expectations and full impact of these measures may now take some time to fully reflect in domestic prices. At the same time, the Committee also observed risks to the inflation outlook from fiscal slippages and upward revision of energy price adjustments if any.

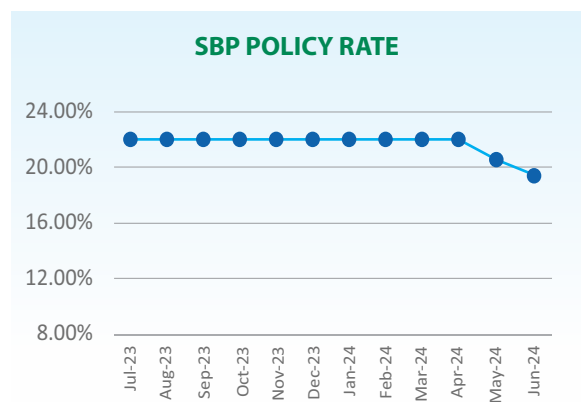
According to financial stability report of State Bank of Pakistan, Pakistan's financial sector showed a steady performance in year. The review highlighted that macroeconomic environment remained challenging amid rising inflation, weak foreign exchange inflows and pressures on external account and local currency, and low business confidence. However, in this backdrop, the financial sector exhibited strong growth and performance and maintained its financial soundness and operational resilience.

In recent budget of 2024-25 the new elected government came out with aggressive taxation measures including higher taxes on personal



incomes, petroleum products, new taxes on real estate and the withdrawal of several tax exemptions. The increasing tax collection will support government to get approval of next bailout package from International Monetary Fund. Indeed, the budget poses a significant challenge for tax collectors, with a focus on expanding the revenue base in a very challenging economic environment. The high taxation can impact on growth which may leads towards lesser collection of tax revenue due to diluted appetite on consumption and investment.

Going forward, Pakistan's growth prospects will remain challenging keeping in view soaring domestic and foreign debt particularly huge repayment of external debt in FY2024-25 including high taxation in recent budget. Government is focusing on high potential sectors like IT, SMEs, mines and minerals, tourism, exports and agriculture. These sectors can pay rich dividends and can support to the country's balance of payments position. However, country will not lay solid foundation of growth until the fundamental governance flaws in its system are addressed. Delaying these necessary reforms will continue to burden the public and hinder economic prosperity and growth.



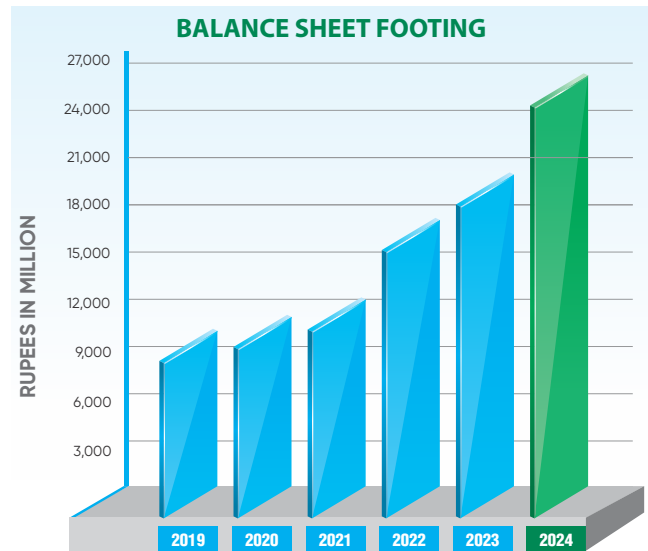
Business Review of FHM

The year 2023-24 was a challenging year around the globe, geopolitical tensions, disrupted supply chain, subdued consumer demand and persistently high inflation with high policy rates due to monetary tightening stance by State Bank of Pakistan. Monetary tightening stance adoption by almost all major economies around the globe to control inflation lead towards higher borrowing costs for customers. In addition to inflationary pressure of imported goods due to depreciation of local currency, high energy prices which ultimately lead towards high cost of doing business. This has evidently created extreme pressures on businesses and economic activities.

However, despite off several business and economic challenges, we have not only maintained our leading positions within the sector but also made exceptions in key areas of business. With the high level of team spirit, Alhamdulillah, performance of financial year 2023-24 remained remarkable and all our key targets have not only achieved but also increased with good margins. We must say that again above year proved to be one of the best and exceptional years in the operational history of First Habib Modaraba (FHM) terms of performance, disbursement, profitability and overall business growth.

Our total disbursement during the year touched to Rs.15.2 billion which is the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.26.4 billion as compared Rs.20.5 billion. Significant increase in profitability was also made. Profit before tax increase by 55% i.e., from Rs.771 million to Rs. 1,197 million for the period ended June 30, 2024. Our deposit under Certificate of Investment (Musharaka) also reached to Rs.16.189 billion as compared to Rs.13.708 billion of last year with growth of around 18%. Our Karachi branch has made significant contribution for overall disbursement during the financial year 2023-2024 and contributed around 56% followed by Lahore, Islamabad and Multan branch.

Our business development team also remained engage in other cities such as Hyderabad, Faisalabad, Gujranwala, Sialkot, Bahawalpur, Rahim Yar Khan and Peshawar through the branch network of parent bank and has developed sound customer base. In these cities, we have focused on SME segment and corporate segment for assets financing such as motor vehicles, small machineries and equipment etc., For sustainable growth, we have planned our business strategy for horizontal expansion for sustainable growth. Furthermore, our business development team is also focusing on industrial zones within provinces, particularly in Punjab province in order to add sound industrial customers for assets financing.



Consumer auto finance outstanding portfolio reached to Rs.2.503 billion as compared to Rs.1.692 billion of last year. The growth in this segment was not satisfactory as per our targeted budget due to high price of motor vehicles and high cost of lending rates. Overall car sales were significantly reduced since affordability of motor vehicle has become increasingly difficult for common consumers in Pakistan.

In last meeting of Board of Directors, Syed Rasheed Akhtar resigned from Chairman position and as a member of audit committee due to his health issue. However, he continues to serve as Director of the company. In his place Mr. Mohammad Shams Izhar appointed as Chairman of the Board of Directors and Dr. Irum Saba, nominated as member of audit committee. The Board appreciated contribution of Syed Rasheed Akther, being Chairman of Board and audit committee member. His guidance and expertise have been invaluable for the Board and contribution will have lasting impact on our institutions.

Government policies related to Modaraba's business/sector

Change in government's regulation or in policies, sometimes it affects the operating capacity and net earnings of Modaraba. Due to withdrawal of income tax had affected net profit earning and profit distribution to Certificate Holders. Furthermore, levy of 10% super tax is further dilating the net profitability.

Going forward, it has been witnessed political stability after general election and set up of new government. Country

has successfully finalized the bailout package from IMF and planning of stand by arrangement for current financial year. Due to political stability, the business sentiments have been restored. However, we foresee that current year would be challenging year keeping in view soaring domestic and foreign debt particularly huge repayment of external debt in FY2024-25, increasing trends of energy cost and excessive high taxation in recent budget which will again fuel to inflation.

Keeping in view of present economic scenario, we are confident that with our leading position within the Modaraba sector, we continue to add value for Certificate Holders, emphasis on customer satisfaction and focus on innovation with careful growth and sustainability. *(BCR 5.22)*

Business Outlook & Future Strategy

Going forward, the performance of the Modaraba will largely depending on macroeconomic factors. Country is aiming to achieve fiscal stabilization to regain macroeconomic stability while complying with the IMF conditions. Recently we have witnessed political stability after general election and set up of new government. Country has successfully finalized the bailout package from IMF and planning of stand by arrangement for current financial year. Due to political stability, the business sentiments have been restored to some extent. However, we foresee that current year would be challenging year keeping in view soaring domestic and foreign debt particularly huge repayment of external debt in FY2024-25, increasing trends of energy cost and excessive high taxation in recent budget which will again fuel to inflation.

Alhamdulillah, FHM has completed successful business operation of 39th years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within Modaraba sector of Pakistan. In such difficult operating environment, FHM continues to be well positioned for sustainable growth and creation of long term value for our Certificate Holders. Our primary objective is to further strengthen our market share within Islamic Financial Services Industry of Pakistan.

The Modaraba is prudently progressing ahead to shape a successful future by investing autonomous technologies and digitally led innovative solutions. As we move forward into 2024-25, our primary objective is to enhance customer experiences across various channels while simultaneously focusing on augmenting the Modaraba's revenue growth. Synergy with business teams shall be heightened to achieve

further business growth. Customer centric culture shall be focused and customer service shall be used as the main tool for business growth.

Keeping in view of present macro-economic factors, unanticipated challenges and to maintain our leading position within the sector, we have devise following business and operational strategies for FY2024-25.

- Grow our market share by adding new sectors, cities and sound customers
- Explore possibilities for generation of low-cost funds in order to support our financing book.
- Concentrate on small and medium size customers for horizontal growth.
- Further strengthen risk management and Shariah governance mechanism and create robust compliance culture with strong internal control management.
- Further nurture our human resource through strategic initiative, engagement through innovative technological tool and employee incentive program.
- Enhance CSR activities for community uplift and support.
- Further improve our operational efficiency through support of technological advancement and enhance customer services base.
- Promote green financing particularly solar equipment
- Careful watch impact of climate change on environment and customer businesses.

Besides the growth targets and additional market penetration for financing book, we intend to focus more on long term sustainability in business and profitability. As we enter 2024-25, our vision extends beyond the current achievements, engaging us to explore new horizons and expand our presence. With the blessing Allah (SWT), sincere team efforts and with continuous quest of excellence, we shall Insha'Allah, continue to grow as progressive & prestigious entity within NBFi sector.

Corporate Social Responsibility

FHM has consistently made an effort to improve both the environment in which it operates and society at large. In keeping with its policies regarding corporate social responsibility, the modaraba is involved in a number of social projects that focus on enhancing the lives of people around us.

As a core objective, FHM always extend necessary support to those in need by contributing numerous respectable charitable organizations and welfare organizations. This is our sincere effort to improve the environment, the economy, and the living conditions for those who are less fortunate. It has been our primary concern to ensure that contributing to community development should be continuously carried out. Accordingly, we have aligned our Corporate Social Responsibility (CSR) initiatives to deliver on this commitment and enhance community empowerment and responsible environmental management in a sustainable manner.

Strategic Objectives on ESG

The Board supports the modaraba's ESG initiatives wholeheartedly and is actively involved in them. Our commitment is to smoothly incorporate ESG factors into our plan. This promotes long-term development, reduces risks, and builds a foundation of confidence with our stakeholders. Our strategic objectives include social responsibility, environmental sustainability, and effective governance. We are committed to protecting the environment and encouraging the use of green energy. Promoting diversity, protecting employee welfare, and being involved in the community are some of our main priorities.

Our decision-making process is guided by moral conduct, transparency, honesty, and responsible risk management. Since last several years FHM has been donating to non-profit organization working for improvement of educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education for under privileged members of society.

Directors Training & Orientation

All the directors, are compliant with the necessary requirements of Directors Training Certificate at The Institute of Chartered Accountants of Pakistan (ICAP), The Institute of Cost and Management Accountants of Pakistan (ICMAP) and Institute of Business Administration (IBA). *(BCR 5.08, 5.09)*

Performance Evaluation

The Modaraba engaged the Pakistan Institute of Corporate Governance (PICG) as an Independent External Evaluator, for performing evaluation of the Board. The process has been completed in the year 2023 and certificate was obtained accordingly.

Fee to Attend the Directors' Meeting

Chairman, Non-Executive Directors and independent director are entitled only for the fee for attending the meetings from the Modaraba Management Company. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the modaraba successfully and with value addition. Further, the Executive director of the Modaraba Management Company does not earn any retention fee against the services provided by him in the capacity of Non-Executive Director from any other entity. *(BCR 5.12 (d,e))*

Board Meeting Outside Pakistan

During the year, all board meetings have been arranged at Karachi in Management Company's office and none of the meeting conducted outside Pakistan in order to avoid any extra expenses of outside meeting. *(BCR 5.12(g))*

Policy for Security Clearance of Foreign Directors

FHM has no Foreign Directors on its Board. However, as we remain committed to the well-being of our Board, the Modaraba has in place various protocols and procedures to ensure the safety and security of all Directors, including any foreign Directors should there be any in the future.

Foreign Directors

No Foreign Directors exist on the Board of Modaraba Management Company. *(BCR 5.12(f))*

Pattern of Certificate Holding

A Statement showing pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2024 is included in this report.

Corporate and Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

International Financial Reporting Standards (IFRS), as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed. Further, the management of the Modaraba appreciates the unreserved compliance of IFRS to the possible extent in order to promote the fair financial reporting.

Proper books of accounts of the Modaraba have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates used are based on reasonable and prudent judgment.

- The system of internal control is in place and has been effectively implemented. It is being continuously reviewed by internal audit and other such procedures.
- Board is satisfied with the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- Key operating and financial data for the last six years in summarized form is included in this financial statement.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2024 except for those disclosed in the financial statements.

Composition of the Board

The composition of the Board of Directors of the Company as on June 30, 2024 is as follows:

1. The total number of Directors are six as per the following:
 - Male: 5
 - Female: 1
2. The number of Directors under respective categories are as follows:
 - Independent Directors 2
 - Non-Executive Directors 2
 - Executive Director 1
 - Female Director 1

Directors' attendance

During the year, Four Board meetings, Four Audit Committee meetings and One Human Resource Committee meetings were held. Attendance by each Director was as follows:

Name of Directors	Board of Directors	Audit Committee	HR Committee
Mr. Mohammad Shams Izhar	4	4	1
Syed Rasheed Akhtar	4	4	1
Mr. Saeed uddin Khan	4	4	1
Mr. Usman Nurul Abedin	4	NA	NA
Dr. Irum Saba	4	NA	NA
Mr. Muhammad Shoaib Ibrahim <i>(BCR 5.16)</i>	4	NA	NA

Auditors

Present auditor M/s. BDO Ebrahim & Co, Chartered Accountants, are being eligible to offer themselves for reappointment as auditors for the financial year ending June 30, 2025, however their appointment will be subject to approval of Registrar Modaraba.

Acknowledgement

The Board would like to express its sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan, Registrar Modaraba Companies, Financial Institutions and State Bank of Pakistan from time to time, customers of the Modaraba for their patronage and business, Certificate holders who have remained committed to FHM.

In the end, the Board appreciates dedication, high level of professionalism and hard work of employees of your Modaraba for achieving excellent results.

Muhammad Shoaib Ibrahim **Mohammad Shams Izhar**
Chief Executive Officer Chairman

Karachi: August 08, 2024

۲. متعلقہ زمروں / کمیٹیوں کے تحت ڈائریکٹرز کی تعداد درج ذیل ہے:

•	آزاد ڈائریکٹرز:	۲
•	نان ایگزیکٹو ڈائریکٹرز:	۲
•	ایگزیکٹو ڈائریکٹرز:	۱
•	خاتون ڈائریکٹر:	۱

ڈائریکٹرز کی حاضری

سال کے دوران بورڈ کے چار اجلاس، آڈٹ کمیٹی کے چار اجلاس اور انسانی وسائل کمیٹی کے ایک اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری درج ذیل تھی:

ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر کمیٹی
جناب محمد شمس اظہار	۴	۴	۱
سید رشید اختر	۴	۴	۱
جناب سعید الدین خان	۴	۴	۱
جناب عثمان نورا العابدین	۴	NA	NA
محترمہ ارم صبا	۴	NA	NA
جناب محمد شعیب ابراہیم	۴	NA	NA

آڈیٹرز

موجودہ آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس اہل ہوتے ہوئے اپنے آپ ۳۰ جون ۲۰۲۵ کو ختم ہونے والے سال کے لیے مضاربہ کے بیرونی آڈیٹرز کے طور پر خود کو پیش کرتا ہے۔ تاہم ان کی تقرری رجسٹرڈ مضاربہ آفس سے منظوری سے مشروط ہوگی۔

اظہار تشکر

بورڈ شکر گزار ہے کہ جو تعاون اور مدد سے سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP)، رجسٹرڈ مضاربہ کمپنیز، مالیاتی اداروں اور اسٹیٹ بینک آف پاکستان کا جنہوں نے گاہے بگاہے کی، اس کے علاوہ مضاربہ کے کسٹمرز کی جنہوں نے اپنے کاروبار اور دیگر معاملات میں ہماری رہنمائی کی، سرٹیفکیٹ کنندگان کی جنہوں نے فرسٹ حبیب مضاربہ کے ساتھ مسلسل اپنا تعاون جاری رکھا۔

آخر میں، بورڈ مضاربہ کے ملازمین کے بہترین پروفیشنلزم، سخت محنت اور انتھک جذبے کو سراہتا ہے جن کی وجہ سے ہمیں یہ بہترین نتائج حاصل ہوئے ہیں۔

محمد شمس اظہار
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: تاریخ: ۱۸ اگست، ۲۰۲۳

فاران ڈائریکٹرز کی سکیورٹی کلیئرنس کی پالیسی

ایف ایچ ایم کے بورڈ میں کوئی غیر ملکی ڈائریکٹر نہیں ہے۔ تاہم، جیسا کہ ہم اپنے بورڈ کی فلاح و بہبود کے لئے پر عزم ہیں، مضاربہ نے تمام ڈائریکٹرز بشمول کسی بھی غیر ملکی ڈائریکٹرز کی حفاظت اور تحفظ کو یقینی بنانے کے لئے مختلف پروٹوکول اور طریقہ کار وضع کیے ہیں۔

غیر ملکی ڈائریکٹرز

مضاربہ مینجمنٹ کمپنی کے بورڈ میں کوئی غیر ملکی ڈائریکٹر موجود نہیں ہے۔

سرٹیفکیٹ ہولڈرز کا نمونہ / پیٹرن

۳۰ جون ۲۰۲۴ کو مضاربہ کے سرٹیفکیٹ ہولڈنگ کا پیٹرن اور اضافی معلومات اس رپورٹ میں شامل ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

ڈائریکٹرز مسرت کے ساتھ تصدیق کرتے ہیں کہ درج ذیل نکتوں پر سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) اور کوڈ برائے کارپوریٹ گورننس پر کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک مشتمل ہے:

مالیاتی اسٹیٹمنٹ جو کہ مضاربہ مینجمنٹ کی طرف سے تیار کی جائے گی، وہ مکمل طور پر اپنی چیزوں شفافیت رکھے گی، جو کہ آپریشن کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی پر ہو۔

بین الاقوامی مالیاتی رپورٹنگ معیار (IFRS)، پاکستان میں مضاربہ پر لاگو ہو گا، مالیاتی اسٹیٹمنٹ کی تیاری میں کسی بھی چیز کو حذف کرنے کی مناسب وجہ بیان کی جائے گی۔ مزید برآں یہ کہ، مضاربہ کی مینجمنٹ کی یہ کوشش رہے گی کہ وہ بچ جانے والی مالیاتی رپورٹنگ کو IFRS کے معیار کے مطابق کرے گی تاکہ صاف شفاف مالیاتی رپورٹنگ کو ترویج دی جاسکے۔

مضاربہ کے کھاتوں کا صحیح طور پر حساب کتاب رکھا گیا ہے۔

- مالیاتی اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو لاگو کیا جائے گا۔ کھاتوں کا تخمینہ بہتر تجزیے اور صحیح وجہ کی بنیاد پر لگایا جائے گا۔
- اندرونی انتظام کو موثر طریقے سے نافذ العمل کیا جائے گا۔ اس نظام کو اندرونی احتساب / آڈٹ و دیگر ذرائع کے تحت مسلسل جائزہ لیا جائے گا۔
- بورڈ مضاربہ کی موجودہ جاری پیشرفت سے مطمئن ہے۔
- کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کا میٹریل باہر نہیں ہوا ہے جس کی تفصیل فہرست شدہ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن ۲۰۱۹ کے مطابق، سوائے اُس کے جو کہ اسٹیٹمنٹ برائے کارپوریٹ گورننس میں بتائے گئے ہیں۔
- اہم آپریٹنگ اور گزشتہ ۶ سال کے مالی اعداد و شمار اس سالانہ رپورٹ میں خلاصہ کی شکل میں پیش کئے گئے ہیں۔
- ۳۰ جون ۲۰۲۴ تک کسی بھی قسم کے حکومتی ٹیکسز، ڈیوٹیز، لیویز اور دیگر چارجز وغیرہ قابل ادا نہیں ہیں سوائے جو کہ رپورٹ میں فراہم کئے گئے ہیں۔

بورڈ کی تشکیل

۳۰ جون ۲۰۲۴ء تک کمپنی کے بورڈ آف ڈائریکٹرز کی تشکیل درج ذیل ہے:

۱. ڈائریکٹرز کی کل تعداد درج ذیل کے مطابق چھ ہے:

•	مرد:	۵
•	عورت:	۱

کارپوریٹ سماجی ذمہ داری

FHM نے مسلسل یہ کوشش کی ہے کہ وہ ماحول اور معاشرے دونوں کو بہتر بنائے جس میں یہ کام کرتی ہے۔ کارپوریٹ سماجی ذمہ داری کے حوالے سے اپنی پالیسیوں کو مد نظر رکھتے ہوئے، کمپنی متعدد سماجی منصوبوں میں شامل ہے جو ہمارے ارد گرد کے لوگوں کی زندگیوں کو بہتر بنانے پر مرکوز ہیں۔

ایک بنیادی مقصد کے طور پر، FHM ہمیشہ بے شمار قابل احترام خیراتی تنظیموں اور فلاحی تنظیموں سے تعاون کر کے ضرورت مندوں کے لیے ضروری مدد فراہم کرتا ہے۔ یہ ہماری مخلصانہ کوشش ہے کہ ماحولیات، معیشت اور ان لوگوں کے لیے حالات زندگی کو بہتر بنایا جائے جو کم خوش قسمت ہیں۔ یہ ہماری بنیادی فکر رہی ہے کہ اس بات کو یقینی بنایا جائے کہ کمیونٹی کی ترقی میں تعاون کو مسلسل جاری رکھا جائے۔ اسی مناسبت سے، ہم نے اپنے کارپوریٹ سماجی ذمہ داری (CSR) کے اقدامات کو اس عزم کو پورا کرنے اور کمیونٹی کو بااختیار بنانے اور ایک پائیدار انداز میں ذمہ دار ماحولیاتی انتظام کو بڑھانے کے لیے ہم آہنگ کیا ہے۔

ESG پراسٹریٹجک مقاصد

بورڈ کمپنی کے ESG اقدامات کی تہہ دل سے حمایت کرتا ہے اور ان میں سرگرم عمل ہے۔ ہمارا عزم ESG عوامل کو اپنے منصوبے میں آسانی سے شامل کرنا ہے۔ یہ طویل مدتی ترقی کو فروغ دیتا ہے، خطرات کو کم کرتا ہے، اور ہمارے اسٹیک ہولڈرز کے ساتھ اعتماد کی بنیاد بناتا ہے۔ ہمارے اسٹریٹجک مقاصد میں سماجی ذمہ داری، ماحولیاتی پائیداری، اور موثر حکمرانی شامل ہیں۔ ہم ماحول کے تحفظ اور سبز توانائی کے استعمال کی حوصلہ افزائی کے لیے پر عزم ہیں۔ ڈائیورسٹی کو فروغ دینا، ملازمین کی فلاح و بہبود کا تحفظ، اور کمیونٹی میں شامل ہونا ہماری اہم ترجیحات میں سے کچھ ہیں۔

ہمارے فیصلے اخلاقی رویے، شفافیت، ایمانداری اور ذمہ دارانہ خطرے کے انتظام پر مبنی ہیں۔ گزشتہ کئی سالوں سے FHM تعلیم، صحت وغیرہ کی بہتری کے لیے کام کرنے والی غیر منافع بخش تنظیموں کو عطیات دیتا رہا ہے۔ ایف ایچ ایم معاشرے کے پسماندہ افراد کے بچوں، صحت اور تعلیم پر توجہ مرکوز کرنے والے پروگراموں اور منصوبوں کو فروغ دیتا رہے گا۔

ڈائریکٹرز کی ٹریننگ اور رجحانات

تمام ڈائریکٹرز، پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG)، (دی انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP)، (دی انسٹی ٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان (ICMAP) اور انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن (IBA) میں ڈائریکٹرز ٹریننگ سرٹیفکیٹ کی ضروری ضروریات کے مطابق ہیں۔

کارکردگی کی تشخیص

مضاربہ نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG) کو ایک آزاد بیرونی جائزہ کار کے طور پر شامل کیا ہے، جو بورڈ کی کارکردگی کا جائزہ لے رہا ہے۔ پروسس مکمل ہو چکا ہے اور اس کے مطابق سرٹیفکیٹ حاصل کئے جا چکے ہیں۔

ڈائریکٹرز کے اجلاس میں شرکت کے لئے فیس

چیئرمین، نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز صرف مضاربہ مینجمنٹ کمپنی سے اجلاسوں میں شرکت کی فیس کے حقدار ہیں۔ معاون کمپنی کو کامیابی سے اور ویلیو ایڈیشن کے ساتھ چلانے کی ذمہ داری اور مہارت کے مطابق مناسب اور مطابقت رکھنے کے درجہ کے مطابق ہیں۔ مزید برآں، مضاربہ مینجمنٹ کمپنی کے ایگزیکٹو ڈائریکٹرز کسی بھی دوسرے ادارے سے نان ایگزیکٹو ڈائریکٹرز کی حیثیت سے ان کی فراہم کردہ خدمات کے مقابلے میں کوئی برقراری فیس حاصل نہیں کرتے ہیں۔

پاکستان سے باہر بورڈ میٹنگ

اس سال کے دوران، بورڈ میں تمام بورڈ میٹنگز کا انتظام کراچی میں مینجمنٹ کمپنی کے دفتر میں کیا گیا ہے اور بیرونی اجلاس کے اضافی اخراجات سے بچنے کے لئے کسی بھی اجلاس کا پاکستان سے باہر انعقاد نہیں کیا گیا۔

مضاربہ خود مختار ٹیکنالوجی اور ڈیجیٹل چیلنجز والے جدید سلسلوں پر سرمایہ کاری کر کے ایک کامیاب مستقبل کی تشکیل کے لیے سمجھداری کے ساتھ آگے بڑھ رہا ہے۔ ہمارا بنیادی مقصد مختلف چینلز پر صارفین کے تجربات کو بڑھانا ہے اور ساتھ ہی ساتھ مضاربہ کی آمدنی میں اضافے پر توجہ مرکوز کرنا ہے، جیسا کہ ہم ۲۰۲۳-۲۵ میں آگے بڑھ رہے ہیں۔ مزید کاروباری ترقی حاصل کرنے کے لیے کاروباری ٹیموں کے ساتھ ہم آہنگی کو بڑھایا جائے گا۔ کسٹمر سینٹرک کلچر پر توجہ مرکوز کی جائے گی اور کسٹمر سروس کو کاروبار کی ترقی کے لیے اہم ٹول کے طور پر استعمال کیا جائے گا۔

موجودہ میکرو اکنامک عوامل، غیر متوقع چیلنجز اور اس شعبے میں اپنی اہم پوزیشن کو برقرار رکھنے کے لیے ہم نے مالی سال ۲۰۲۳-۲۵ کے لیے درج ذیل کاروباری اور آپریشنل حکمت عملی وضع کی ہے۔

- نئے سیکٹر، شہروں اور اچھے گاہکوں کو شامل کر کے اپنے مارکیٹ شیئر میں اضافہ کریں۔
- ہماری فنانشنگ بک کو سپورٹ کرنے کے لیے کم لاگت کے فنڈز کی تیاری کے امکانات تلاش کریں۔
- افقی / سیدی ترقی کے لیے چھوٹے اور درمیانے سائز کے صارفین پر توجہ دیں۔
- رسک مینجمنٹ اور شریعہ گورننس میکانزم کو مزید مضبوط کریں اور مضبوط اندرونی کنٹرول کے انتظام کے ساتھ مضبوط تعمیل کلچر بنائیں۔
- اسٹریٹیجک پہل، اختراعی تکنیکی ٹول کے ذریعے مشغولیت اور ملازمین کے ترقیبی پروگرام کے ذریعے اپنے انسانی وسائل کی مزید پروان چڑھائیں۔
- کمیونٹی کی بہتری اور مدد کے لیے CSR سرگرمیوں کو بہتر بنائیں۔
- ہماری آپریشنل کارکردگی کو مزید بہتر بنانے کیلئے تکنیکی جدیدیت کے ذریعے اور کسٹمر سروسز کی بنیاد کو مزید بہتر بنائیں۔
- گرین فنانشنگ کو فروغ دیں خاص طور پر شمسی آلات کو۔
- موسمیاتی اور ماحولیاتی تبدیلی کا صارفین کے کاروبار پر اثرات کو نہایت ہی احتیاط سے دیکھیں۔

ترقی کے اہداف اور فنانشنگ بک کے لیے مارکیٹ میں اضافی رسائی کے علاوہ، ہم کاروبار اور منافع میں طویل مدتی پائیداری پر زیادہ توجہ مرکوز کرنے کا ارادہ رکھتے ہیں۔ جیسے ہی ہم ۲۰۲۳-۲۵ میں داخل ہوئے ہیں، ہمارا نقطہ نظر موجودہ کامیابیوں سے آگے بڑھتا ہے، جو ہمیں نئے افقوں کو تلاش کرنے اور اپنی موجودگی کو بڑھانے میں مشغول کرتا ہے۔ اللہ سبحانہ تعالیٰ کی برکت سے، مخلص ٹیم کی کوششوں اور بہترین کارکردگی کی مسلسل جستجو کے ساتھ، ہم انشاء اللہ، NBFI سیکٹر میں ترقی پسند اور باوقار ادارے کے طور پر ترقی کرتے رہیں گے۔ آمین۔

شرعی تعمیل اور آڈٹ کا طریقہ کار

ایک اسلامی مالیاتی ادارے کا ایک بنیادی ضرورت ہوتی ہے جس پر اُس کا کاروباری معاملات اور امور انجام دیئے جاتے ہیں اور وہ ہیں شرعی اصول و ضوابط۔ اسلامک فنانس شرعی معاہدوں کے تحت اُس کی قیمت حاصل کرتی ہے جو کہ فنانشل ٹرانزیکشن کی رسک اور ریٹرن پروفائل کی صورت میں آتی ہے۔

شرعی اصولوں کی پابندی کرتے ہوئے، اسلامی مالیاتی نظام رسک شیئرنگ کی حوصلہ افزائی کرتا ہے، کاروبار کو فروغ دیتا ہے، قیاس آرائیوں کی حوصلہ شکنی کرتا ہے، اور معاہدوں کے نقد س پر زور دیتا ہے۔

اس طرح کے الگ معاہدے کے تحت شرعی اصولوں کی پابندی کسی بھی اسلامی مالیاتی لین دین کی درستگی اور نقد س کو محفوظ رکھتی ہے۔ اس طرح، ایف ایچ ایم شریعہ گورننس فریم ورک کی سختی سے پابندی کرتے ہوئے ان اصولوں کو برقرار رکھنے کے لیے برعزم ہے۔

الحمد للہ، فرسٹ حبیب مضاربہ کی انتظامیہ ہمارے قابل شرعی مشیر کی رہنمائی اور نگرانی میں شرعی حکمرانی اور تعمیل کلچر پر مسلسل توجہ مرکوز کر رہی ہے۔ تاہم اس کی مزید بہتری کے لیے مسلسل کوششیں جاری ہیں۔

ہم محسوس کرتے ہیں کہ شرعی حکمرانی ہماری انتہائی ذمہ داری ہے اور ہماری ٹیم اس کے کمال اور بے عیب عمل کے لیے اپنے بنیادی مقصد کے طور پر پوری طرح پُر عزم ہے۔

۳۰ جون ۲۰۲۳ کو ختم ہونے والے سال کے لیے شریعہ ایڈوائزر کی مکمل شریعہ آڈٹ رپورٹ بھی سالانہ رپورٹ کے ساتھ منسلک ہے۔

ہماری بزنس ڈویلپمنٹ ٹیم دیگر شہروں جیسے حیدرآباد، فیصل آباد، گوجرانوالہ، سیالکوٹ، بہاولپور، رحیم یار خان اور پشاور میں بھی پیرنٹ بینک کے برانچ نیٹ ورک کے ذریعے مصروف رہی اور مضبوط کسٹمر بیس تیار کی۔ ان شہروں میں، ہم نے ایس ایم ای سیکٹر اور کارپوریٹ سیکٹر پر توجہ مرکوز کی ہے جیسے کہ موٹر گاڑیاں، چھوٹی مشینری اور آلات وغیرہ کے اثاثہ جات کی مالی اعانت کے لیے خاص طور پر توجہ دی ہے۔ پائیدار ترقی کے لیے، ہم نے پائیدار ترقی کے لیے اپنی کاروباری حکمت عملی کے لیے افقی توسیع کی منصوبہ بندی کی ہے۔ مزید برآں، ہماری بزنس ڈویلپمنٹ ٹیم صوبوں کے اندر صنعتی زونز پر بھی توجہ مرکوز کر رہی ہے، خاص طور پر صنعتی صارفین کو اثاثہ جات کی مالی اعانت کے لیے شامل کرنے کے لیے صوبے پنجاب میں خاص توجہ دی جا رہی ہے۔

کنزرویمر آؤٹونامس کا بقایا پورٹ فولیو ۲۰۲۳ء ۱۲ ارب روپے تک پہنچ گیا جو کہ پچھلے سال ۲۰۲۲ء ۱۱ ارب روپے تھا۔ اس شعبے میں ترقی موٹر گاڑیوں کی بڑھتی قیمت اور قرض دینے کی شرح کی زائد لاگت کے باعث ہمارے ہدف شدہ بجٹ کے مطابق تسلی بخش نہیں تھی۔ مجموعی طور پر کاروں کی فروخت میں نمایاں کمی آئی کیونکہ پاکستان میں عام صارفین کے لیے موٹر گاڑی کی خریداری تیزی سے مشکل ہو گئی ہے۔

بورڈ آف ڈائریکٹرز کے آخری اجلاس میں، مسٹر رشید اختر نے صحت کے مسئلے کی وجہ سے چیئرمین کے عہدے اور آڈٹ کمیٹی کے رکن کے عہدے سے استعفیٰ دے دیا۔ تاہم، وہ کمپنی کے ڈائریکٹر کے طور پر خدمات انجام دیتے رہیں گے۔ ان کی جگہ مسٹر شمس انظہار کو بورڈ آف ڈائریکٹرز کا چیئرمین اور ڈاکٹر ارم صبا کو آڈٹ کمیٹی کے رکن کے طور پر نامزد کیا گیا۔ بورڈ نے مسٹر رشید اختر کی بطور چیئرمین بورڈ اور آڈٹ کمیٹی کے رکن کے طور پر خدمات کو سراہا۔ ان کی رہنمائی اور مہارت بورڈ کے لیے انمول رہی ہے اور ان کی شراکت ہمارے اداروں پر دیر پا اثر ڈالے گی۔

مضاربہ بزنس / سیکٹر / شعبہ سے متعلق گورنمنٹ کی پالیسیاں

حکومت کے ضابطے یا پالیسیوں میں تبدیلی، بعض اوقات یہ مضاربہ کی آپریٹنگ صلاحیت اور خالص آمدنی کو متاثر کرتی ہے۔ انکم ٹیکس کی واپس لینے کی وجہ سے خالص منافع کمانے اور سرٹیفکیٹ ہولڈرز میں منافع کی تقسیم متاثر ہوئی۔ مزید برآں، ۱۰ فیصد سپر ٹیکس عائد کرنے سے خالص منافع میں مزید کمی ہو رہی ہے۔

آگے چل کر، عام انتخابات اور نئی حکومت کے قیام کے بعد اس میں سیاسی استحکام دیکھنے میں آیا ہے۔ ملک نے آئی ایم ایف سے نیل آؤٹ پیکیج اور رواں مالی سال کے لیے اسٹیٹڈ بائی اریجنمنٹ کی منصوبہ بندی کو کامیابی سے حتمی شکل دے دی ہے۔ سیاسی استحکام کی وجہ سے کاروباری حالات قدرے بحال ہوئے ہیں۔ تاہم، ہم پیش گوئی کر رہے ہیں کہ ملکی اور غیر ملکی قرضوں میں اضافے خاص طور پر مالی سال ۲۰۲۳-۲۰۲۵ میں بیرونی قرضوں کی بھاری ادائیگی، توانائی کی لاگت کے بڑھتے ہوئے رجحانات اور حالیہ بجٹ میں ضرورت سے زیادہ ٹیکس لگانے کے پیش نظر موجودہ سال چیلنجنگ سال ہو گا جو دوبارہ مہنگائی کو ہوا دے گا۔

موجودہ معاشی منظر نامے کو مد نظر رکھتے ہوئے، ہمیں یقین ہے کہ مضاربہ سیکٹر میں اپنی اہم پوزیشن کے ساتھ، ہم سرٹیفکیٹ ہولڈرز کے لیے قدر میں اضافہ کرتے رہتے ہیں، صارفین کی اطمینان پر زور دیتے ہیں اور محتاط ترقی اور پائیداری کے ساتھ جدت پر توجہ مرکوز کرتے ہیں۔

کاروباری نقطہ نظر اور مستقبل کی حکمت عملی

آگے بڑھتے ہوئے، مضاربہ کی کارکردگی بڑی حد تک میکرو اکنامک عوامل پر منحصر ہوگی۔ ملک آئی ایم ایف کی شرائط کی تعمیل کرتے ہوئے معاشی استحکام کو دوبارہ حاصل کرنے کے لیے مالیاتی استحکام حاصل کرنا چاہتا ہے۔ حال ہی میں ہم نے عام انتخابات اور نئی حکومت کے قیام کے بعد سیاسی استحکام دیکھا ہے۔ ملک نے آئی ایم ایف سے نیل آؤٹ پیکیج اور رواں مالی سال کے لیے اسٹیٹڈ بائی اریجنمنٹ کی منصوبہ بندی کو کامیابی سے حتمی شکل دے دی ہے۔ سیاسی استحکام کی وجہ سے کاروباری حالات کسی حد تک بحال ہوئے ہیں۔ تاہم، ہم پیش گوئی کر رہے ہیں کہ ملکی اور غیر ملکی قرضوں میں اضافے خاص طور پر مالی سال ۲۰۲۳-۲۰۲۵ میں بیرونی قرضوں کی بھاری ادائیگی، توانائی کی لاگت کے بڑھتے ہوئے رجحانات اور حالیہ بجٹ میں ضرورت سے زیادہ ٹیکس لگانے کے پیش نظر موجودہ سال چیلنجنگ سال ہو گا جو دوبارہ مہنگائی کو ہوا دے گا۔

الحمد للہ، FHM نے ۳۹ ویں سال کا کامیاب کاروباری آپریشن مکمل کیا ہے اور پاکستان کے مضاربہ سیکٹر میں معروف مضاربہ کے طور پر اپنی پوزیشن کو برقرار رکھنے کے لیے ہماری دیرینہ مہم کو برقرار رکھا ہے۔ ایسے مشکل آپریٹنگ ماحول میں، ہمارے سرٹیفکیٹ ہولڈرز کے لیے پائیدار ترقی اور طویل مدتی قدر کی تخلیق کے لیے اچھی پوزیشن میں ہے۔ ہمارا بنیادی مقصد اسلامک فنانشل سروسز انڈسٹری آف پاکستان میں اپنے مارکیٹ شیئر کو مزید مضبوط بنانا ہے۔

اربنجمنٹ (SBA) کو مکمل کرنے کے لیے حکومت کی کوششوں سے معاشی استحکام کی بحالی اور زر مبادلہ کے ذخائر پر دباؤ کو کم کرنے میں نمایاں پیش رفت ہوئی ہے۔

پاکستان کے انڈیکس نے نئی بلندیوں کو چھوا لیا اور ختم ہونے والے مالی سال ۲۰۲۳-۲۴ میں شاندار مجموعی اضافے کے ساتھ دنیا کی بہترین کارکردگی کرنے والی مارکیٹ کا اعزاز دوبارہ حاصل کر لیا۔ انڈیکس تقریباً ۸۰،۰۰۰ کے ریکارڈ پر پہنچ گیا جو کہ اب تک کی سب سے بلند انڈیکس ہے۔ اس زبردست نتیجے کا آغاز بین الاقوامی مالیاتی فنڈ کے قرض کی منظوری اور نئی حکومت کے قیام کے ساتھ عام انتخابات کی تکمیل سے ہوا۔

بیرونی محاذ پر، حکومت نے برآمدات میں معمولی بہتر اور درآمدات میں کمی کی مدد سے تجارتی خسارے کو کامیابی سے کم کیا، جس سے کرنٹ اکاؤنٹ خسارہ میں کمی واقع ہوئی۔ حال ہی میں مرکزی بینک نے پالیسی ریٹ میں مزید فیصد کمی کی ہے اور پالیسی ۲۲ فیصد کی بلند ترین سطح سے کم کر کے ۱۹.۵ فیصد کر دی ہے۔ پالیسی شرح میں کمی مہنگائی میں کمی کی وجہ سے کی گئی۔ ایم پی ایس کے پالیسی بیان میں کہا گیا ہے کہ مالی سال ۲۵ کے بجٹ کا افراط زر کا اثر بڑی حد تک توقعات کے مطابق ہے اور ان اقدامات کے مکمل اثرات کو اب مقامی قیمتوں میں مکمل طور پر ظاہر ہونے میں کچھ وقت لگ سکتا ہے۔ اس کے ساتھ ہی، کمیٹی نے مالیاتی گراؤٹ اور توانائی کی قیمتوں میں ایڈجسٹمنٹ کی اوپر کی طرف نظر ثانی سے افراط زر کے نقطہ نظر اگر کوئی ہو تو خطرات کا بھی مشاہدہ کیا۔

اسٹیٹ بینک آف پاکستان کی مالیاتی استحکام کی رپورٹ کے مطابق پاکستان کے مالیاتی شعبے نے سال بھر میں مستحکم کارکردگی دکھائی۔ جائزے میں اس بات پر روشنی ڈالی گئی کہ بڑھتی ہوئی افراط زر، کمزور زر مبادلہ کی آمد اور بیرونی کھاتوں اور مقامی کرنسی پر دباؤ، اور کم کاروباری اعتماد کے درمیان میکرو اکنامک ماحول چیلنجنگ رہا۔ تاہم، اس پس منظر میں، مالیاتی شعبے نے مضبوط ترقی اور کارکردگی کا مظاہرہ کیا اور اپنی مالی استحکام اور آپریشنل لچک کو برقرار رکھا۔

۲۰۲۴-۲۵ کے حالیہ بجٹ میں نئی منتخب حکومت نے ٹیکس لگانے کے جارحانہ اقدامات کیے جن میں ذاتی آمدنی پر زیادہ ٹیکس، پیٹرولیم مصنوعات، ریٹیل اسٹیٹ پر نئے ٹیکس اور متعدد ٹیکس چھوٹ کو واپس لینا شامل ہے۔ بڑھتی ہوئی ٹیکس وصولی سے حکومت کو بین الاقوامی مالیاتی فنڈ سے اگلے نیل آؤٹ پیکیج کی منظوری حاصل کرنے میں مدد ملے گی۔ درحقیقت، بجٹ ٹیکس جمع کرنے والوں کے لیے ایک اہم چیلنج ہے، جس میں ایک انتہائی مشکل معاشی ماحول میں محصولات کی بنیاد کو بڑھانے پر توجہ دی گئی ہے۔ زیادہ ٹیکس لگانے سے گرو تھ پر اثر پڑ سکتا ہے جو کہ کھپت اور سرمایہ کاری میں کمی کے باعث ٹیکس محصولات کی کمی کی طرف لے جاسکتا ہے۔

آگے بڑھتے ہوئے، ملکی اور غیر ملکی قرضوں کو مد نظر رکھتے ہوئے اور خاص طور پر مالی سال ۲۵-۲۰۲۴ میں بیرونی قرضوں کی بھاری ادائیگی بشمول حالیہ بجٹ میں زیادہ ٹیکس لگانے کے پیش نظر پاکستان کی ترقی کے امکانات چیلنجنگ رہیں گے۔ حکومت آئی ٹی، ایس ایم ایز، کانوں اور معدنیات، سیاست، برآمدات اور زراعت جیسے اعلیٰ صلاحیت والے شعبوں پر توجہ مرکوز کر رہی ہے۔ یہ شعبے بھرپور منافع کی ادائیگی کر سکتے ہیں اور ملک کی ادائیگیوں کے توازن کی پوزیشن میں مدد کر سکتے ہیں۔ تاہم، ملک اس وقت تک ترقی کی ٹھوس بنیاد نہیں رکھے گا جب تک اس کے نظام میں گورننس کی بنیادی خامیوں کو دور نہیں کیا جاتا۔ ان ضروری اصلاحات میں تاخیر عوام پر بوجھ بنتی رہے گی اور معاشی خوشحالی اور ترقی میں رکاوٹ بنے گی۔

فرسٹ حبیب مضاربہ کا معاشی جائزہ

سال ۲۴-۲۰۲۳ دنیا بھر میں ایک چیلنجنگ سال تھا، جغرافیائی سیاسی کشیدگی، سپلائی چین میں خلل، صارفین کی طلب میں کمی اور مسلسل بلند افراط زر کے ساتھ اسٹیٹ بینک آف پاکستان کی سخت مانیٹری کی پالیسی کے باعث وجہ سے بلند ہوتے ہوئے پالیسی ریٹس۔ دنیا بھر کی تقریباً تمام بڑی معیشتوں کی طرف سے افراط زر کو کنٹرول کرنے کے لیے سخت مانیٹری پالیسی اپنانے سے صارفین کے لیے قرض لینے کی لاگت میں اضافہ ہوا۔ مقامی کرنسی کی قدر میں کمی کی وجہ سے دواؤں، مشینوں اور اشیاء کی افراط زر کے دباؤ کے علاوہ، زیادہ توانائی کی قیمتیں جو بالآخر کاروبار کرنے کی لاگت کو بڑھا دیتی ہیں۔ اس نے واضح طور پر کاروباروں اور اقتصادی سرگرمیوں پر شدید دباؤ پیدا کیا ہے۔

تاہم، کئی کاروباری اور اقتصادی چیلنجوں کے باوجود، ہم نے نہ صرف اپنے شعبے میں اپنی قیادت کی پوزیشن برقرار رکھی بلکہ کاروبار کے اہم شعبوں میں بھی استثنیٰ حاصل کیا۔ ایچ ایم ٹیم کے اعلیٰ سطح کے جذبے کے ساتھ، الحمد للہ، مالی سال ۲۴-۲۰۲۳ کی کارکردگی شاندار رہی اور ہمارے تمام اہم اہداف نہ صرف حاصل ہوئے بلکہ اچھے مارجن کے ساتھ بڑھے بھی ہیں۔ ہمیں کہنا چاہیے کہ مذکورہ سال ایک بار پھر ایف ایچ ایم کی آپریشنل تاریخ کے بہترین اور غیر معمولی سالوں میں سے ایک ثابت ہوا۔

ہمارے کل ادائیگیاں سال کے دوران ۱۵۶۲۰۰ ارب روپے تک پہنچ گئے جو کہ ایف ایچ ایم کی آپریشنل تاریخ میں سب سے زیادہ ہیں۔ بیلنس شیٹ کا سائز بھی ۱۲۶۵ ارب روپے تک پہنچ گیا جبکہ پچھلے سال ۱۲۰ ارب روپے تھا۔ منافع میں بھی نمایاں اضافہ ہوا۔ ۳۰ جون ۲۰۲۳ کو ختم ہونے والے عرصے کے لیے منافع قبل از ٹیکس میں ۵۵ فیصد اضافہ ہوا یعنی ۱۷۰ ارب روپے سے ۱۹۷ ارب روپے تک۔ ہمارے سرٹیفکیٹ آف مشارکہ اسکیم کے تحت ڈپازٹ بھی ۱۹۳۳۳ ارب روپے تک پہنچ گئے جبکہ پچھلے سال ۱۱۳۵۴ ارب روپے تھے جس میں تقریباً ۳۴ فیصد اضافہ ہوا۔ ہمارے کراچی برانچ نے مالی سال ۲۴-۲۰۲۳ کے دوران کل اخراجات میں نمایاں حصہ ڈالا اور ۵۶ فیصد کے قریب حصہ ڈالا جبکہ لاہور، اسلام آباد اور ملتان برانچ نے اس کے بعد حصہ ڈالا۔

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ جون ۲۰۲۳ کو ختم ہونے والے سال کے لئے مضاربہ کے آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی ہو رہی ہے۔

(پاکستانی روپے)

۱،۳۷۷،۳۳۳،۵۲۶	بینجمنٹ فیس سے قبل منافع
۱،۱۹۷،۲۶۰،۹۴۰	منافع قبل از ٹیکس
۶۹۰،۱۹۷،۳۳۱	سال کا خالص منافع
	مختص / اپرپرائیٹیز
۶۹۰،۱۹۷،۳۳۱	سال کا خالص منافع
۴۳،۵۲۳،۳۵۸	جمع کیا: مختص منافع
---	سرپلس کوٹرانسفر کیا مختص منافع میں
۷۳۱،۷۲۰،۴۸۸	مختص / اپرپرائیٹیز کیلئے موجود منافع
۲۳۲،۷۴۴،۰۵۰	منافع کی تقسیم @ ۲۱ فیصد
۴۹۰،۰۰۰،۰۰۰	جنرل ریسورز
۸،۹۹۱،۴۳۸	غیر مختص منافع
۶،۲۳	نی سٹیٹیکٹ / شیئر پر منافع

تقسیم

بورڈ ڈائریکٹرز انتہائی مسرت سے کیش ڈیویڈنڈ @ ۲۱ فیصد جو کہ مبلغ ۲۷۱۰ روپے فی ۱۰ روپے شیئر برائے اختتامی مالی سال ۳۰ جون ۲۰۲۳ کا اعلان کرتے ہیں۔

معاشی جائزہ

حالیہ گزشتہ برس میں پاکستان کے لیے بہت زیادہ چیلنجز ہیں۔ ترقی کی راہ میں اہم رکاوٹوں میں عالمی پیداواری صلاحیت میں کمی، مالیاتی پالیسی کا سخت ہونا، موسمیاتی تبدیلی کے اثرات اور بلند شرح افراط زر شامل تھے۔ اس کے نتیجے میں، پاکستان کی معیشت کو بھی متعدد دیر ونی عوامل کا سامنا کرنا پڑا، جن میں روس-یوکرین جنگ کی وجہ سے سپلائی چین میں خلل، عالمی افراط زر کے دباؤ کی وجہ سے ہمارے تجارتی شراکت داروں کی معیشت میں مالیاتی سختی، اور مشرق وسطیٰ میں جغرافیائی و سیاسی کشیدگی کی وجہ سے تیل کی قیمتوں میں اتار چڑھاؤ شامل ہیں۔ تاہم، مالی سال ۲۰۲۳-۲۰۲۴ میں پاکستانی معیشت مستحکم رہی۔ کلیدی میکرو اکنامک اشاریے گزشتہ سال کے مقابلے کی مدت کے مقابلے بہتر تھے جی ڈی پی کی شرح نمو ۳.۳۸ فیصد تھی جو گزشتہ سال منفی ۰.۲۱ فیصد تھی۔

۲۰۲۳-۲۰۲۴ کے اقتصادی سروے کے مطابق، زراعت اقتصادی ترقی کے ایک اہم محرک کے طور پر ابھری، جس نے بڑی فصلوں کی پیداوار میں ڈبل اعداد کی ترقی کی وجہ سے ۶.۲۵ فیصد کی ترقی کی۔ صنعتی اور خدمات / سروسز کے شعبوں نے بھی ٹیک دکھائی جس میں ہر ایک نے ۲.۱ فیصد اضافہ کیا۔ معیشت نے معمولی ترقی کی بحالی کو محسوس کیا ہے۔ ۲۰۲۳ سٹیٹیکٹ

Organizational Overview & External Environment



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Product Detail

Principle Business activities of the Modaraba

The principle business activities of First Habib Modaraba is to provide shariah compliant mode of financing and to make investment in shariah compliant instruments.



Diminishing Musharaka

Shirkat ul Milk is a type of Shirkah where , a financier and his client participate either in the joint ownership of a property or an equipment. The share of the financier is further divided into a number of units and it is understood that the client will purchase the units till all the units of the financier are purchased by him. This arrangement allows the financier to claim the payment according to his proportion of ownership in the property and at the same time allows him periodical return of a part of his principal through purchases of the units of his share.

Consumer Auto Finance

The rise in the cost of vehicles has made buying the car of a difficult reality. Now we bring a package which reduces your worries for your huge investment in the car of your choice. FHM is offering a very flexible and affordable car financing scheme for corporate employees and self-employed persons who fulfill required criteria of FHM.



Murabaha

Murabaha refers to sale where the seller discloses the cost of commodity and the amount of profit charged. Thus it is not a loan given on interest rather it is a sale of commodity at profit. In this transaction, seller i.e. Modaraba disclose the cost and profit thereon.



Salam

Salam is a contract of Sale where the Seller undertakes to supply some specific commodity to the Buyer at a future date in exchange for a price fully paid in advance. Amount given, as Salam cannot be called back, unlike Qard.

Istisna

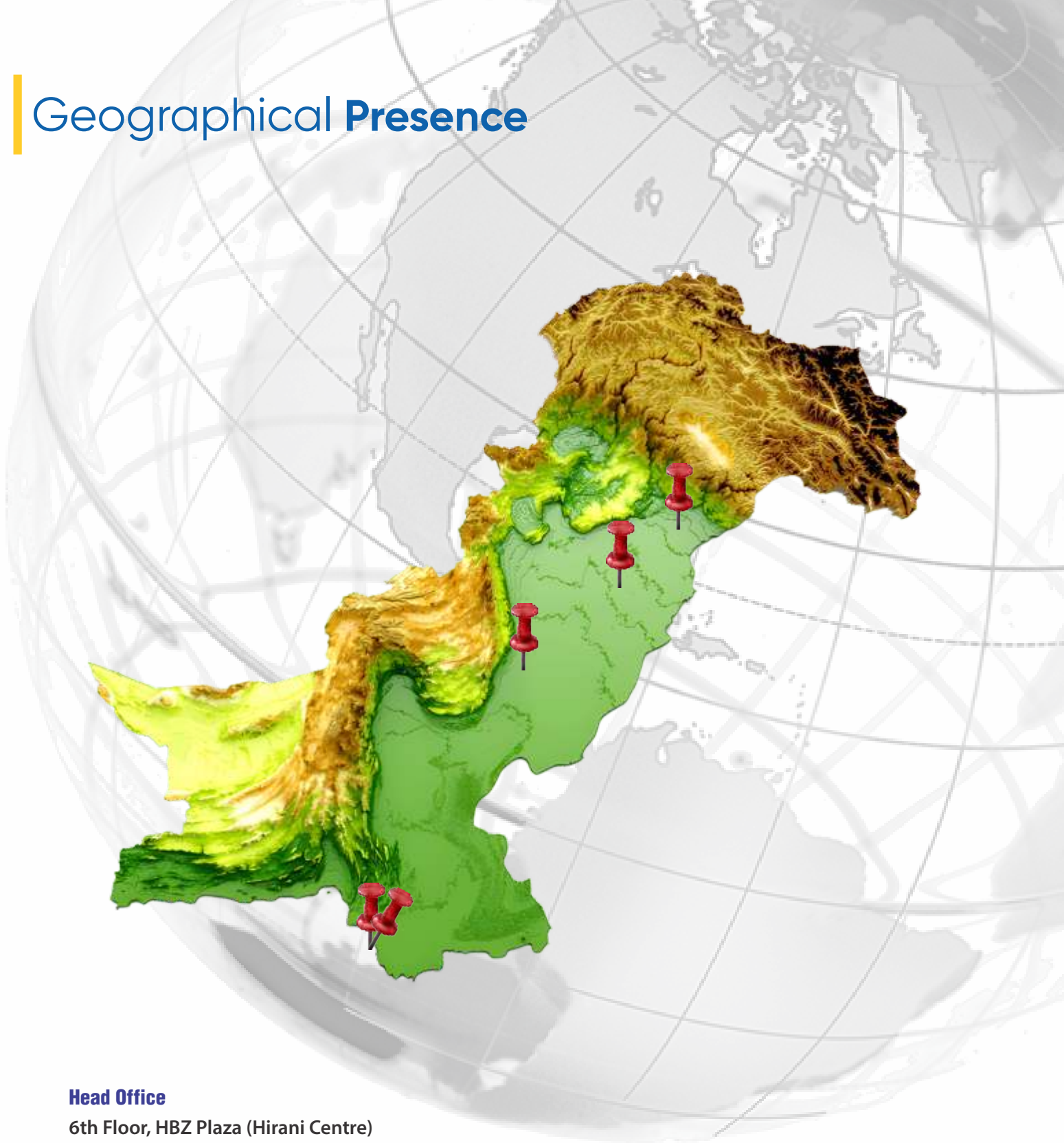
Istisna' means asking someone to construct, build or manufacture an asset. In Islamic finance, istisna' is contract whereby a party undertakes to manufacture, build or construct assets, with an obligation from the manufacturer or producer to deliver them to the customer upon completion. In contrast to istisna', for salam contract the payment has to be made in full, in advance.



Certificate of Investment (Musharaka)

The Certificate of Investment Scheme has been formulated in accordance with the guidelines set by the Securities and Exchange Commission of Pakistan. FHM's Certificates of Investment offer a blend of reliability, security, Shariah-compliant income, and a rewarding return on investment for our valued holders.

Geographical Presence



Head Office

6th Floor, HBZ Plaza (Hirani Centre)
I.I. Chundrigar Road, Karachi.
Tel : 021-32635949-51, UAN:111-346-346

Karachi Branch:

3rd Floor, Al-Manzoor Building,
Dr. Ziauddin Ahmed Road. Karachi. Tel: 021-32635949-51

Lahore Branch:

1st Floor, 5-Z Block, Phase III, Defence Housing
Authority, Lahore. Tel:042-35693074-76

Islamabad Branch:

Office No. 513, 5th Floor,
ISE Towers, Jinnah
Avenue Blue Area, Islamabad.
Tel : 051-28994571-73

Multan Branch:

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan.
Tel : 061-4500121-3

Code of Business Conduct and Ethics

The Modaraba's Code of Conduct provides guidelines on ethical standards. It covers issues such as bribery and corruption, fraud, insider trading, legal compliance, conflicts of interests, human rights and discrimination. The Code of Conduct and business ethics are essential for every organization. It spells out the behavior expected from employees, reflecting fairness, transparency and accountability. It guides staff members to conduct themselves with honesty and integrity in all actions representing the organization.

We are committed to conduct our business in accordance with applicable laws, rules and regulations as defined by our regulators. It always abides by ethical standards and considers it to be a key business priority. Our Code of Ethics requires that it is necessary to ensure that the appropriate standards of behavior are followed to the letter and spirit in accordance with the approved and agreed Code of Conduct by the employees of FHM. Adherence of Code of Conduct is mandatory for all employees of FHM.

Following are the key areas of our code of conduct and business ethics.

- Deliver professional services in accordance with the institution's policies and relevant technical and professional standards.
- Do not engaged with any political party or take membership of such parties.
- Act with integrity, honesty, dignity and in an ethical manner when dealing with customers, regulators and other stakeholders.
- Uphold Shariah governance culture and atmosphere in line with Islamic principles.
- Not engage in any unprofessional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on honesty, trustworthiness or professional competency.
- Not make hindrances or restrain others from performing their professional obligations.
- Maintain update knowledge and comply with all applicable laws, rules and regulations.
- Maintain strong compliance culture.
- Respect confidentiality and privacy of customers, investors and others with whom they deal.
- Use reasonable care and exercise independent professional judgment.
- Should uphold fair view while choosing right and wrong.
- Abide with requirement of data security. Only access or update the system and data according to authority given by FHM.
- Speak up and inform the management any wrong doings/malpractices at any level. It is the obligations to report under whistle blowing policy.
- Hold and maintain the core values of Modaraba in day to day operational affairs.

(BCR 1.01)



Strategic Corporate Objectives

- To carry out all business transactions in line with approved mode of Shariah principles of Islamic finance.
- To promote good corporate governance
- To maintain leading Modaraba within the Modaraba sector
- To maintain high ethical and professional standards.
- To build a high performance culture, with growth oriented focus.
- To achieve sustainable growth and profitability in all areas of business.
- To attract, retain and develop talented employees
- To provide state of art services to customers and develop service oriented culture.
- To broaden the area of technology to ensure operational efficiency, enhance delivering capability and high service standard.
- To develop strong compliance culture and sound risk management framework.
- To add Certificate Holders value through better performance and sound return on their investment.
- To become an employer of choice
- To foster a culture to boots the reputation of organization

The management of FHM make sure that entire team of FHM has an obligation to know and understand not only the guidance contained in the Code of Conduct but also the core objectives and core values which are the basic spirit of entity

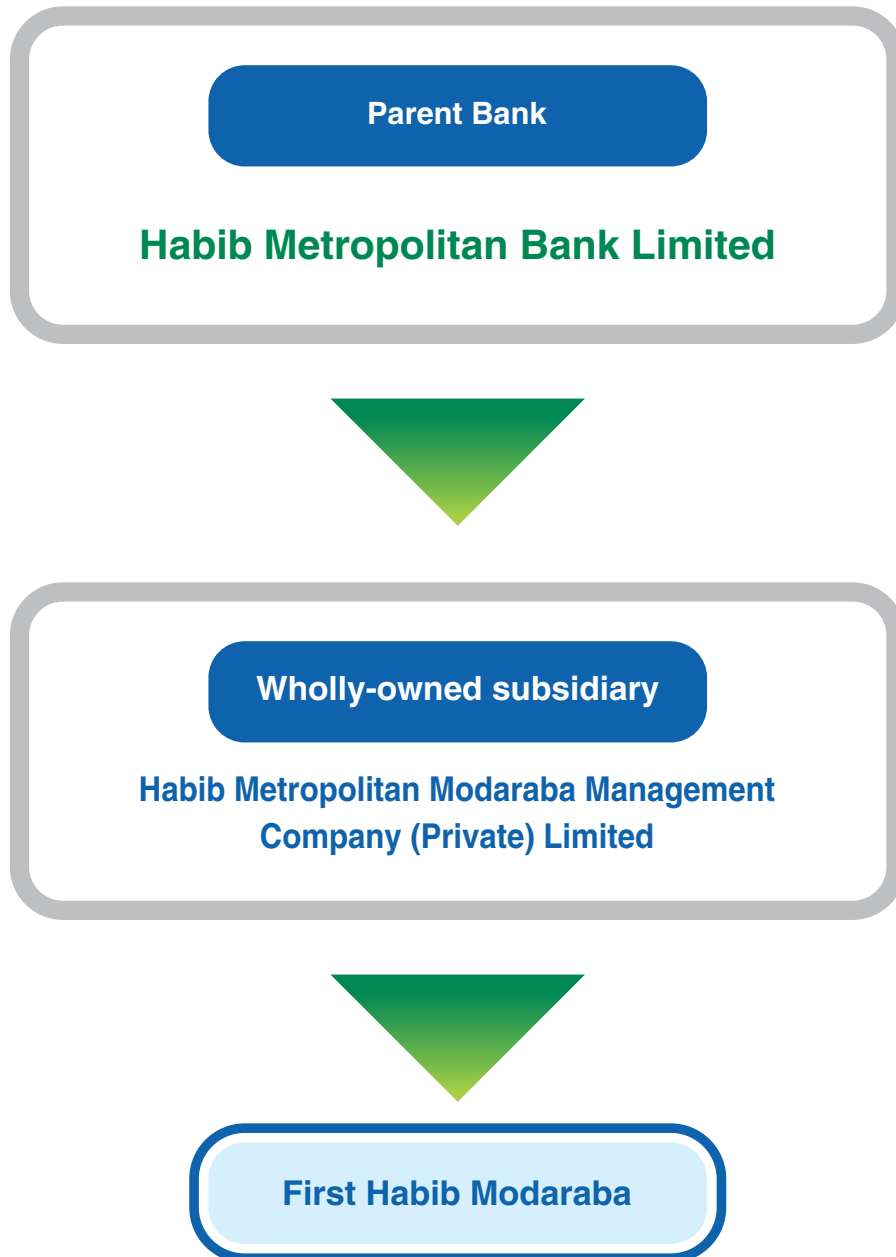
Corporate Culture

- To maintain ethical culture based on Islamic principles.
- To uphold a well-founded ethical environment for our valued customers, regulators and other stakeholders.
- To build a strong organizational culture that is shaped by empowered employees who through collective wisdom
- To act with integrity, honesty, dignity and in an ethical manner when dealing with customers, regulators and other stakeholders.



Group Structure

First Habib Modaraba (FHM) is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in Shariah compliant mode of financing and investment. The group comprises of Habib Metropolitan Bank Limited (HMB) (The parent bank), Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiary company of HMB), and FHM.



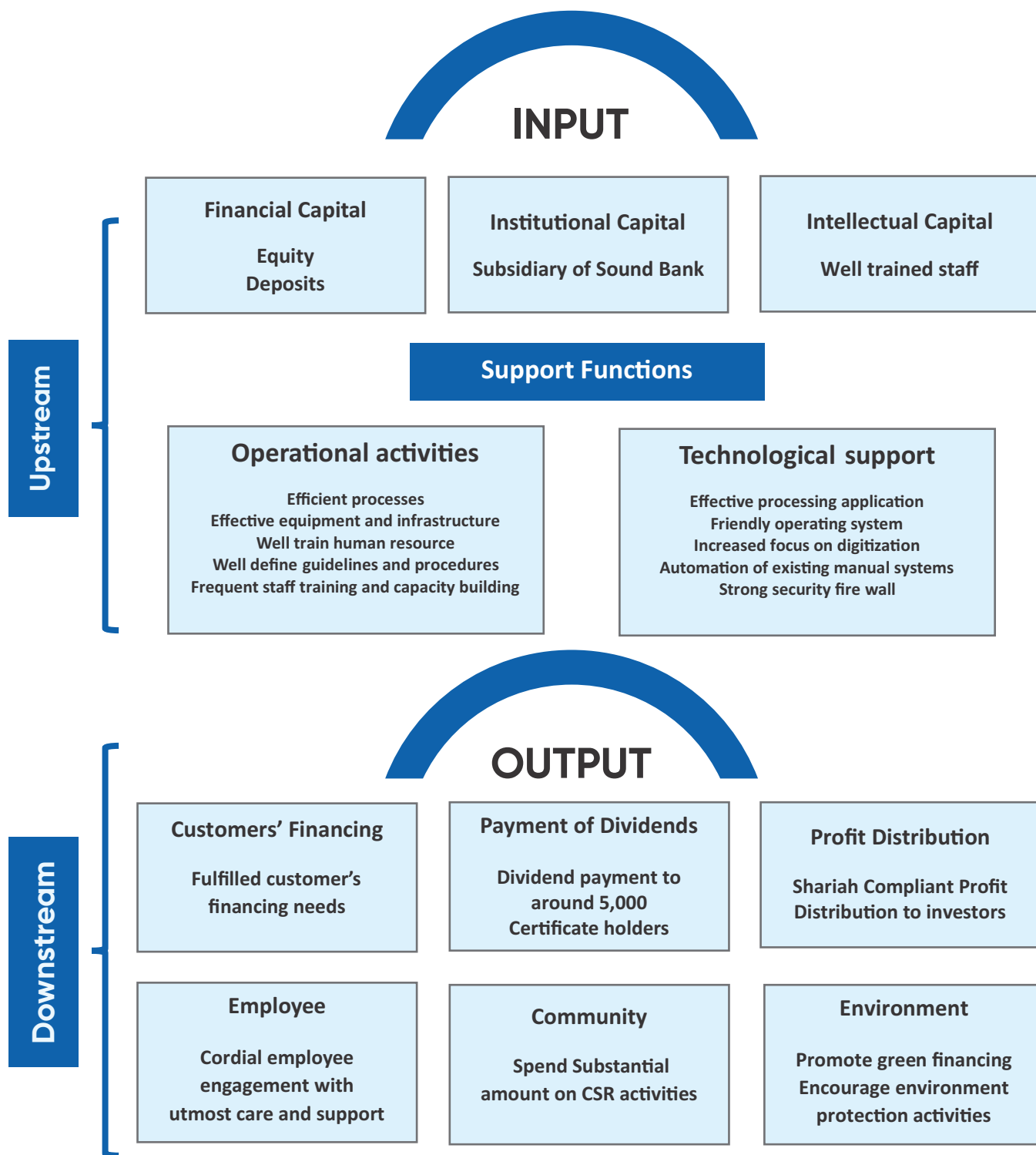
Organizational Structure





FHM Value Chain

Being a Non-Banking Islamic Financial Institution, our all activities are routed through Shariah compliance mechanism. These activities eventually generate outcomes, creating value for our stakeholders and add back to our inputs. It is our Integrated Business Model that enables inputs as upstream through providing resources abiding with all regulations and governance. Finally, it collaborates with our business activities which provides the outputs that impacts our stakeholders and unlocks value which lead towards downstream.



A general performance of the Modaraba for the year and major improvements from last year.

Performance of First Habib Modaraba (FHM) during the financial year 2023-24 remained remarkable and all key targets have not only achieved but also increased with good margins. We must say that again above year proved as one of the best and exceptional years in the operational history of FHM in terms of performance, disbursement, profitability and overall business growth.

Our total disbursement during the year touched to Rs.15.2 billion which is the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.26.4 billion as compared Rs.20.5 billion. Significant increase in profitability was also made. Profit before tax grew by 55% i.e., from Rs.771 million to Rs. 1,197 million for the period ended 30th June, 2024.

The key performance indicators during year 2023-24 were as follows:

- 29% growth in Balance Sheet size
- 41% growth in yearly disbursement
- 31% growth in total financing assets
- 55% growth in profit before tax
- 18% growth in Certificate of Investment (Musharaka)

(BCR 1.09)

Performance of various Activities ,Products, Services, Segments of entity and group entities

Regarding subsidiaries performance, FHM has no subsidiary and therefore, the performance review is not applicable on said segments. However, as associate, Habib Metropolitan Bank is parent and associate bank and performance of said bank remained excellent during FY2023. The bank increased its balance sheet size by 11% from Rs. 1,397 billion to Rs. 1,556 billion and also significant improvement made in pre-tax profit i.e., from Rs.31.148 billion to Rs.56.734 billion reflected growth of 82%. *(BCR 1.10)*

PESTEL Analysis

Significant Factors affecting External Environment and the Management's Response



Political

Economical

Social

In recent years, the country has been facing numerous economic and business challenges, such as the political instability, geo political unrest, implementation of high tariffs & inconsistency of tax and related policies due to change of governments.

To address these issues, it became essential to realign their strategic directions, and modify their business processes for safeguarding both institutional and stakeholders' interests.

Currently, the economic indicators are showing recovery, specially inflation start moving downward and the Pakistani Rupee (PKR) showing signs of stability. This environment, coupled with decreasing interest rates, will expect to encourage lending and borrowing activities and business volume growth may positively contribute towards earning prospective.

As a non-banking Islamic financial institution, an increase in literacy levels and financial awareness relating to Islamic modes of finance could lead to growth of business. These changes in social behaviour present a significant opportunity for the modaraba to expand its reach and attract a wider pool of investors, driving future growth and development.



Technological

Environmental

Legal

The management places significant emphasis on adopting the latest technology to enhance its processes and operations. FHM consistently invests in modern hardware and software to upgrade its systems and improve IT infrastructure. This continuous investment ensures operational efficiency and keeps the modaraba at the forefront of technological advancements.

FHM is committed to proactively manage environmental factors to drive sustainable growth. By closely monitoring climate change impacts and adhering to regulatory guidelines, we aim to integrate eco-friendly practices into our operations by investing in green products and solutions to further reduce our environmental footprint.

FHM adheres to all regulatory and statutory obligations, ensuring full compliance with all the Laws, Rules and Regulations applicable on it. To support this, an independent legal department is already available within FHM. Additionally, a panel of esteemed legal counsels at different locations enrolled to effectively handle litigation cases at respective geographic locations as per need.

The effect of seasonality on business

Seasonality have a significant impact on the business of financial institution. It refers to the recurring pattern on the business activities such as impact on financing of vehicles and change in repayment behavior due to shortage of liquidity. To mitigate the said risk FHM diversify its financing portfolio and minimize its seasonal business segment of the economy.

The legitimate needs, interests of key stakeholders and industry trends

The stakeholder's interest and engagement provide insight into the nature and quality of organization's relationship with its key Stakeholders. The said relationship also shows how and to what extent the organization understands, takes into account and responds to their legitimate needs and interest. FHM always respect and values the cordial and mutually beneficial relationships with each and every Stakeholders. We firmly believe that these relationships are very important and can significantly affect our organization's business activities, outputs or outcomes and core values in case in any unpleasant situations.

The approach of FHM towards said relationships can be viewed in details at Stakeholder Engagement Page No.166 and Strategy & Resource Allocation at page No. 62.

Industry trends also shows focus attention towards understanding of legitimate needs of Stakeholders. Modaraba is listed entity in Pakistan market, is abide by all rules and regulation and also engage in best business practices as responsible corporate entity within the financial market



SWOT Analysis

S

STRENGTH

- Strong financial position and profitability
- Well respected and reputable brand within Non-Banking Islamic Financial Sector
- Sound equity base and high Capital Adequacy Ratio
- Subsidiary of one the well reputed and sound institution of Pakistan i.e., Habib Metropolitan Bank
- Leading Modaraba within the Modaraba sector
- Highest market shares within Modaraba sector
- Highest credit rating within Modaraba sector i.e., AA+ of long term.
- Prudent and Sustainable Business Policies.
- Diversified financing portfolio with stable sectors of the country.

W

WEAKNESS

- High cost of funds
- Concentration on few big cities
- Limited products of resource mobilization
- Shortage of human resources having specialized knowledge of Islamic banking

O

OPPORTUNITY

- Growing Islamic finance market within the country.
- Huge potential in Shariah based financing within the SME sector.
- Strong support of entire network of Habib Metro Bank.
- Avenues for digital based lending through technological advancement

T

THREAT

- Rising operating cost
- Low credit expansion due to high policy rate
- Macro and micro instability
- Excessive taxation on businesses
- Economic uncertainty

Competitive Landscape and Market Positioning

Competitive Landscape:

First Habib Modaraba (FHM) is a multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). The Modaraba is engaged in the business of providing Islamic Financial Services and other related business. The registered office of the Modaraba is at 6th Floor HBZ Plaza, I.I. Chundrigar Road, Karachi. FHM is the largest & leading Modaraba within sector and enjoying distinct position such as:

- Highest credit rating i.e., AA+ for long term and A1+ for Short Term and maintaining it since last 16 years.
- Secured large number of awards from various national and international bodies.
- Highest in assets size in financial category modaraba.
- Highest in auto financing numbers within the modaraba sector.
- Continuous payment of dividend to certificate holders every year since 1985.

Competitors:

FHM has direct competition with 20 other Modarabas providing

financial services. Moreover, Islamic banks are also offering same Islamic financial products.

Market Trends:

Modaraba consistently monitor and adapt against changes in customer preferences (e.g., financing vs. buying), regulatory developments, and emerging technologies that impact the financing activities.

Barriers to Entry:

Financial Institutions are among highly regulated sector and consider the barriers for new entrants in the financial industry, such as access to capital, regulatory compliance.

Supplier power:

Being Financial Institution, supply of money is key for smooth function and revenue generation. Modaraba tried its best to keep diversified customer base for deposit along with financing lines from Islamic Banks in order to ensure uninterrupted money supply for onward lending and investing activities to generate profit.

Customer preferences:

Modaraba focused on customer priority and customize the services after assessment of customer preferences and ensure flexibility, competitive rates, quick approval processes.

Market Positioning:

Target Audience:

Modaraba target market consist of blue-chip corporate ventures, Medium size Enterprises and salaried, self-employed and business individuals.

Value Proposition:

Modaraba offer quickest turnaround time with competitive terms, flexible arrangements, and exceptional customer services.

Competitive analysis:

Modaraba remain engaged in continuously assessment and adjust positioning based on changes in the competitive landscape. Monitor offering from competitors, their pricing strategies, and customer feedback through consistent communication with them.

FHM has a wide branch/ liaison office network serving clients throughout the Country. We are present in almost major cities of the country having branches in Karachi, Lahore, Islamabad, Multan and liaison offices in Hyderabad, Faisalabad, Gujranwala. This vast network of FHM is providing Islamic Financial Services to prospective corporate and consumer clients.

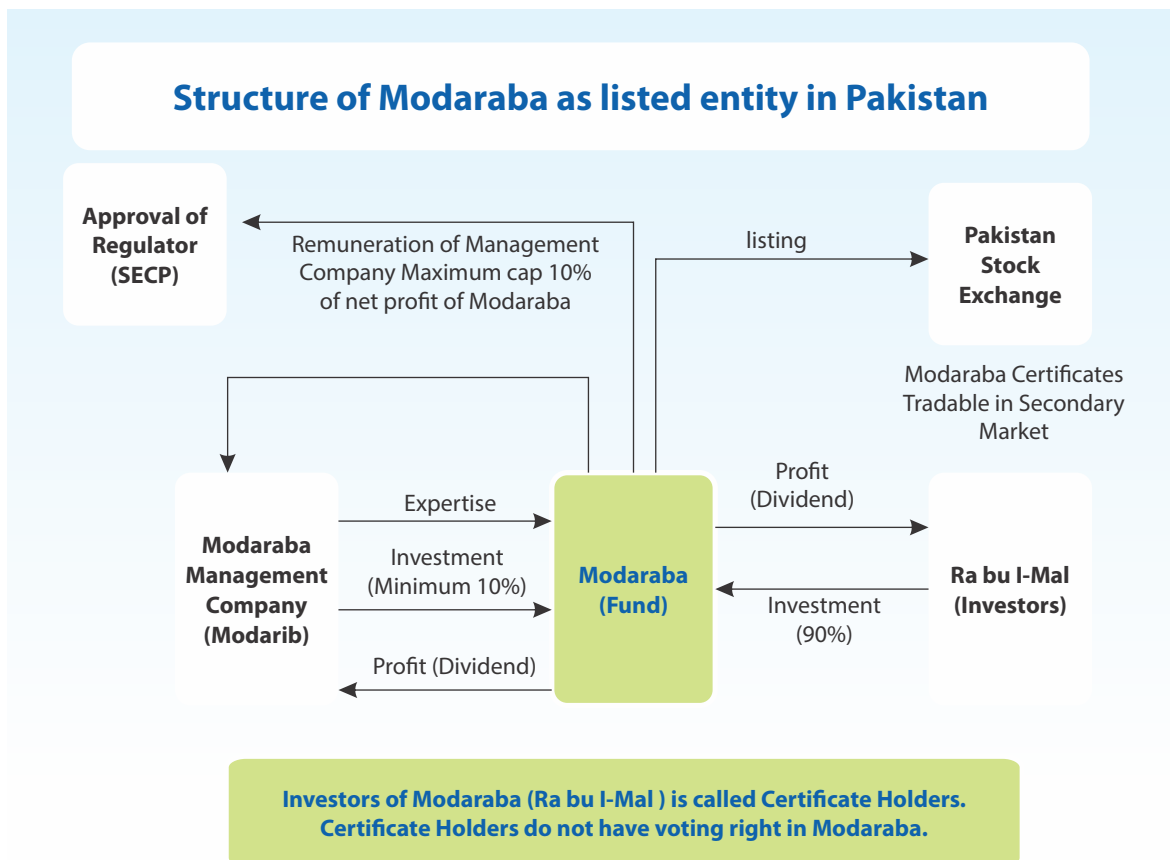


Legislative and regulatory environment in which the organization operates

First Habib Modaraba is operating under the supervision of Securities & Exchange Commission of Pakistan, as Non-Bank Islamic Financial Institution. Modarabas in Pakistan has played a key role to give ignition and momentum to the movement of Islamization of financial system of the country.

These Modarabas were not only trend setters of Islamic modes of financing in a predominant conventional financial system in Pakistan but also built confidence among the general public regarding practice of Islamic modes of financing. At present, around 20 Modarabas are operating in Pakistan market. According to its statutory requirements, these Modarabas are listed on Pakistan Stock Exchange.

Presently, Modarabas are governed under several laws and regulations such as Modaraba Ordinance, Modaraba Rules, Modaraba Regulation, AML Regulation and Listing Regulations etc.,



History of Major Events July 2023 - June 2024

QUARTER

01

- BOD meeting for the year ended June 30, 2023 held on September 13, 2023.
- PACRA maintains rating on September 23, 2023.

- On 04th October, 2023, Management Association of Pakistan (MAP) has conferred "Corporate Excellence Trophy" award to First Habib Modaraba (FHM) under the Financial Category. FHM has secured "Joint First Position" in this category

- The joint Committee of the Institute of Chartered Accountant of Pakistan (ICAP) and Institute of Cost & Management Accountant Pakistan (ICMAP) has awarded "2nd Position" in "Best Corporate Report Award to First Habib Modaraba (FHM) on annual report of 2022 within the category of NBFIs and Modaraba Sector on October 12, 2023.

- BOD meeting for quarter ended September 30, 2023 held on October 24, 2023.
- Annual review meeting held on 26 October 2023.
- Credit of final cash dividend on November 03, 2023.
- First Habib Modaraba has received Certificate of Merit for the "Best Presented Annual Report Awards 2022" by South Asian Federation of Accountants (SAFA) within the countries at SAARC level and in the category of Financial Services Sector. The award was conferred in a ceremony held in U.P India on 22 December 2023.

QUARTER

02

QUARTER

03

- Face value of Modaraba certificate changed from Rs.5/- to Rs.10/-
- BOD meeting for half year ended Dec 31, 2023 held on February 26, 2024.

- BOD meeting for the quarter ended March 31, 2024 was held on April 25, 2024.

- First Habib Modaraba has received 2nd Position "Best Performing Modaraba Award" from NBFIs and Modaraba Association of Pakistan. The award ceremony held on May 16, 2024.

QUARTER

04



Strategy and Resource Allocation

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Strategy & Resource Allocation

Strategy is a plan of actions that support to reach a targeted destination. It is a powerful tool in helping us to reach goals in line with vision and mission of our entity. A strategy is all about integrating organizational activities, utilizing, and earmarking the limited resources within the organizational environment so as to desire goal.

Strategic Objectives:

Short, medium and long term objectives of FHM to meet the business goals and long term sustainable progress and development are as follows:

Short Term	Medium Term	Long Term
<ul style="list-style-type: none"> • Grow our market share by adding new sector, cities and sound customers • Explore digital based lending space through technological advancement • Explore new markets for quality assets booking • Minimize cost of doing business • Improve operational processes for efficient delivery • Improve market surveillance and sector update where FHM engaged in financing • Make sure uninterrupted operational processes 	<ul style="list-style-type: none"> • Fintech support and enhancement of digital base. • Technological advancement • New product development • Capacity building and professional grooming of staff members. • Careful watch on impact of climate change on environment and customer businesses. • Support Financial inclusion drive of government by providing access to formal financial services in underserved communities. 	<ul style="list-style-type: none"> • Maintain leading position within the Modaraba and NBFIs sector • Constantly promote good corporate governance and follow best business practices • Maintain high ethical and professional standards and promote economically productive ethical activities • Build a high performance culture on equality, trust and integrity with growth oriented focus.

Strategies in place

Alhamdulillah, FHM has completed successful business operation of 39 years and has maintained our longstanding drive towards sustaining our position as leading Modaraba within Modaraba sector of Pakistan. In such difficult operating environment, FHM continues to be well positioned for sustainable growth and creation of long term value for our Certificate Holders. Our primary objective is to further strengthen our market share within Islamic Financial Services Industry of Pakistan.

The Modaraba is prudently progressing ahead to shape a successful future by investing autonomous technologies and digitally led innovative solutions. As we move forward into 2024-25, our primary objective is to enhance customer experiences across various channels while simultaneously focusing on augmenting the Modaraba's revenue growth. Synergy with business teams shall be heightened to achieve further business growth. Customer centric culture shall be focused and customer service shall be used as the main tool for business growth. Keeping in view of uncertainty and unanticipated challenges, the Modaraba aspires to continuously focus on generation of low cost funds and growth in financing portfolio.

Resource Allocation Plan

The management of the Modaraba allocates the resources of the Modaraba in line with the core objective and approved policies and procedures. The management is committed towards achieving the strategic objectives of the Modaraba and has accordingly allocates the resources towards sound assets building under approved Islamic mode of financing for sustainable growth and profitability. The key resource allocation plans are as under:



Financial Resources

All the financial resources of the FHM are utilized effectively and efficiently under Shariah guidelines and policies and procedures framed by the Board of Directors. These resources are greatly support for smooth business operations of the entity. The management always keeps on adding value on said resources as per changing environment.

Intellectual Resources

Through capacity building, develop intellectual capital for best corporate culture, good governance and to follow best business practices.

Human Resources

In prevailing situation, the most important tasks of HR department to make sure the health safety of staff members of FHM during pandemic. FHM has team of professional in their related respective fields for smooth business operations. Our HR department takes utmost care to ensure that our induction strategies, training and development methodologies, compensation strategies and performance appraisal systems remain robust and in line with best practices. It is our responsibility to ensure that our people are motivated, inspired & committed to delivering a consistently outstanding performance.

Manufactured Capital

FHM has four full-fledged branches within active cities of Pakistan i.e., Karachi, Lahore, Islamabad and Multan. Furthermore, Modaraba also has liaison office in other cities such as Hyderabad, Faisalabad and Gujranwala. These branches and representative locations are main engine of business growth.

Natural Capital

FHM will try to decrease its carbon footprint by maintaining its movement towards systemization of back-end services, centralization of processes in certain key areas, as well as digitizing processes to place minimal burden on the environment. Reduced use of paper will be complemented with greater investment in green power for various physical locations spread throughout the country.

Information Resources

FHM has large number of customers at country level. Our customers entrust us with large amounts of information, stemming from a wide range of industries including healthcare, financial services, technology and others. All the information and data available within the FHM is utilized for business purpose only to achieve the strategic objectives of the Modaraba.

Key resources and capabilities of the Modaraba which provide sustainable competitive advantage.

First Habib Modaraba (FHM) has completed 39 years of successful business operations within the Modaraba sector of Pakistan.

Our commitment to enhance value for our stakeholders, driven through resilience of our business model and determination of our team members made us sound and leading Modaraba within the Modaraba sector. The Relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive Modaraba holding the loyalty and trust of thousands of stakeholders across the country. Our achievements are evidence to the solid business fundamentals and consistent financial management policies practiced across the Modaraba. Our focused business strategy keeps us firmly on path of sustainable growth and profitability.

Over the years FHM has been continuously recognizing for its satisfactory results, good corporate governance, best report culture and sound and stable credit rating. With a thrust to achieve operational excellence, FHM continue to improve operational processes, infrastructure and professional grooming of human resource in order to provide quality and reliable customer services including compliance of all regulatory and Shariah requirements. These all are due to best use of available resources and capabilities of the FHM which provide sustainable competitive advantage.

Our key resources and capabilities are: -

Resources

Sound financial footing with strong equity structure

- Long term AA+ Credit Rating since last consecutive 16 years.
- Strong branch network
- Sound customer's portfolio
- Professional and committed Human Capital
- Support of branch network of Habib Metropolitan Bank, being a parent body.
- Trained human resource for quality service to customer

Capabilities

- 39 years of successful journey of business operation
- Strong brand within Modaraba and Non-Banking Financial sector
- Established brand name across the country
- Subsidiary of one of the well reputed and sound institution of Pakistan i.e., Habib Metropolitan Bank Limited
- Robust customer confidence and loyalty
- Leading Modaraba within the Modaraba sector
- Highest credit rating within Modaraba sector
- Quality assets financing portfolio
- Highest award recipient within the NBFIs sector

Value created by the business, and for whom, using these resources and capabilities

We are continuously making efforts on enhancing our capability to anticipate key trends through various stakeholder engagement programs, combined with constant reviewing of our marketing approach and operational processes to help us utilize and transform our capitals for value creation.

Our ability to meet and exceed customer expectations with the state of art services, execution of business strategies and ensuring fast processing of credit proposals. Our focus always remains to undertake decisions with the view of long-term value creation for our Certificate Holders and Investors.

Modaraba's strategy on market, products and service development.

The Modaraba is prudently progressing ahead to shape a successful future by investing technologies and digitally led innovative solutions. As we move forward into 2024-25, our primary objective is to enhance customer experiences across various channels while simultaneously focusing on augmenting the Modaraba's revenue growth. Synergy with business teams shall be heightened to achieve further business growth. Customer centric culture shall be focused and customer service shall be used as the main tool for business growth.

Our business development team remained well focused to explore new markets and add sound & well reputed customers within financing portfolio. In order to grow market share, we devised following strategies for further business development.

- Engage new potential cities such as Hyderabad, Faisalabad, Gujranwala, Sialkot, Bahawalpur, Rahim Yar Khan and Peshawar through the branch network of parent bank.
- SME sector will be focused for small ticket assets financing such as motor vehicles, small equipment etc.
- Financing of Solar Equipment to good corporate customers.
- Further strengthen our operational efficiency through support of technological advancement and enhance customer services base.
- Diversified products for liability baskets.
- Enhance proposal processing by incorporating automatic data analysis tools.
- Enhance infrastructure to meet upcoming business needs.
- Further enhance customer relationship management and state of art services.

Besides the growth targets and additional market penetration for financing book, we intend to focus more on long term sustainability in business and profitability. As we enter 2024-25, our vision extends beyond the current achievements, engaging us to explore new horizons and expand our presence. Despite of various economic challenges, FHM remains committed to focus on quality asset growth and creating value for stakeholders. Customer service will be a top priority, with a focus on transparency and providing holistic financial services.

The effects of the given factors on modaraba strategy and resource allocation

Technological changes

Our technology investment strategy is focused on identifying and adopting new technologies that align with our overarching strategy and business goals. We continuously evaluate and invest in innovations that have the potential to enhance our operations, drive growth, and improve the customer experience.

We understand the importance of Environmental, Social And Governance (ESG) considerations and are dedicated to addressing these challenges. We continue improving paperless environment to save trees, reduce carbon emissions, and facilitate easier, on-click access to digital documents. Additionally, we are committed to social responsibility through community outreach, volunteer programs, and supporting diversity and donation initiatives. We believe that integrating ESG considerations into our strategy is crucial for building a sustainable business and meeting our customers' expectations.

Sustainability reporting challenges

As the modaraba climbed the steep ladder of operational hurdles, it embraced sustainability, encouraged innovation and teamwork, and made a conscious effort to make a positive difference in the sector, one sustainable effort at a time – to grow sustainably.

After a year of significant macroeconomic volatility, We are firm in our commitment to a sustainable future, while seizing opportunities, demonstrating that commitment and perseverance can overcome even the most difficult obstacles.

FHM is committed to embracing sustainability concepts and encouraging innovation and collaboration as we overcome operational challenges.

Initiatives in promoting and enabling innovation

Innovation is a top priority for us, and we constantly seek ways to enhance our operations and deliver better value to our customers. One of our most significant initiatives is the development of a centralized auto-processing system, which includes modules for auto-rental recovery, auto-reconciliation, auto-insurance processing, and auto-assets delivery. We have also optimized our operations with various workflow processes, such as memo generation, CAM processing, and change management workflows. These innovations help us increase efficiency, reduce costs, and provide a superior customer experience.

To promote and enable innovation, our modaraba has learning management system established dedicated training and innovation hubs and cross-functional teams that focus on brainstorming and developing new ideas. We also invest in continuous learning and professional development for our employees, ensuring they have access to the latest knowledge and skills. Despite these efforts, we recognize the challenges posed by resource shortages, including talent gaps and limited funding. To address these challenges, we prioritize strategic partnerships and collaborations with industry leaders and academic institutions to leverage external expertise and resources.

Resource shortages

FHM has always believed in investing in resource-saving technology and training its employees to bridge the skill gap for efficient and productive working styles.

Key Performance Indicators

Alhamdulillah, performance of financial year 2023-24 remained remarkable and all our key targets have not only achieved but also increased with good margins. We must say that again above year proved to be one of the best and exceptional years in the operational history of First Habib Modaraba (FHM) terms of performance, disbursement, profitability and overall business growth.

Our total disbursement during the year touched to Rs.15.2 billion which is the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.26.4 billion as compared to Rs.20.5 billion. Significant increase in profitability was also made. Profit before tax increased by 55% i.e., from Rs.771 million to Rs.1,197million for the period ended June 30, 2024. Our fund mobilization has also reached to Rs.19.4 billion as compared to Rs.14.5 billion of last year with growth of around 34%. Our Karachi branch has made significant contribution for overall disbursement during the year and contributed around 56% followed by Lahore, Islamabad and Multan branch.

The key performance indicators during the year 2023-24 were as follows:

- 29% growth in balance sheet size
- 41% growth in yearly disbursement
- 31% growth in total financing assets
- 55% growth in profit before tax
- 34% growth in fund mobilization

Strategic Objectives	Strategies to meeting objectives	KPI	Future relevance
To make sure of strong Shariah governance	Continuous training for staff members and through other relevant training centers	Sound Shariah Compliance Culture	The KPI shall remain relevant in future
To attain sizeable growth in financing assets	Increase market outreach, expand business promotion sales force and quality customers within the financing portfolio	Balance sheet growth	The KPI shall remain relevant in future
Good quality financing assets portfolio	Add quality financing assets through strong credit appraisal and robust proposals evolution criteria	Low infected financing assets portfolio	The KPI shall remain relevant in future
To maintain strong equity base	Healthy profits and good retentions support for strong equity base	Strong equity base	The KPI shall remain relevant in future
Operational efficiencies, Business Continuity Plan (BCP) through technological advancements	Upgrade existing application. Procure latest equipment for state of art IT infrastructures. Strengthen remote working capabilities.	Technological advancement	The KPI shall remain relevant in future
To maintain strong Capital Adequacy Ratio (CAR)	Through better profits and reserve building	Strong equity base (As on 30th June, 2024 our CAR was 20%)	The KPI shall remain relevant in future
To make FHM a profitable venture	Channelize resources in profitable segments for better and long term earnings.	Sound profits every year	The KPI shall remain relevant in future

Strategic Objectives	Strategies to meeting objectives	KPI	Future relevance
To make sure sound and robust compliance culture	Strengthen the capacity of relevant departments through job trainings and develop better coordination within the departments	Sound compliance culture	The KPI shall remain relevant in future
Strengthening of Risk Management segment.	Revisit policies and processes of risk management functions and procedures	Better controlled environment	The KPI shall remain relevant in future
Sound credit ratings	Follow good governance and best business practices, built sound assets quality, better profitability, strong internal control and compliance culture	Maintaining rating scales of AA+ for long term and A1+ for short term since last 16 years.	The KPI shall remain relevant in future
To give best return to investors.	Sound profitability to best return in shapes dividends to Modaraba Certificate Holders	Declared cash dividend of 21% which is similar to last year distribution.	The KPI shall remain relevant in future

Strategies to be followed to further strengthen key performance indicators in 2024-25

Grow our market share by adding new sector, cities and sound customers

Explore possibilities for generation of low cost funds in order to support our financing book.

Concentrate on small and medium size customer for horizontal growth.

Further strengthen risk management and Shariah governance mechanism and create robust compliance culture with strong internal control management.

Further nurture our human resource through strategic initiative, engagement through innovative technological tool and employee incentive program.

Enhance CSR activities for community uplift and support.

Further improve our operational efficiency through support of technological advancement and enhance customer services base.

Promote green financing particularly solar equipment

Careful watch impact of climate change on environment and customer businesses.

Changes in performance indicators

Performance indicators and measures can be changed in coming years due to certain force majeure impacts which has already discussed in forward looking statement.

Methods and assumptions used in compiling the indicators

Following assumptions/estimates have been used in compiling the indicators:

- Economic review and business forecast at country level
- Expected future business growth and opportunities.
- Current situation of political instability and its impact on Economy and Businesses.
- Historical experience and various other factors that are believed to be reasonable under the circumstances.
- Research from different counters
- External factors affecting commodity and other prices.

The estimates and assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised. Though our statements are reasonable assumptions and expectations based on current data, they are not intended to be a guarantee of future results especially under the present challenging situation particularly with continuous re-occurrence of pandemic and its impact on business and economy.

Sustainability Strategy

Sustainability is the long term maintenance of responsibility, which has environmental, economic and social dimensions and encompasses the concept of responsible management resources. FHM's sustainability strategy is based on creating a sustainable future and enhancing quality of life for society at large, whilst creating shared value for its stakeholders.

Besides the growth targets and additional market penetration for financing book, we intend to focus more on long term sustainability in business and profitability. We believe that our well-founded management principles, focus approach and our commitment to strong governance are key segments to achieve our goal.

We constantly strive to make institutions more sustainable and equitable for the coming generations. It is our belief that sustainable development strengthens brand image, drives business growth and ensures long-term and sustainable success. By committing to a culture of excellence, good governance, best business practices, transparency and integrity, it ensures that all activities are conducted in a manner that is ethically responsible and beneficial for all stakeholder's.

FHM's Sustainability strategy is based on building a sustainable growth momentum and enhancing quality of life for society at large, whilst creating shared value for its stakeholders.

Sustainability Governance

In terms of governance, we have strengthened our risk management and compliance frameworks to ensure transparency and accountability. We are committed to upholding the highest standards of corporate governance and promoting ethical business practices. Sound corporate governance practices are of great importance to FHM and for Board as well. Board is committed to make sure that the highest professional standards are implemented across all of our activities.

FHM's long and successful business journey reflects that governance framework is well established and represents our

Our approach to Sustainability



commitment to integrity while ensuring flexibility. Corporate governance represents a strategy for companies to ensure a framework of control for its administrative and management practices. This is achieved through procedures that are aligned with recognized standards that respond to the interests of shareholders and other stakeholders. Our board believes proper governance ensures fairness, transparency, and accountability and safeguards the interests of all stakeholders, especially the minority shareholders.

Maintaining high standards of good conduct, ethical behavior and integrity are the core values. FHM, being a financial institution, adheres to strict ethical guidelines to maintain trust and ensure the safety and security of all its stakeholders. One of the key aspects of ethical practice at FHM is maintaining transparency in all its operations, conditions of any financial products or services offered to them.

Aligning Strategic Objectives with the **Modaraba's** **Mission, Vision, and Goals**

Vision

"To be the leading Islamic Financial Institution within Modaraba sector by providing the best innovative Sharia'h Compliant financial solutions at maximum satisfaction of customers."

Mission

An institution built on Trust, Integrity, Good Governance with Commitment to add value to all stakeholders through an effective human resource management in a modern and progressive organizational culture, maintaining high ethical and professional standards.

Alhamdulillah, this year FHM has completed 39 years of successful business operation and grow over the year on sound footing with the commitment of adding value to all our stakeholders particularly Certificate Holders and investors. With an enviable track record of almost 4 decades is the success story of sheer hard work and commitment to provide the investors a sound and continuous return.

With each passing year, we continue to expand and enhance our business outreach by following our Vision to be a leading Islamic Financial Institution within the Modaraba sector. Alhamdulillah, in accordance with our vision, we are maintaining our leading position within the Modaraba sector since several years with market share of around 38% as per published accounts for the period ended March 31, 2024. Furthermore, the customer satisfaction is also our core business objectives since inception. At present we have several reputable name of corporate entities having the longest business relationship as utmost satisfied and delighted customer within our financing portfolio.

As a Mission to grow our institutions with Trust, Integrity, Good Governance with commitment to add value to stakeholders are always adhered with true spirit and constant persuasion. Our pledge to enhance value for our stakeholders, driven through resilience of our business model and determination of our team members made us sound and leading Modaraba within the Modaraba sector. The Relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive entity holding the loyalty and trust of thousands of stakeholders across the country. Our achievements are evidence to the solid business fundamentals and consistent financial management policies practiced across the Modaraba.

Our constant commitment for corporate excellence also earned us recognition at national and international level with best performance, best corporate report, and corporate excellence awards from prestigious institutions. Furthermore, since last 16 consecutive years FHM has been securing AA+ as long term rating from PACRA on financial soundness and excellent quality management of Modaraba. These are due to effective human resource management in a modern and progressive organizational culture, maintaining high ethical and professional standards which is core of our Mission Statement.

Board's Statement

Significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations

Significant Plans and Decisions

Keeping in view of present macro-economic factors, unanticipated challenges and to maintain our leading position within the sector, we have devised following business and operational strategies for FY2024-25.

- Grow our market share by adding new sector, cities and sound customers
- Explore possibilities for generation of low cost funds in order to support financing.
- Concentrate on small and medium size customer, for horizontal growth.
- Further strengthen risk management and Shariah governance mechanism to ensure robust compliance culture with strong internal control management.

Furthermore, following areas of business expansion and operational efficiency will be focused in current year for sustainable growth.

- Further nurture our human resource through strategic initiatives, engagement through innovative technological tool and employees incentive program.
- Enhance Corporate Social Responsibility (CSR) activities for community uplift and support.
- Further improve our operational efficiency through support of technological advancement and enhance customer services base.
- Promote green financing particularly eco friendly vehicles & solar equipments.
- Careful watch the impact of climate change on environment and customer businesses.

(BCR 2.08)

Significant Change in Objectives and Strategies

There is no material change in FHM's objectives and strategies from the prior years.

Information about defaults in payment of any debt

By the grace of Allah (SWT) there is no delay in performance of FHM's financial obligations of any Bank/FI and payment of Certificate of Investment (Musharaka) and always redeemed/paid on time. *(BCR 2.09(a))*

Board Strategy To Overcome Liquidity Problem



The balance sheet size of FHM surpassed at Rs.26.4 billion marked a milestone and this supported by short term deposits and bank's credit lines which Alhamdulillah reached to Rs.19.2 billion. The Assets Liability Management Committee (ALCO) plays a crucial role in formulating and managing the overall liquidity position within at FHM. Our governance structure ensures that we can provide continuous support for business requirements and have backup funds arrangements available to avoid any unexpected liquidity distress.

Thanks to our sound credit rating of AA+ of long term and good reputation in financial and non-financial markets. At FHM, we generally do not encounter any liquidity management issues. However, we always strive to maintain reasonable liquidity within the system, as was demonstrated during the challenging period of FY2023-24.

The Modaraba's ALCO consistently monitors the liquidity position, taking necessary measures and maintaining sufficient liquidity to address any adverse cash flow maturity profiles.

Our treasury department has effectively managed liquidity segment within our system, and always ensure that sufficient liquidity always be available across our network in case of any sudden or unplanned withdrawals. Our treasury department has also recently added credit lines from different Islamic Banks / Windows to our portfolio to ensure consistent funds flow from various sources. Additionally, we have secured credit lines through Shariah compliant financing from different Islamic banks/windows, allowing us to diversify our resource mobilization segments.

The ALCO committee holds regular meetings to review the assets liability matching profile, including future funding needs, withdrawals of placements in COIs, and any adverse changes in money and liquidity markets through Islamic banks.

Risks & Opportunities



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Key Risk & Opportunities and Specific Steps to Mitigate the Risk

Risks along with its mitigating measures, source, likelihood, magnitude and their impact on capital are described below:

Types of Risks	Source	Mitigating Measures	Likelihood	Magnitude	Impacted Capital
1. Credit Risk Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the FHM by failing to discharge an obligation.	External	The credit function identifies, measures, and mitigates credit risk. Identification of credit risk is based on a credit scoring model, which includes both quantitative financial data and qualitative factors. Risk ratings based on different attributes of the prospective customers includes repayment behaviour.	Medium	High	Financial
2. Liquidity Risk Liquidity risk is the risk that the FHM will not be able to generate sufficient cash resources to settle its obligations as they fall due or can only do so on terms that are materially disadvantageous.	Internal / External	FHM Treasury function ensure to monitor intraday liquidity management, managing funding lines and monitor daily liquidity requirements through engagement of stakeholders. FHM strategically emphasizes diversification and stability in its funding approach. Its funding base is varied, encompassing stable sources like equity, Certificate of Musharakah (COM), financing lines from Islamic FIs, etc.	Medium	High	Financial & Reputational
3. Market Risk The risk associates with unexpected changes in profit rates, spreads and prices lead to loss from financing and or investment activities.	External	The FHM is following prudent approach towards market risk management. FHM investment portfolio in high risk avenues is very limited. FHM keeps financing portfolio on floating basis being revised at short intervals to ensure the return aligned with market movement. The strong risk management planning ensures that the exposures remain within the defined risk appetite. Assets & Liability Committee (ALCO) function regularly meet to monitor the market risk exposures and limits.	Medium	High	Financial
4. Operational Risk Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the FHM's operations either internally or externally.	Internal / External	FHM conducts proper Risk and Control Self-Assessment (RCSA) exercise covering all critical functions of FHM and monitor KRIs and Risk events on regular basis. FHM entrust technological support to reduce and minimize errors in financing calculations, documentations and digitize the same to enhance control and minimize operational risk.	Low	Medium	Financial, Intellectual & Reputational
5. Regulatory & Compliance Risk Compliance risk are those risks arising from non-compliance to any laws, regulations or procedures etc. that may lead to financial and reputational loss etc.	Internal	FHM ensures proactive identification and management of changes in legislative and regulatory requirements that may impact FHM and engaged reputed service provider for providing immediate updates on regulatory matters. FHM has independent Compliance function in place which ensures timely dissemination of such updates to respective stakeholders and take adoptive measures where required. FHM also ensures effective liaison with regulator and ensure compliance with all relevant regulations.	Medium	High	Financial & Reputational
6. Reputational Risk Reputational risks are those risks that may impact the reputation, image and brand of the FHM in the form of informal & formal complaints, national & international media coverage, etc.	External	Reputational risk is managed on an ongoing basis that define expected behaviour of the stakeholders. The risk mitigation strategy includes, continuous liaison with all staff, address customer complaints and proper follow-up mechanism, whistle blowing policy, and regular engagement with employees and customers with effective feedback.	Low	High	Reputational

Types of Risks	Source	Mitigating Measures	Likelihood	Magnitude	Impacted Capital
7. Technological Risk Technological risk refers to potential loss or disruption in operations due to error/failure in technology systems, infrastructure, or processes.	Internal / External	Modern IT controls and firewalls are in place whereas along with periodic system updates, IT audits, vulnerability awareness campaigns, and trainings are being conducted to monitor and minimize the risk.	Medium	Medium	Financial & Intellectual
8. Shariah Governance Risk Shariah Non-compliance risk refers to risk of failing with adherence of Shariah principles in its transactions and may lead to reputational risk and financial loss in term of attracting charity of income.	Internal / External	Regular training and awareness on Shariah compliance to all employees is being ensured. Dedicated Shariah Compliance Desk in place to ensures the monitoring of financing, investments, deposit taking and borrowing transactions and ensure adherence with Shariah principles and relevant regulations. Shariah advisor also regularly visit, review and monitor the transactions and issue its report on annual basis.	Medium	Low	Financial
9. Climate Risk It refers to risk arises due to climate change vulnerabilities, physical risks of assets losses or operational disruptions due to weather related disasters such as storm, floods, and transition risks; which include regulatory changes, market developments and other events associated with low carbon economy.	Internal / External	FHM assess possible impacts of climate changes on its business and taking corrective measures accordingly. FHM is committed towards environment friendly practices and translated its efforts through promoting paperless culture with support of technological tools. Further, solar financing and encourage Electric and Hybrid vehicles financing are imminent steps being taken by FHM.	Low	Medium	Natural and Social Capital

Opportunities

Opportunities arises from the above mentioned risks and their associated objectives are described as follows:

Risk	Associated Objectives	Opportunity
Credit Risk, Liquidity Risk & Market Risk	Improve operational efficiency through cost economization and enhanced synergies among functions.	<ul style="list-style-type: none"> Explore investment avenues to capitalize on high rate of return. Efficient customer relationship management and robust financial risk management. Maximize market share and augment presence to counter any adverse impact.
Operational Risk	Control operational lapses	Ensure sustainable growth
Regulatory & Compliance Risk	Demonstrate sustainable social, environmental and corporate governance commitment.	Inculcating compliance culture throughout the modaraba.
Reputational Risk	Maintain outstanding brand image by providing premium quality products and services.	Horizontal as well as vertical diversification
Technological Risk	Improve operational efficiency and increases collaboration among functions & stakeholders.	Opportunities through Digitization arises such as digital onboarding of customers, WhatsApp Banking, Mobile Application, etc.

Board's Statement

Risk tolerance level

The Board of Directors is the ultimate governing body of the FHM and is in charge of overseeing risk management governance to make sure that the systems, procedures, and culture are in place to handle the major risks to which FHM is exposed, combined with risk management framework, cutting-edge data and risk assessment tools. Under the direction of the Board, we make sure that the proactive approach addresses issues that affect the financial health, sustainable earning, and maximizing the value of the certificate.

The Board guides management in the following ways to guarantee the evaluation of the primary risk that FHM faces and its tolerance level:

- Clearly stated risk assessment criteria that account for risk appetite and tolerance are known as risk acceptance criteria.
- Identifying and evaluating the main risks that the FHM faces requires effective department-to-department communication on risk factors and a collaborative decision-making culture between revenue-generating and non-revenue-generating functions in order to develop suitable risk-reduction measures.
- Obtaining feedback from management regarding the controls implemented against the potential risk factors that FHM may encounter, as well as the instruments and procedures used to mitigate those risks.
- Monitoring the risk appetite threshold and its subsequent effects on FHM and management's efforts is known as residual risk.

Robust assessment of principal risks

To ensure the highest standards of transparency and governance, the FHM Board of Directors carefully manages organizational risks. As a board member, our commitment is to ensure that FHM operates in a prudent and resilient manner to safeguard the interests of stakeholders. We have established strong mechanisms to monitor any potential risks that FHM may face and adapt our operations and strategies as necessary to address and mitigate those risks effectively.

FHM proactively updates its rules, procedures, and risk strategy. During quarterly board meetings, the BOD reviews financing facilities above a specific threshold, the recovery position, legal cases, sources of liquidity, and market risk. Additionally, BOD reviews and certifies that management has taken the necessary steps to foster a culture of risk management within the organization. This includes implementing effective risk awareness programs and mitigation tools at all levels of the organization.

To better serve our customers and stay competitive, we need to utilize technological advancements such as capacity planning, hardware reviews, and disaster recovery sites. However, management must continuously monitor and assess any political and economic obstacles that could affect these innovations, as well as keep up with rapidly advancing technologies. This information, along with its implications for FHM's short and long-term strategic plans, should then be presented to the Board of Directors for their review and guidance.

Risk Management Framework

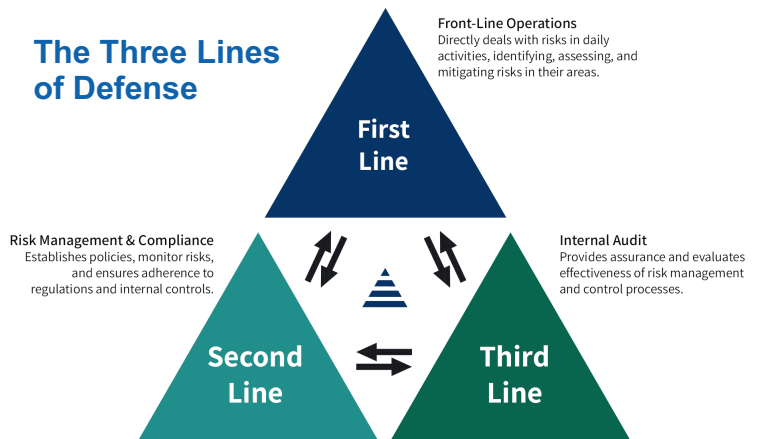
Risk management is the process of identifying, assessing/measuring and controlling threats to an organization. Management of FHM continues to explore opportunities to achieve its strategic objectives while ensuring proper implementation of Risk Management Framework.

The Board conducts a robust assessment of the principal risks (explain in above paras) facing the Modaraab, including those that would threaten the business model, future performance and solvency or liquidity.

With the valuable guidance of the Board, the FHM's management has a proactive approach for an effective risk management framework along with robust risk governance structure. The governance of risk management begins with Board and links around a strong management structure, sound information system and an effective risk rating system. FHM maintains a strong inter-departmental communication link on risk factors and encourage culture of collaboration in decision-making amongst all departments.

A risk management framework is a combination of key elements such as risk management, risk organization and risk planning implemented to identify and manage significant risks in FHM. A robust and comprehensive Risk Management Framework ensure to secure the interests of FHM stakeholders, strictly maintain Shariah and regulatory compliance and also ensure the long-term sustainability of our operations.

The FHM follows three lines of defense approach which are described as follows:



Risk Management Framework Stages (Methodology)



1. Risk Identification

Risk identification is the process to assess and address all the risks relevant to the FHM. Relevant risks should be identified among all the possible risks incurred, according to the methods and principles defined by the FHM risk management policy. Risks are identified through continuous monitoring of internal processes, external market conditions, and regulatory changes.

2. Risk Assessment & Evaluation

Each risk is assessed and evaluated for its potential impact and likelihood using quantitative and qualitative methods. Risks are evaluated based on their potential impact on FHM's operations, financial stability, and reputation.

3. Risk Mitigation

Strategies and controls are developed to mitigate identified risks. This includes implementing internal controls, diversifying risk exposures, and setting up contingency plans.

4. Risk Reporting and Monitoring

Risks are monitored continually against approved appetite. Deviations are logged, reviewed, owned, reported, and effectively mitigated.

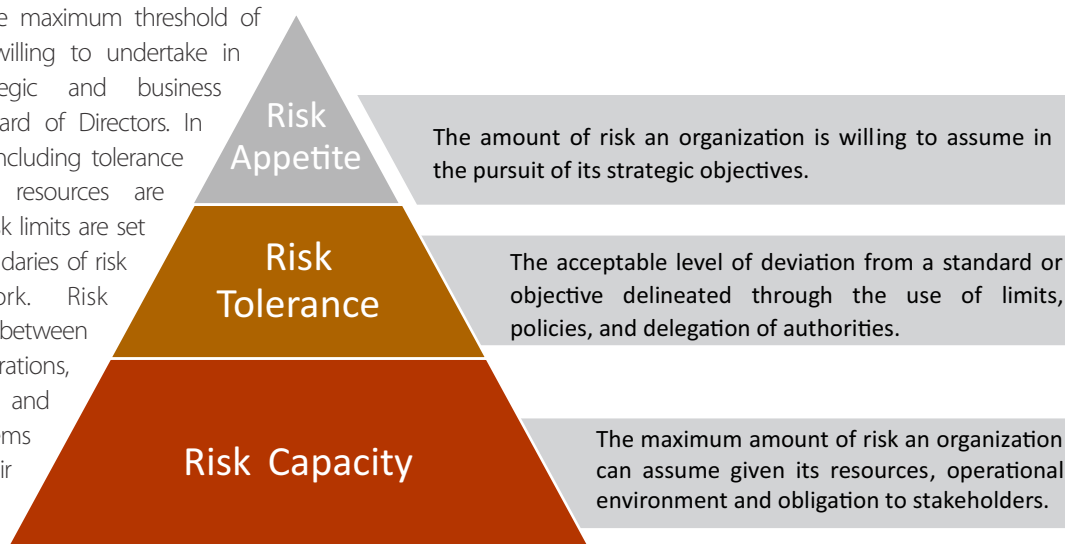
Risk exposures, mitigation measures, and the effectiveness of risk management strategies are reported to senior management and the Board on a regular basis. This includes detailed risk reports, risk dashboards, and compliance reports.

5. Risk Governance

Regularly check the effectiveness of the process through wider assessment of the framework, and make necessary improvements in the process.

Risk Appetite

Risk Appetite refers to the maximum threshold of risks level that FHM is willing to undertake in implementing its strategic and business objectives set by the Board of Directors. In setting the risk appetite, including tolerance and limits, the FHM's resources are allocated effectively and risk limits are set to remain within the boundaries of risk management framework. Risk appetite strikes a balance between strategy, growth aspirations, operating plans, capital and risks that the FHM deems material, based on their significance and regulatory requirements.



Disclosure of Supply Chain Disruption Risk Due to ESG Incidents

Supply chain for FHM refers to processes, resources and network involved in delivering financial products and services to its customers. Safety aims need to be assessed and minimize any negative ESG impact arising from its operations. Further enhance the resilience against risk of disruption in product and service delivery to its customers due to ESG-related event by integrating robust monitoring and mitigation strategies. *(BCR 3.05)*

Mitigating Measures

Notable steps taken to cover such risks are promotion of paperless culture through technological support, promote Solar financing and Hybrid /Electric vehicles financing. Remote working solution is in place and tested on need basis, and DRP sites are also separately maintained from actual workplace.

FHM keep close contact with its employees and customers while encouraging open communication and using feedback to improve its practices. FHM is also committed to uphold its social responsibility through continuous engagement in charitable activities, social awareness campaigns and introducing staff welfare programs.

FHM has already developed and implemented comprehensive policy for environmental, social, and governance considerations. FHM also establish partnerships with reliable suppliers for DRP and engagement with stakeholders to improve delivery processes.

Sustainability & Corporate Social Responsibility

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Board's Statement

Adoption of Best Practices for Corporate Social Responsibility (CSR)

The purpose of this statement is to evaluate the Board roles that make them effective in the performance of adopting corporate social responsibility (CSR) practices.

To ensure the effective implementation of our CSR initiatives, we have established the following guidelines for the developing and overseeing CSR strategies and policies.

- Setting measurable goals and objectives aligned with international standards and best practices.
- Arrangements for monitoring and evaluating the progress of CSR initiatives and their impact.
- Reporting regularly to the Board of Directors and stakeholders on CSR performance.

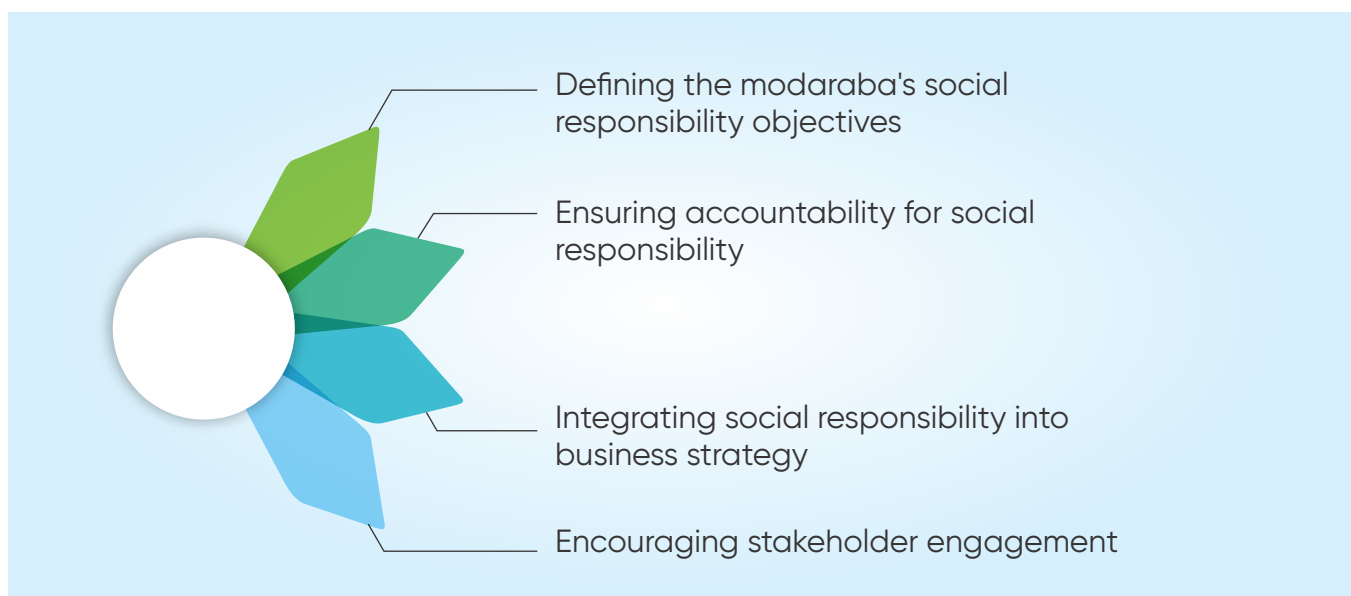
The Board of Directors require embedding of CSR best practices into corporate culture and operations. We believe that our commitment to social and environmental responsibility will enhance our long-term success and contribute to a sustainable and equitable future.

We look forward to continuing our journey towards excellence in CSR and working collaboratively with our stakeholders to achieve our shared goals.

FHM's Strategic Objectives on Environmental, Social and Governance

A Board statement about strategic objective on ESG (environmental, social and governance) or sustainability reporting shows the commitment towards responsible and sustainable business practices which is very important for transparency and alignment with modaraba goals towards society and environment.

The FHM Board always be given preference to initiate and focus on ESG as a strategic direction and has aligned its focus on renewable energy projects in line with its aim of combatting climate change and reducing dependence on costly imported fuels. FHM is tied up with various clients for providing financing for Medium to small-scale renewable energy projects i.e. solar Financing which will contribute in improving the energy mix of the country. Further FHM HR department continuously involved in Social activities particularly in education and health sector.



Chairman's Statement on Sustainability

Sustainability is commitment for long-term value creation that respects and enhances the well-being of people and the planet. We strive to integrate environmental, social, and governance considerations into our Shariah compliant operations and financing decisions, driving positive impact while delivering sustainable returns for our investors.

Since inception FHM has focused its core business model on providing access to Shariah compliant and ethical finance. The goal is to encourage inclusive growth by ensuring a fair distribution of wealth, promoting social justice, and promoting equitable risk-sharing. As most senior and trusted financial brands within non-banking Islamic financial sector of Pakistan, we recognize that our investors have placed their trust on us. Our vision, mission, core values and ethics are developed in conjunction with Shariah governance to add value for our Certificate Holders and remain sustainable. Our priority areas to follow business ethics in its latter & spirit, uphold Shariah governance, take care of our people and Society at large.

The global economy continues to face the rising problems of poverty, excessive inequalities of income & wealth, high levels of inflation, large macroeconomic budgetary imbalances, exorbitant debt-servicing burdens, inadequate and aging public utilities & infrastructure, high energy prices, and growing food insecurity. Now it has become utmost important to discuss and establish proper framework for sustainability and sustainable development which address problem of poverty alleviations, economic development and macroeconomic stability.

In the coming decades, our planet will be a very different place. With the growth of population, the pressure on natural resources will grow. Risks associated with poverty, land degradation, water scarcity and climate change are now pressing in with increasing urgency.

Sustainability is the long-term maintenance of responsibility, which has environmental, economic, and social dimensions, and encompasses the concept of the responsible management of resources.

Sustainable Business is a non-traditional strategy that strives to maximize efficiency and effectiveness while restoring environmental quality, building social equity and increasing long-term profitability.

Our Sustainability Pillars



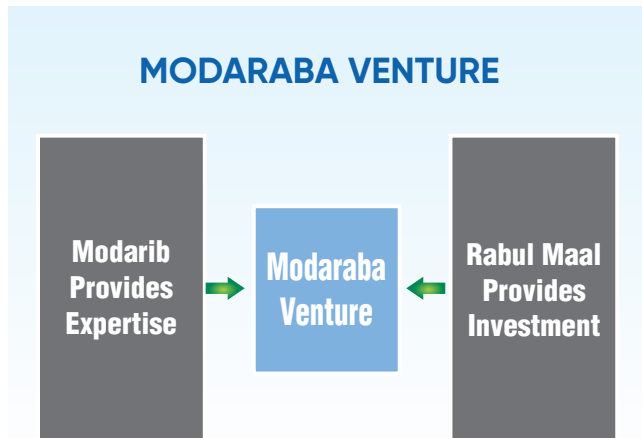
As key forces in society, organizations of all kinds have an important role to play in achieving this goal. Sustainable development means building our communities so that we can all live comfortably without consuming all of our resources. It is for environmental, economic and social well being for today and tomorrow. Sustainable development is an economic issue, but there is an ethical standpoint that lies behind.

Finance is very important for the economic welfare of people. It is finance that enables one to produce what one expects others to buy, thus enabling one to earn a living with greater specialization, longer periods of production and larger markets. Sustainability lies on following main areas.

- Energy, Green Growth and Efficiency
- Opportunity of Sustainable Agriculture
- Energy Resource Sustainability
- Education
- Building competitiveness
- Reduce wastage of resources
- Improve quality of life

Finance plays a very vital part for achievement of sustainability and sustainable development. Social wellbeing for communities is also an important part of sustainability. It can have derived by adopting ethical boundaries and its support. Within the finance if we talk about ethical finance than it can be achieved through Islamic Finance which governed under Shariah principles.

Sustainability in Islamic Finance



Islamic Finance range from the very narrow i.e. interest free banking to the very broad sense i.e. entire financial operations.

Two aspects of Islamic finance must be singled out. First is the risk-sharing philosophy: the lender must share in the borrower's risk. Second is the promotion of economic and social development through specific business practices and through Charity, donations and Zakat.

A Shariah based business model is derived from

the idea that Islamic Financial Institutions (IFIs) are not only responsible to their immediate shareholders, but owe a trust and faith to society or community where they serve. Thus embracing social and environmental sustainability would demonstrate a more comprehensive and ethical approach to doing business for (IFIs)

Modaraba Model

In Islamic Jurisprudence Modaraba is a kind of partnership, wherein one partner provides finance to the other partner for the purpose of carrying on business. The partner who provides the finance, is called the "Rabb-ul-Maal", whereas the other party who puts its management skills for the Modaraba is called the "Modarib" (working partner)

Translating holistic understanding Islamic Finance into Action

At FHM, we are translating this holistic understanding into actions based on values and our way of doing Shariah compliant business activities. First, the trust, transparency and ethical way of doing business this upholds our transactions with all stakeholders. Second, the empowerment of employees to speak up and provide ideas on doing things differently which lead them for better tomorrow.

Alhamdulillah, FHM has completed its 39 year of business operation. FHM is well on its way to realizing its VISION of "To be a leading Islamic Financial Institution within the Modaraba sector" and its mission "To become an institution built on trust, integrity, good governance with commitment to add value to all stakeholders".

What we are doing is important, but what we will do in future even more so. We know that we need to do more to give back to the environment and society. We also know that our transformational journey is incremental and every step we take will get us a little closer to our vision.

Our Sustainability Priorities

In Islamic financial market, we at FHM wish to continue to strengthen our commitment in displaying a responsible role working under Shariah principles within the Modaraba sector. By maintaining balance between the sound traditions of Shariah with the prudent and steady approach, makes us unique, and indeed resilient, to the turbulence seen in the financial industry particularly in non-banking financial sector of Pakistan in recent years. The overall strategy is clear and our corporate values are the same as when we first started: uphold Islamic Shariah

principles, support ongoing initiatives in the Islamic financing industry and participate in assisting the socio-economic endeavors of local communities.

While working on business growth we give equal importance to the eco system by restriction of participation of business deals which harmful to environment and society.

To conduct responsible business and repay to society are main corporate objectives. Sharing of handsome Profits amongst investors and certificates holders are aspiration of FHM. It is matter of great satisfaction that FHM has been maintaining its history of continuous payment of dividend to its Certificate Holders for last 39 years with average pay out of around 18.23%. This is due to sincere commitment of FHM towards wellbeing of society through sharing of profits.

The Management of FHM has always given emphasis on building-up quality asset portfolio. The efficacy of FHM's business strategy and prudent risk management policies has supported the management to maintain outstanding assets quality while ensuring sustainability of performance, despite the increasingly competitive operating environment in Pakistan's financial market.

Business transactions have always been done through strictly following of Shariah principles and risk management parameters keeping in view the safety of investor's funds. It can be judged with the performance of FHM of almost 4 decades and this would convince that "Stability of Operation" and "Sustainability of Growth" are well achieved in every year.

FHM is committed to promote sustainable business practices. We believe that our prime responsibility is to conduct businesses in transparent and ethical way that not only enhances value for all stakeholders but also giving support to events that enhance the wellbeing of the community.

Strong pillars of Islamic Finance

On practice side, the Islamic Finance covers wide area of wellbeing of society through sharing profits, fairness, no exploitations and development of real assets within business for equal distributions of wealth amongst the all stakeholders. The following are main foundations pillars of Islamic Finance from where it differentiates from conventional one and encourage sustainable development within the Society.

- Sanctity of contract
- Fairness/no exploitation
- Materiality, Economic purpose
- Risk Sharing

Our focus areas for sustainability

- Adherences to Shariah principles,
- Make sustainable development and progress
- Employees wellbeing
- Promote and strengthen culture of trust and transparency
- Exceeding customer expectations

The FHM is engaged in the country's economic progress through fostering entrepreneurship by disbursing Shariah compliant credit facilities to Individuals, SMEs and Corporates.

How we make sure Sustainability in our Businesses

Financing	Credit Creation of Ownership No Exploitation Investment of funds Based on the principle that funds do not generate funds, unless they coupled with an activity of work and real assets.
Creation of Ownership	Actively encourage entrepreneurs by funding small enterprises by way of partnerships that end with ownership.
No Exploitation	If the debtor is in difficulty, time always granted him to pay in reasonable time. No further profits charged on delay of financial obligation by the customer.
Investment of funds	Funds must be invested in lawful areas that achieve social and economic development. Areas prohibited by Shariah always avoided.

Our sustainability approach and achievements

- Leading Modaraba within Modaraba Sector**

Alhamdulillah, FHM has completed successful business operation of 39 years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBF and Modaraba sector of Pakistan. According to published results of March 31, 2024 of Modaraba entities, FHM the assets size of Modaraba ranked highest within the sector.

- We remained ambitious yet conservative with risk**

While chasing our growth momentum with ambition, we did not compromise our core objectives of cautious approaches sensible development. This prudent composition has always supported us for qualitative and sustainable growth.

- Consistently enriched value of our Certificate Holders**

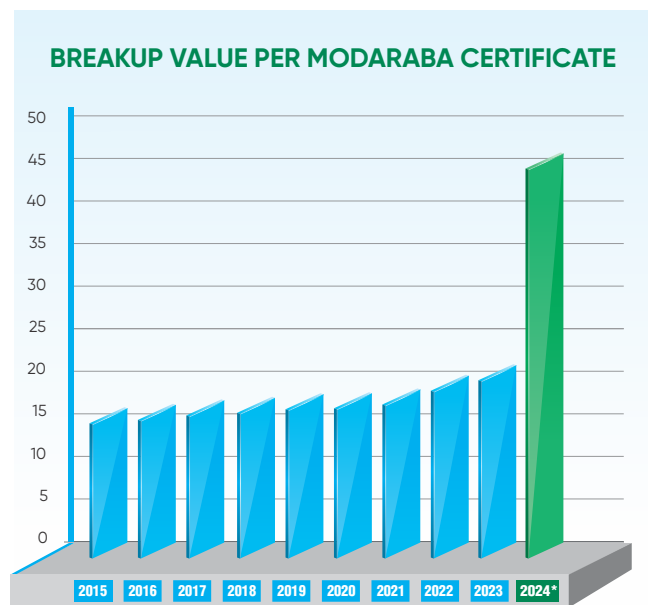
Journey of continuous improvement always remain a corporate motto and main driving force for progress within the FHM. With initial equity of Rs.25 million at the time inception, the same has reached to Rs.5.07 billion as on June 30, 2024. At present the net value of per certificate around Rs. 46 of face value of Rs.10/- each.

- Profitable Venture since Inception**

By the grace of Allah (SWT), due to unmatched business & finance skills of the management the FHM remain profitable venture since the beginning of business operations. By applying strict risk management policies and best business practices.

- Continuous payment of dividends**

FHM never failed to give dividend in any single year and profit has always been given in shape of cash dividend or stock dividend for the last 39 years of business operations without any fail. The average distribution of the dividends of last 10 years is 23.40%.



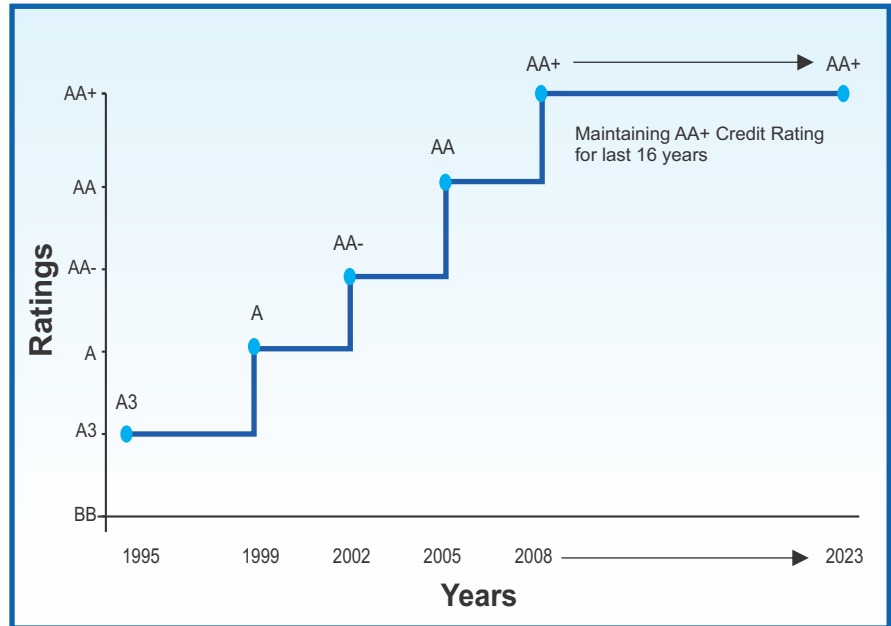
* High increase in breakup value of per Modaraba Certificate in 2024 was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- which change breakup value from Rs.20.79 last year to Rs.45.79 of June, 2024.

- **Shariah compliant profit distribution**

Almost 5,000 plus Modaraba Certificate holders receive Shariah compliant profits in the shape of cash dividend every year.

- **Credit Rating**

With continuing sound financial positions, FHM is maintaining “AA+” credit rating since last 16 years. According to PACRA’s assessment these rating denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments and sound risk absorption capacity emanating from an equity dominated financial structure.



- **Recipients of awards and accolades**

Our constant commitment for corporate excellence have not only kept us as leading Modaraba within the sector but also earned us recognition at national and international level. So far, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBF and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC.

- **Contribution for well-being of community**

FHM, being a socially responsible corporate entity, has been a regular contributor to the society and communities. It has been our primary concern to ensure that contributing to community development should be continuously carried out. Our belief is that positive contribution not only redresses human suffering but also address human development as well. Sustainability is the goal of maintaining a good quality of life for those who presently experiencing it, while enhancing the quality of life to those who lack it. Since last several years FHM has been donating non-profit organization working for improvement educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education in under privileged members of society.

Our aspirations are not only of being an industry leader but to truly reflect our sincere approach of transformation across the community and the economy. As we pursue our Environmental, Social, and Governance (ESG) ambition, we will continue to keep the bar high and be transparent in our progress. However, we are aware of the challenges that still lie ahead if we are to fulfill our aspirations. As such, we will continue to drive performance across factors and the targets we have set.

We do respect values and give importance to all our stakeholders i.e. employees, customers, investors, governments, non-governmental organizations, academia and educational institutions to rebalance and build tomorrow’s society. This recognition reflects our commitment to do what it takes to reach the always-rising bar for sustainability performance within the sector. We also know that it is not enough to say we are sustainable. We are determined to prove it with continuous progress toward tangible goals that will ensure the long-term health of our institutions, our people & communities and the planet we share.

Our analysis shows that how sustainable practices made positive impact on the performances of FHM and supported well for throughout successful journey of more than three and half decades. If these practices have not followed, then FHM may have encountered with unsatisfactory results.

General Requirements for Disclosure of Sustainability-related Financial Information

Environmental, Social, and Governance (ESG) practices is an essential part of our business strategy. FHM has been dedicated to achieve sustainable growth and delivering long-term value to our stakeholders. This unwavering commitment, paired with exceptional customer service, has solidified our position as a responsible financial institution.

We have integrated ESG standards aligned with our modaraba culture, allowing us to set measurable targets for achieving our goals. At FHM, we believe long-term success and sustainability are intrinsically linked to our ability to create value for our stakeholders. Our corporate excellence approach positively impacted people's lives through various initiatives. As we pursue our ESG goals, we remain committed to transparency and continuous improvement.

We believe that by proactively addressing sustainability-related risks and opportunities, we can enhance our financial performance and ensure long-term resilience. Our strategic objectives are centered around the following key areas:

Climate Action and Resource Efficiency

By investing in energy-efficient technologies, renewable energy sources, and sustainable practices, we aim to mitigate the financial risks associated with climate change and resource scarcity. In the short term, this approach will reduce operational costs; in the medium and long term, it will help us avoid regulatory costs, adapt to market shifts, and enhance our brand image.

Product Innovation and Circular Economy

We are committed to driving innovation by developing sustainable products and services that meet evolving consumer demands and regulatory requirements. In the short term, this positions us to capture emerging market opportunities; in the medium and long term, it enables us to differentiate our brand, increase market share, and drive long-term growth.

Social Responsibility and Governance

Our approach to sustainability also encompasses strong governance and a commitment to social responsibility. We aim to foster diversity, equity, and inclusion in our workforce and

ensure transparent, ethical business practices. In the short term, this enhances employee engagement and reduces reputational risks. In the medium to long term, it leads to a more innovative, competitive, and resilient organization.

Stakeholder Engagement and Transparency

We recognize the importance of engaging with our stakeholders, including investors, employees, customers, and communities, to align our sustainability objectives with their expectations. We are committed to transparency in reporting our sustainability performance and progress. In the short term, this builds trust and enhances our reputation; in the medium to long term, it strengthens our stakeholder relationships and ensures continued support for our strategic objectives.

By embedding sustainability into our core strategy, we believe we can create value for our Modaraba Certificate Holders, contribute positively to society, and safeguard the environment. Our actions today are designed to drive financial performance and ensure the modaraba's success and relevance in the short, medium, and long term.

Consistent with IFRS S1, we are planning for transparent and complete disclosure of sustainability based on financial information. This portion of the report describes our due diligence process regarding each such risk and opportunity, in relation to their effects on our business model, strategy and financial performance.

Sustainability-Risks-and-opportunities-Framework-Measurement-Governance

The Board of Directors make sure for better risk management and long-term sustainability. This includes reviewing and approving the modaraba's sustainability strategy, identifying areas for improvements that are aligned to our overall business objectives, ongoing performance in relation to its clearly specified sustainable targets.

Strategy and Business Model

Sustainability is a core part of our strategic and operational frameworks. We understand and embrace the value of environmental, social & governance (ESG) factors to our industry, as well as in collectively embedding them into how we do business. This includes:

- Environmental Impact: Focusing hiring on energy-efficient and low-emission resources
- Social Responsibility: We work to uphold best practices in our Modaraba contracts and support diversity across the system of operations.

Risk Management

We manage risk taking into account the existence of sustainability risks, such as changes in environmental regulations or changing market preferences for certain products.

To mitigate these risks, we conduct thorough due diligence, constant monitoring and include sustainability screening in our asset selection and financing.

Metrics and Targets

We have set targets, track and key performance indicator (KPI) to measure our sustainability record in the areas with respect to Energy Efficiency and High Sustainable Ratings

- Energy Efficiency: tracking energy efficiency of financed

assets and encouraging the purchase of more efficient models amongst our customers.

- High Sustainable Ratings: We are targeting our portfolio to be rated as high sustainable which includes environmental and social assets.

Effect on Financial Results

The way we embed sustainability within our business model has financial outcomes. Investing in sustainable financing options allows us to improve our value proposition and reduce risks, while securing long-term profit. This aligns with our investors' expectations and positions us to take advantage of new opportunities in the market.

Forward-Looking Statements

FHM is dedicated and committed for sensible growth with long term sustainability and reporting framework. As we move forward, the report will be further improving line with best corporate practices and meet FHM's dedication towards sustainability and IFRS S1 compliance. Our ultimate goal is to embed sustainability into the full range of our activities as part of our efforts to create value in a way that accounts for shareholders, customers and in society where we operate.

Climate-related Disclosures

Climate Change: Risks & Opportunities for FHM

Climate change presents a significant challenge to Pakistan and the global financial sector. FHM recognizes the importance of understanding and addressing climate-related risks and opportunities in our business strategy. This section explores both aspects to ensure our long-term sustainability and positive impact.

Climate Risks

- Increased frequency and intensity of extreme weather events: Floods, cyclones, and droughts can disrupt operations, damage infrastructure, and impact loan repayments.
- Sea level rise: This can threaten coastal communities and assets, potentially impacting borrowers and collateral values.
- Changes in agricultural productivity: Droughts and floods can reduce agricultural output, affecting loan performance in agriculture-dependent sectors.

Climate Opportunities

- Green finance: FHM plays a vital role in financing renewable energy projects, energy efficiency initiatives, and climate-resilient infrastructure.
- Innovation in financial products: Developing innovative financial products can help clients manage climate risks.

FHM is committed to integrating climate considerations into our core business activities. We will continue to:

- Enhance our climate risk assessment capabilities.
- Develop and offer climate-friendly financial products and services.
- Advocate for climate-resilient policies and practices.
- Report transparently on our climate-related actions and progress

Statement on Sustainability and Corporate Social Responsibility (CSR)

Our approach to sustainability

We constantly strive to make institutions more sustainable and equitable for the coming generations. It is our belief that sustainable development strengthens brand image, drives business growth and ensures long-term and sustainable success. By committing to a culture of excellence, good governance, best business practices, transparency and integrity, it ensures that all activities are conducted in a manner that is ethically responsible and beneficial for all stakeholders.

Energy conservation and energy saving measures

We feel that energy conservation and its saving are our national obligation. The management is geared towards to promote to use energy smartly and economically. With a vision to encourage market transformation towards sustainable business practice, we will continue our efforts to deliver environment friendly procedures and policies within our organization. Encourage staff members for avoiding of unnecessary wastage of resources such as excessive consumption of energy etc. Customers are also encouraged for installation of solar power system for their energy use and different financial products for solar power are also under consideration at FHM.

Customer protection measures

Our relationships with our customers depend upon trust. To retain this trust, we must set our customers' interest first while ensuring that all our customers are treated fairly according to the highest standards of service, transparency and responsible practices. We conduct our business in an ethical way guided by our core values of mutual respect, professionalism and commitment. Customer protection is an essential element of any financial system. It is not only important to protect existing customers but it also helps to boost confidence within the financial system for potential customer of future as well.

FHM is always committed to give best and secured services to its customers. Confidentiality and non-disclosure of the customer data is one of the strict guideline given by the management to the staff. The IT department has secured the data by using following techniques:

Only allow authorize staff access to the information required by them in order to discharge their day to day job responsibilities.

Encrypt any personal information held electronically that would cause damage or distress if it were lost or stolen.

Securely remove all personal information before disposing

of old computers (by using technology or destroying the hard disk).

Environment protection measures

It is our corporate objective to consume minimum natural resources and create low emission and waste. We also discourage those customers whose businesses are not environment friendly. FHM conscious on negative effect of waste and initiated following measures to minimize use of paper.

- Electronic documents managements system introduced to minimize printing of papers.
- Customers' correspondences being sent via e mails.
- Web based communication system has been started to communicate with customers and other stakeholders.
- Constantly raise staff awareness for paperless office concept and discourage unnecessary printing of documents.

Mitigating the adverse impact of industrial effluents

Our country is passing through with risk of shortage of water. This is an alarming situation within the country. FHM seeks to reduce the direct impact of its operations on the environment by creating awareness on the issues of water pollution and water preservation so as to deliver benefits to the community. We encourage our clients to avoid the release of effluent and industrial waste for the preservations of water resources and reduction of water pollution.

Complaint Management & Handling

All the complaints and feedback of customers and Modaraba Certificate holders have been managed through web portal of FHM. Designated staff members have access to this system so as to ensure that all complaints are immediately retrieved and addressed in proper manner. Our share registrar i.e., Central Depository Company (CDC) has also advised for quick and speed resolution of complaints and grievances of Certificate Holders of FHM.

Business ethics and anti-corruption measures

We believe that in financial institutions the ethics of employees play a very vital part for institutional reputation and sustainable development. Similarly, the ethical boundaries are also utmost important for our other stakeholders such as supplier, customer, investors and certificate holders.

FHM's Code of Ethics spells out the expected standards of behavior and sets the operating principles to be followed. Our Code of Ethics requires that it is necessary to ensure that the standards of behavior expected from Management and employees are followed to the letter and spirit. In this connection, FHM's Code of Ethics clearly stipulates the expected standard of behavior and the "Do's" and "Don'ts" the employees must observe. Further, the Code provides guidance on identification, follow up action and reporting of malpractices, if any.

At FHM we are fully committed to comply with local laws and regulations as well as applying a strict code of conduct to all employees. FHM convinced that ethical management is not only a support for effective responding to the rapid change to overall business environment but also a strong channel for building trust with its various segments of society.

For sustainable development and performance, we have developed following professional Code of Ethics which adhered and implemented at all levels. These principles have been guiding through our own practices. Comply with all applicable laws and regulations.

- Comply with Shariah governance.
- Be fair with investors and customers.
- Give transparent and timely information to our investors.
- Maintain confidentiality of customers' information.
- Do not encourage anti-environmental activities.
- Do not engage in speculative activities.

Equal Opportunity Employer

FHM is an equal opportunity employer and does not discriminate on the basis of race, gender, age or disability. The responsibility of the HR department is to ensure equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit and qualification. The management of FHM ensures that through its approved Code of Conduct the rights of all staff members are well defined and understood by each and every staff member.

Occupational Safety and Health

At FHM the health and well-being of our employees is one of our top priorities. The management has always tried its best to provide a congenial working environment to its employees, which includes Health & Safety aspects of its personnel. Creating a positive, healthy and a safe workplace environment is fundamental to ensure the wellbeing of our employees. This also supports us to curtail job absenteeism,

lower staff turnover and secure higher productivity levels in our operations.

We always encourage staff members for better life style and also adopt safety and preventive measures to minimize occupational injuries and illnesses. We believe that healthy employees will remain quality and productive assets of the institution. All staff members of FHM are covered under comprehensive insurance policies for life and medical.

Contribution to National Exchequer

Modaraba do contribute to national exchequer through withholding tax on dividend and profit payment, including huge purchase of financing assets such as motor vehicles, machineries and equipment. *(BCR 5.23)*

Corporate Social Responsibility

As a leading Modaraba within the sector, our business strategies are based on strong ethical foundation and concept of sustainable business to create maximum value for our stakeholders. Translating this believe our sustainability model is surrounding within our People, Organization and Planet.

Accordingly, we have aligned our Corporate Social Responsibility (CSR) initiatives to deliver on this commitment, and enhance community empowerment and responsible environmental management in a sustainable manner. organization working for improvement educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education in under privileged members of society.

FHM, being a socially responsible corporate entity, has been a regular contributor to the society and communities. It has been our primary concern to ensure that contributing to community development should be continuously carried out.

Social initiatives

Research & Development Initiatives:

It involves the systematic study of societies and social relationships. It aims to understand patterns, behaviors, and the impact of various factors on communities. It also focuses on applying research findings to create and implement programs and policies that drive social progress. Overall, social research and development initiatives are crucial for driving progress and creating a more equitable and just society.

Employment Generation:

Employee generation as a social initiative refers to efforts and strategies aimed at creating employment opportunities and fostering economic development.

Community Health & Education:

Community health and education are deeply interconnected fields that focus on improving the well-being and quality of life. Also;

- To reduce health disparities.
- To promote healthy lifestyles.
- To improve access to healthcare.
- To empower individuals with knowledge and skills.

Health & Safety of Staff:

Staff Health Benefits:

Provide comprehensive health insurance coverage that includes physical, mental, and emotional health services.

Emergency Preparedness:

Develop and regularly update emergency response plans for situations such as fires, natural disasters, or medical emergencies.

Foster Work-Life Balance:

Encourage staff to take regular breaks and use their allotted vacation time.

Positive Work Culture:

Fostering a supportive and inclusive work environment.

Work-Life Balance:

Encouraging a healthy balance between work and personal life through flexible work schedules and leave policies.

Environmental initiatives

Climate change mitigation involves efforts to reduce or prevent the emission of greenhouse gases (GHGs) in order to limit the extent of global warming. The "3Rs" stand for Reduce, Reuse, and Recycle, which are key principles of waste management and sustainability. These principles aim to minimize waste, conserve natural resources, and reduce environmental impact.

1. **Reduce:** Reducing involves cutting down on the amount of waste generated. It focuses on minimizing consumption and the use of materials.
2. **Reuse:** Reusing involves finding ways to use items multiple times before discarding them. It extends the life of products and materials.
3. **Recycle:** Recycling involves processing used materials into new products to prevent waste and reduce the consumption of fresh raw materials.

We can adopt various strategies to reduce pollution, depletion, and degradation of natural resources.

- Implement energy-efficient technologies and practices to reduce energy consumption.
- Implement water-saving technologies and practices.
- Implement lean manufacturing techniques to minimize waste.
- Establish recycling programs for materials like paper, plastic, and metals.
- Support local environmental education and awareness programs.

This not only helps in protecting the environment but also enhances the modaraba's reputation, reduces costs, and ensures compliance with regulations.

Technological innovation

A. Green Technologies:

- Invest in research and development of green technologies and processes.
- Implement innovations that reduce environmental impact, such as low-emission machinery and sustainable packaging solutions.

B. Digital Transformation:

- Use digital tools and data analytics to optimize resource use and reduce waste.
- Implement smart systems for energy management and process optimization.

Sustainable Resource Management: (Materials, Energy, Water, and Emissions)

- Identify the sources of materials (e.g., recycled, renewable).
- Establish programs to recycle and reuse materials within the production cycle.
- Identify the sources of energy (e.g., electricity, natural gas, renewable energy).
- Measure water usage in all areas of operation, including production processes, cooling systems, and sanitation.
- Identify sources of water (e.g., municipal supply, groundwater, rainwater harvesting).

Compliance of the **Corporate Social Responsibility** (Voluntary) Guidelines, 2013

CSR includes bringing value to the community and generating a positive impact

Corporate social responsibility (CSR) is a self-regulating business model that helps modaraba be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

To engage in CSR means that, in the ordinary course of business, modaraba is operating in ways that enhance society and the environment instead of contributing negatively to them.

Businesses can no longer operate with the sole aim of making profits at the expense of the environment, society, economy, consumers and employees. Companies need to consider how they can give back to society, and this can help you attract customers and keep your best employees. Customer satisfaction and employee retention are the keys to any successful business, after all.

We live in a world where social responsibility is a critical factor in how employees choose where to work and where consumers decide to spend their money. Understanding the impact, they have on the world around them has never been more important for large corporates.

But more than that, in order to stand out in a positive light, they need to implement and commit to a program of social activities.

What makes their CSR activities truly inspiring is their employee involvement and the emphasis on long-term, sustainable solutions. By engaging their workforce in volunteer programs and encouraging innovative approaches, they've created a culture of social responsibility that permeates every level of the organization.

In this year, our HR Team and management have performed various CSR Activities. Their all visits were very impactful. Their commitment to creating a better world has left a permanent mark on the communities they serve and is a source of inspiration for others in the financial corporate world seeking to make a meaningful difference.

A visit to Burns Centre



A visit to The Kidney Centre



A visit to Husaini Haematology and Oncology Trust



A visit to Bait Ul Sukun





Annual Staff Conference

Annual Conference was successfully done by FHM throughout the network on July 27, 2024. All the staff had fully participated in that event and there were so many surprises and other announcements had done by the senior leadership for their employees' motivation and encouragements. Last year we had some phenomenal celebration of our Annual Meeting and this time we came up with more surprises and value added segments for our staff motivations with different announcements and monetary benefits like announcements of additional bonus, inflationary allowances, performance awards, promotions. We are thankful to all the staff for not only their support but also their participation and showed full excitement till the end. As a way forward the team of FHM should give full dedication and commitment for further growth and progress of FHM.





WOMEN'S DAY CELEBRATION

Educate, elevate, empower women. - Celebrating International Women's Day.

The International Women's Day celebration at FHM was a powerful event focused on empowerment, appreciation, and unity. Female staff from various branches joined virtually, and Director Dr. Irum Saba shared her inspiring journey, emphasizing the importance of women's participation and advocating for workplace equality. Department heads and Branch Managers also highlighted women's crucial role, fostering solidarity. Dr. Saba's thoughtful gift baskets left a lasting impact.



Employee Engagement Activities

"Breast Awareness Session at FHM"

with the collaboration of Pink Ribbon Pakistan

Recognizing the importance of health education, the FHM took proactive steps to empower its female employees with knowledge about breast cancer prevention, early detection, and treatment.

Dr. Irum Saba, one of the directors of FHM, was invited as the chief guest to share her insights. The session was conducted by Dr. Shahzadi, a healthcare professional and expert, aimed to dispel myths, raise awareness, and encourage regular screenings for early diagnosis. All the female staff of FHM has participated in the session. Outstation female staff joined the session online. The session was very effective and worth taking for every female.



EID GIFTS DISTRIBUTIONS

FHM embraced the spirit of this Eid-ul-Fitr 2024 by spreading joy and happiness to every corner of our organization. Recognizing the importance of fostering a sense of community and appreciation among our employees, HR team organized a special Eid Gift Distribution across all branches.

We believe that such gestures not only strengthen employee morale but also foster a sense of belonging and unity within our team. We are committed to continuing such initiatives that uphold our values of care and appreciation.



Certifications for best Sustainability and CSR practices

FHM views corporate social responsibility as a business approach that contributes towards sustainable development through inspiring economic, social and environmental benefits for the community. Being a good corporate citizen is part of the Modaraba's core values.

Despite of not acquiring any certification related to CSR, FHM is always keen to adopt best CSR for maintaining in Health, Safety and Environment within its own operations. In addition, supporting causes that focus on social upliftment remain a focus area for the Modaraba through which it supports various communities in Pakistan.

Our key areas of interests in this connection include but are not limited to environment protection, education, health and social development of the society through charity & the charity amount is increasing year by year. Key initiatives supported by the Modaraba included:

1. Promoting Gender Diversity:

- We are dedicated to achieving gender balance across all levels of our organization, including leadership roles.
- We strive to create an environment where all employees, regardless of gender, have equal opportunities for career advancement and development.

2. Fostering an Inclusive Culture:

- We are committed to creating an inclusive culture where differences are celebrated, and all employees feel a sense of belonging.
- We promote a workplace free from discrimination, harassment and bias, ensuring that all employees are treated with dignity and respect.

3. Encouraging Diverse Perspectives:

- We value diverse perspectives and encourage open dialogue and collaboration among our employees.
- We believe that diverse teams lead to better decision-making and innovative solutions.

4) Human resource management including preparation of succession plan.

- Attract and hire the best talent to meet current and future business needs.
- Foster continuous learning and professional growth among employees.
- Implement a robust performance appraisal system with regular feedback and reviews.

- Set clear, measurable goals and expectations for employees.
- Identify critical roles within the organization that require a succession plan.
- Identify and develop high-potential employees to fill key positions in the future.
- Establish a formal process for succession planning and ensure it is regularly updated.
- Monitor the effectiveness of the succession planning process and make necessary adjustments.

5) Modaraba's approach to managing and reporting policies like procurement, waste and emissions.

Managing and reporting on policies like procurement, waste, and emissions is crucial for a modaraba's sustainability and compliance strategies. Below are the typical approaches:

- **Sustainable Sourcing:** Prioritize suppliers that adhere to environmental and social standards. Implement policies that favor products made from sustainable materials or that have lower environmental impacts.
- **Supplier Code of Conduct:** Develop and enforce a code of conduct that suppliers must follow, covering labor practices, environmental standards, and ethical behavior.
- **Risk Assessment:** Regularly assess the environmental and social risks associated with the supply chain and take steps to mitigate these risks.
- **Transparency and Traceability:** Ensure that the origins of raw materials are traceable and transparently reported.
- **Waste Reduction:** Implement strategies to minimize waste generation at the source. This can include redesigning processes, using less packaging, and encouraging the reuse of materials.
- **Recycling and Reuse:** Establish programs to recycle and reuse materials whenever possible. Partner with recycling companies and educate employees about proper waste segregation.
- **Waste Audits:** Conduct regular audits to identify types and amounts of waste generated, then use this data to improve waste management practices.

By adopting these approaches, modaraba can effectively manage and report on their procurement, waste, and emissions policies, contributing to sustainability and regulatory compliance while enhancing their reputation.

Social Initiatives such as Research And Development Initiatives, Employment Generation, Community Health And Education, And Health And Safety Of Staff Etc.

Research & Development Initiatives:

It involves the systematic study of societies and social relationships. It aims to understand patterns, behaviors, and the impact of various factors on communities. It also focuses on applying research findings to create and implement programs and policies that drive social progress. Overall, social research and development initiatives are crucial for driving progress and creating a more equitable and just society.

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Encourage staff to take regular breaks and use their allotted vacation time.

Positive Work Culture:

Fostering a supportive and inclusive work environment.

Work-Life Balance:

Encouraging a healthy balance between work and personal life through flexible work schedules and leave policies.

Environmental initiatives like climate change mitigation etc. by focusing on 3R's (Reduce, Reuse & Recycle) and how does the modaraba reduce pollution, depletion and degradation of natural resources;

Climate change mitigation involves efforts to reduce or prevent the emission of greenhouse gases (GHGs) in order to limit the extent of global warming. The "3Rs" stand for Reduce, Reuse, and Recycle, which are key principles of waste management and sustainability. These principles aim to minimize waste, conserve natural resources, and reduce environmental impact.

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- Implement lean manufacturing techniques to minimize waste.
- Establish recycling programs for materials like paper, plastic, and metals.
- Support local environmental education and awareness programs.

This not only helps in protecting the environment but also enhances the company's reputation, reduces costs, and ensures compliance with regulations.

Technological innovation such as contributing to sustainability (i.e. energy-efficient processes or eco-friendly product designs);

A. Green Technologies:

- Invest in research and development of green technologies and processes.
- Implement innovations that reduce environmental impact, such as low-emission machinery and sustainable packaging solutions.

B. Digital Transformation:

- Use digital tools and data analytics to optimize resource use and reduce waste.
- Implement smart systems for energy management and process optimization.

Information on consumption and management of materials, energy, water, emissions and waste.

- Identify the sources of materials (e.g., recycled, renewable).
- Establish programs to recycle and reuse materials within the production cycle.
- Identify the sources of energy (e.g., electricity, natural gas, renewable energy).
- Measure water usage in all areas of operation, including production processes, cooling systems, and sanitation.
- Identify sources of water (e.g., municipal supply, groundwater, rainwater harvesting).

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Board statement of its commitment to establish high level of ethics and compliance in the modaraba.

Statement of Commitment

The Board of Directors are unwavering in its commitment to upholding the highest standards of ethics and compliance throughout our organization. We believe that ethical behavior and adherence to laws and regulations are foundational to our modaraba's success, reputation, and sustainability.

Core Principles

- Integrity
- Respect
- Trust
- Responsibility
- Commitment
- Teamwork

Commitment to Ethical Conduct

- **Leadership by Example:** Our Board and executive leadership team are committed to setting the tone at the top by exemplifying ethical behavior in all our dealings.
- **Code of Conduct:** We have established a comprehensive Code of Conduct that outlines our expectations for ethical behavior. This Code applies to all employees, officers, and directors, and it is regularly reviewed and updated to address evolving standards and practices.
- **Training and Education:** We provide ongoing training and education to ensure that our employees understand and adhere to our ethical standards and compliance requirements. This includes regular updates on changes in laws and regulations relevant to our business.
- **Reporting and Whistleblower Protections:** We maintain a robust system for reporting of unethical behavior or compliance concerns. Employees and other stakeholders can report issues confidentially and without fear of retaliation. We investigate all reports promptly and take appropriate action.

Commitment to Compliance

- **Regulatory Adherence:** We are dedicated to complying with all relevant laws and regulations. Our compliance programs are designed to prevent, detect, and respond to potential violations.
- **Internal Controls and Audits:** We have implemented stringent internal controls and conduct regular audits to ensure compliance with legal and regulatory requirements. These audits help identify areas for improvement and ensure continuous enhancement of our compliance framework.

Continuous Improvement

We recognize that maintaining high standards of ethics and compliance is an ongoing process. We are committed to continuous improvement through:

- **Feedback and Engagement:** Actively seeking feedback from stakeholders to identify areas for improvement.
- **Benchmarking:** Regularly benchmarking our practices against industry standards and best practices.
- **Innovation:** Embracing innovative approaches and technologies to enhance our ethics and compliance programs.

Performance Evaluation of the Board

The key purpose of Board of Directors is to ensure the organization's prosperity by collectively formulating strategies and policies on the affairs of the organization in the best interest of its shareholders and stakeholders. The Board sets the institution's strategic aims and providing the leadership for effective functioning and operational working of the organization. An effective Board needs to monitor and improve its performance. It can only be achieved through its evaluation which can be judged through implementation of strategic objectives, satisfactory function and performance of the institutions.

The Board of Directors evaluates its performance by looking at the overall performance of the Modaraba and sets the following criteria.

- How Board effectively fulfilled their responsibilities during the trouble period of Pandemic?
- How Board supported and guided well to the management of FHM in difficult time of business?
- Is the composition of the Board appropriate, having the right mix of knowledge, expertise and skills to maximize performance?
- How well the Board exercises its role ensuring that the organization supports and upholds the vision and mission, core values etc.?
- Is the policy framework of the Modaraba developed appropriately?
- What has been the Board's contribution towards developing strategies / review of strategies presented by the Executive Management and satisfying themselves of its appropriateness to the strategic objectives & the laid down goals & sub goals?
- Is the board able to make timely strategic decisions ensuring operations are in line with strategies?
- Is the information provided to the Board appropriate, accurate, timely and unbiased?
- Has the Board ensured timely and accurate disclosure on all material information?
- What has been the Board's contribution in ensuring robust and effective risk management?
- Is the Board effective in adherence to the code of conduct?
- Is the information provided to the Board appropriate, accurate, timely and unbiased?
- Is the Board as a whole, up-to-date with latest developments in the regulatory environment?

- Has the Board ensured that internal control is robust with automated internal control as far feasible and the audit function is conducted in an effective manner?
- Is the Board effective in adherence to the code of conduct?
- Does the Board have a Chairman, who plays his role in ensuring adequate and constructive discourse and debate on important matters, conflict resolution, leadership qualities etc.?
- Are the Board procedures conducive to effective performance and flexible enough to deal with all eventualities?
- Has the attendance of Directors, quality of contribution and preparedness for agendas been adequate?
- Does the Board ensure that Board Committees Chairmen update the Board appropriately of the discussion & decisions taken?

Performance Evaluation of the Chief Executive Officer

The Chief Executive Officer (CEO) is the officer who has ultimate management responsibility for an organization. He is responsible for leading the development and execution of the modaraba's short term and long term strategy with a view to creating shareholder value. The CEO manages the day to day affairs of the organization through his designated team and report directly to the Board of Directors.

On the performance evaluation of the CEO, the Board has considered the following:

- Does he ensure that FHM's resources and budgets are aligned with the implementation of the Modaraba's strategic plan?
- Does he possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the Modaraba's prosperity and operations?
- Does he establish an effective organization structure to ensure management's focus on key functions?
- Were the financial/business targets set by the board achieved?
- Does he timely and effectively execute strategies set by the Board? and
- Has he served as an effective representative while communicating with all the stakeholders?

- Has he developed clear mission statement, policies, and strategic plans that harmoniously balance the needs of all the stakeholders?

Assessment of Board of Directors for CEO for FY 2023-24

Alhamdulillah, performance of financial year 2023-24 remained remarkable and all key targets have not only been achieved but also increased with good margins. It is observed that above year proved to be one of the best and exceptional years in the operational history of First Habib Modaraba (FHM) in terms of performance, disbursement, profitability and overall business growth.

Total disbursement during the year touched to Rs.15.2 billion which is the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.26.4 billion as compared Rs.20.5 billion of last year. Significant increase in profitability was also made. Profit before tax increased by 55% i.e., from Rs.771 million to Rs.1,197 million for the period ended June 30, 2024. Our fund mobilization has also reached to Rs.19.4 billion as compared to Rs.14.5 billion of last year with growth of around 34%. Our Karachi branch has made significant contribution for overall disbursement during the and contributed around 56% followed by Lahore, Islamabad and Multan branches.

The key performance indicators during year 2023-24 were as follows:

- 29% growth in Balance Sheet size
- 41% growth in yearly disbursement
- 31% growth in total financing assets
- 55% growth in profit before tax
- 34% growth in Fund Mobilization

On above remarkable performance, Board has shown their great satisfaction on performance evaluation of the CEO which covers quantitative as well as qualitative aspects conducted on said parameters. The team of FHM has done well in terms of new and repeat business engagement

including excellent management of receivables of monthly installments under the leadership of Mr. Muhammad Shoaib Ibrahim, CEO of FHM. The all key business targets have been achieved and size of balance sheet reached to Rs.26.4 billion which the highest since the inception of FHM.

Independent Director

All the independent directors on the Board are selected in accordance with the compliance of The Companies Act, 2017 in Section 166 which directs that an independent director to be appointed shall be selected from a data bank maintained by Pakistan Institute of Corporate Governance - an institute notified by the Commission.

The name of Independent Directors on the Board are as follows:

- Syed Rasheed Akhter
- Mr. Saeed uddin Khan

Use of external search consultancy in appointment of chairman or non-executive director

During the year no Chairman or Non-executive director was appointed on the Board. Therefore, no external search consultancy was required in this regard.

FHM's Dividend Policy

FHM has a Dividend Policy in accordance with the Companies Act 2017 and in compliance with the Companies (Distribution of Dividend) Regulations, 2017 issued by Securities and Exchange Commission of Pakistan.

It reflects Modaraba's objectives to share earnings with Certificate holders after retention of sufficient funds for future growth. (BCR 5.12(k))

Board's policy on diversity

We embrace and encourage our employees' differences in age, color, ethnicity, family or marital status, gender identity or expression, language, national origin, religion, socio-economic status, other characteristics that make our employees unique. The Modaraba believes that a diverse workforce plays a very significant role in enhancing efficiency at all levels of the organization. FHM has a firm belief that diversity is an important factor in contributing to the Modaraba's success as people with unique characteristics in terms of gender, knowledge, expertise and skills set add value and help the organization to achieve its goals. Diversity and inclusion are the foundation for the Modaraba's code of conduct and culture.

(BCR 5.12(b))

Role of Chairman and Chief Executive Officer

Role of the Chairman

The Chairman is responsible for the leadership of the Board and act as a liaison between the management and the Board. The Chairman of the Board has a responsibility to lead the Board and ensure its effective functioning and continuous development. Besides, he has responsibility of effective performance of the Board and maintenance of cordial and conducive relationship between the directors.

The principle role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The concept of separation of the role of the Chairman from the role of CEO implies that the Chairman should be independent from management and free from any interest or other relationship which could interfere with the Chairman's independent judgment. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate. More specifically, the duties and responsibilities of the Chairman are as follows:

Chairman

In last meeting of Board of Directors, Syed Rasheed Akhtar resigned from Chairman position and as a member of audit committee due to his health issue. However, he continues to serve as Director of the company. In his place Mr. Mohamad Shams Izhar appointed as Chairman of the Board being senior members within the Board. Mr. Shams is seasoned banker and carrying diversified banking experience of local and international banking. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control.

Being a Chairman of Board he is responsible for:

- Leads the Board and also act as a liaison between management and the Board.
- Ensure effective and efficient manner of the Board proceedings in conformity with best Practices of the Code of Corporate Governance.
- Ensure that the Board is properly working and all matters relevant to the effective functioning of the institution are placed.
- Ensure effective operations of the Board and its committees.
- Make sure that the board focuses on its key tasks.

(BCR 5.02)

- To promote the highest standards of corporate governance.
- To coordinates with Committees to ensure that appropriate policies and procedures are in place for the effective management of the affairs of the Management Company and FHM.
- To make sure better communication between Modaraba Certificate holders and investors with the management of FHM. (BCR 5.12(j))

Chief Executive Officer

Mr. Muhammad Shoaib Ibrahim is the Chief Executive Officer of the Modaraba. He has an extensive experience of Islamic banking and finance.

Being CEO he is responsible to manage the business of Modaraba within the authorities delegated by the Board. His responsibilities are set out as follows:

- To manage day to day affairs of Business.
- To implement long term strategic plan, goal and objective.
- To make Shariah governance within the operation.
- To take care of health safety issues of staff members.
- To Enable Board of Directors to fulfill its governance functions.
- Recommend corporate strategy to the Board and after its approval ensure its implementation accordingly.
- Lead the management committees in an efficient manner.
- Maintain market presence and profitability.
- Evaluate asset utilization and for redeployment in prudent manner.
- To make sure of best utilization of FHM's resources.
- To make sure strong compliance culture and internal control within the organization.
- To make available proper working environment for all staff members.
- To manage human resource for smooth working of organization.
- Effective coordination with regulator for implementation of proper regulatory framework within organization.

How the Board Operates

The meetings of the board of directors are held quarterly to decide the matters which requires Directors' approvals. Further, if a decision on any matter is required to be made on an urgent basis and it is not practicable to arrange a meeting, such matter is decided based on through a resolution by circular duly signed by each Director , which is then presented in the next Board meeting for ratification.

The Board members ensure that they fulfill all responsibilities assigned to them as required under applicable laws and regulations and there are appropriate arrangements for adhering to them. Moreover, the Board places more attention on investments, business expansion, internal control & risk management, shariah governance, review, and approval of policies.

Decisions taken by the Management

All day to day operations are handled by the management team under the supervision of the CEO with a focus on the business plan and guidelines given by the Board. Management team performs duties within the powers delegated to them.

The management team sometimes as and when comes across situation where they need guidance of superior authority. The CEO refers those matters to the Board of Directors who suggests the way to resolve. *(BCR 5.03)*

Description of external oversight of various functions taken to enhance credibility of internal controls and systems

The FHM Management has always been keen to strive for the betterment of internal control function and key operational areas. In order to stay abreast & aligned with best practices and to keep have an external oversight on these critical areas, we time to time engage the Parent Bank to analyze and evaluate key operational functions and deliver identify the potential areas of for improvement.

The Modaraba is subject to a review of internal controls in its Information Technology (IT) systems by external specialist's i.e., the IT team of external auditors and review of compliances by M/s. BDO Ebrahim and Co. *(BCR 5.10)*

Related Parties Policy

All related party transactions or arrangements that require Board approval irrespective of the amount or nature (i.e. either on arm's length basis or otherwise) and irrespective of amount must be placed before the Audit committee for their review in accordance with modaraba's policy and upon recommendation of Audit Committee placed before the board of directors for their review and approval.

All related party transactions and information have been appropriately disclosed in note no.4.19 & 32 of the Financial Statements, including the name, basis of the relationship, percentage holding, nature, and amount.

All transactions with related party that are in normal course of business are conducted on an unbiased basis. All related party transactions are placed before the Audit Committee for review and upon recommendation of the Audit Committee place before the Board of Directors for their review and approval. *(BCR 5.11(a,d))*

There is no interest of any director in any related party transactions *(BCR 5.12(c))*

There is no case of conflict which requires specific disclosure *(BCR 5.11(e))*

Board's Performance Evaluation by External Consultant

First Habib Modaraba has conducted an annual evaluation of its Board of Director's, Board Committees, and individual Board Members performance in the year 2023. The modaraba hired Pakistan Institute of Corporate Governance (PICG), an independent external evaluator, to guarantee the evaluation's objectivity and impartiality.

As part of the assessment procedure, questionnaires for performance evaluations were created and distributed to pertinent Board Members. The external evaluator then gathered, compiled, and examined the survey replies to produce the final report.

Each Board Committee's performance was evaluated in accordance with its distinct mandates and duties. Each Board Member's unique performance was also assessed according to how they contributed to the discussions and decision-making of the Board.

All things considered, the performance assessment carried out by PICG offered insightful information about the strengths and weaknesses of the Board, Committees and Individual Members which helped in the evaluation of the Modaraba.

Internal Control

The FHM has developed a sound mechanism for identification of risks and assigning appropriate criticality level and devising appropriate control/ mitigation measures which are regularly monitored and implemented by the management across all major functions of the FHM.

Internal control is considered as a backbone for any institution's sustainability, and effective control ensures that policies, procedures and processes are implemented as desired by the management, with increase in governance structure throughout financial sector which is considered pivotal for having strong and effective internal control mechanism in place.

The effectiveness of internal control embedded in the design of the system itself enhances the reliability of the control mechanism, for which deep thought process is needed to encompass with all the necessary vulnerability in order to detect any such risk. The management of FHM is always very keen in establishing a system of control in order to safeguard the interest of the entire stakeholders whether they are Regulators, Certificate Holders, Investors or Customers.

The FHM management is always keen and strive for the betterment of Internal Control Function and it demonstrated through inducting qualified resource and updating standing operating procedure to tackle against any risk and threat. Further, management has more focus on IT governance so that any IT breach can be handled proactively. The core objectives of internal control function are as follows:

- All policies are reviewed and updated.
- Ensure that all required policies and procedures are in place & adhered to.
- Effective reporting throughout the organization.
- Effectiveness, continuity and efficiency of operations.
- Board receives financial reports on regular interval.
- Board focuses on goals and results.
- Reliability of financial reporting with accuracy.
- Safeguard assets and resources of FHM.
- Assessment to ensure compliance with the code of ethics and corporate governance.

FHM has the vision to establish and maintain a strong control & compliance culture. The compliance department is equipped with the desired resource for effective implementation of compliance and is aligned with FHM core objective, the proactive mechanism inbuilt for smooth



functioning of operations and ensures compliance of all regulatory and other statutory requirements.

All significant and material findings of the internal and external auditors as well as observations of the regulators are addressed on priority basis by the management. Senior management team, through different management sub-committees, monitors resolution/compliance of issues identified by the compliance department, internal audit department and statutory auditors as well.

FHM has developed internal policies and procedures with specific emphasis on KYC, FATCA, CRS, AML & CFT and Shariah compliance mechanism. The internal audit function independently appraises and assess the adequacy and effectiveness of the control activities across the FHM as well as to ensure implementation and compliance with all the prescribed policies and procedures.

All significant and material findings of the internal audit reviews are reported to the Audit Committee of the Board of Directors. The Audit Committee as per the directions actively monitors control implementation to ensure that identified risks are mitigated to safeguard the interest of the institution and all stakeholders.

Human Resource Management

There is an increasing emphasis on Human Resource Department (HRD), which involves training and development programs aimed at enhancing employee skills, performance, and productivity. The higher management of FHM are also investing in leadership development, talent management, and employee engagement strategies. These efforts, contributed significantly towards improved performance in a healthy and competitive environment. Our people assure to deliver the best to the stake holders which is reflected in the accomplishment of targets year-on-year. The team is working hard with a high degree of commitment so that we deliver at the optimum.

Organizational Development:

We emphasize and encourage the rapid changes due to technological advancements, globalization, and socio-economic shifts. As a result, there is a growing need for effective change management practices to help organizations adapt and thrive in dynamic environments. This includes fostering a culture of innovation, flexibility, and continuous improvement.

Communication & Cultural Diversity:

Creating a positive organizational culture is essential for growth and sustainability. FHM is increasingly recognizing the importance of fostering an inclusive, diverse, and collaborative work environment. Efforts are being made to align organizational values with the overall mission and vision.

Inclusive Policies: We promote diversity by implementing inclusive policies that encourage equal opportunities, fair treatment, and respect for all.

Encouraging Communication: Open communication can help bridge cultural gaps and foster mutual respect and understanding.

FHM is committed to providing equal opportunity to all employees without any discrimination on the basis of religion, race, gender, age, disability etc. Our goal is to have a pluralistic culture that welcomes induction of people with diverse backgrounds at all levels. We always value and promote employee involvement and interaction. Since last many years, our only motive is to promote merit culture & onboarding only deserving candidates so that the staff and us can grow together

Valuing Cultural Diversity

We acknowledge that all cultural expressions are valid & value what cultures have to bring to the table.



Merit Based Recruitment

Fairness and Equality: It ensures that all candidates have an equal opportunity to compete for a position based on their merits alone, regardless of their background or connections.

Quality of Workforce: By focusing on qualifications and skills, organizations can potentially hire individuals who are best suited for the job, leading to a higher quality workforce.

Motivation and Morale: Employees hired through merit-based processes often feel more motivated and valued, knowing they were selected based on their abilities rather than other factors.

Long-term Benefits: Employees hired based on merit are likely to contribute effectively to the organization's goals, fostering long-term success and growth.

Performance based appraisal system

We have been implementing an effective performance evaluation system which is based on quarterly assessment and employee are rewarded and promoted with the fair assessment on yearly basis. The primary purpose of performance evaluation is to measure and appraise the effectiveness, efficiency, and quality of someone's work or contributions. It helps in determining strengths, areas for improvement, and developmental needs.

Promotion, reward and motivation:

Promotion:

The criteria of the promotion in FHM is purely on fair & merit basis and it is also linked with the performance evaluation of the employee throughout the year. The management of the FHM always emphasizes to promote their employees

Rewards:

Rewards such as bonuses, salary increases, performance recognition awards on annual basis & non-monetary perks (employee recognition such as employee of the quarter, outstanding performer etc.) are used to incentivize and reinforce desired behaviors and outcomes.

Motivation:

FHM Provides opportunities for training, skill development, and career advancement can motivate employees by showing them that we are investing in their future. A supportive and inclusive workplace can significantly impact motivation. This includes fostering good relationships among colleagues, maintaining a healthy work-life balance, and ensuring a comfortable work environment.

Talent Management & Succession Planning:

Succession Planning continues to be a key priority for the HR department to ensure staff development and to maintain leadership continuity. With a strong belief in developing a proactive approach.

We continue to invest in the development of people at all levels. We have developed several programs from senior management to junior levels for employees to add value to their existing role, simultaneously to prepare for challenges of higher roles & responsibilities.

People from junior levels are provided with a continuous development & career progression opportunity for growth and better personnel development, because we believe employees at FHM are assets and are the brand ambassadors of FHM in

the market. Also, Employee retention approach goes parallel with the succession planning

Training & Development:

Needs Assessment : Identify skills gaps and training needs through employee surveys, performance reviews, and industry trends. This ensures that the training provided is relevant and impactful.

Set Clear Objectives: Define what you want to achieve with your training programs. Objectives should align with both individual career goals and organizational goals.

Develop a Training Plan: Create a structured plan that outlines the training methods, materials, schedule, and evaluation criteria. Tailor the plan to address specific needs and preferences.

Use Diverse Training Methods:

- On-the-Job Training: Hands-on experience where employees learn by doing.
- Formal Education: Workshops, seminars, or courses led by experts.
- Tutorials: Modules and tutorials that offer flexibility and convenience.
- Mentoring and Coaching: One-on-one guidance to support personal and professional development.
- Job Rotation: Allowing employees to work in different roles or departments to gain a broader understanding of the organization.

Gender and race diversity:

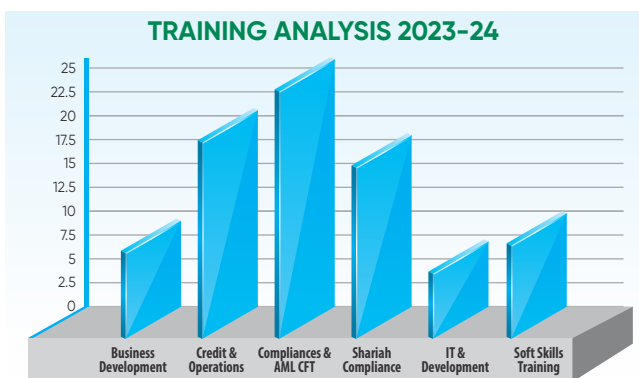
FHM strives for gender balance at all levels of the organization also in leadership roles. Set measurable diversity goals and track progress.

Employee engagement /feedback

We encourage employee engagement activities and encourage that all the employees should participate in such activities so that they can easily indulge with the culture of FHM and also work more productively as a team. Also every year, we conduct a town hall meeting in which we encourage 100% participation of all of our staff members.

Employee Health, Safety & Protection

The most important tasks of HR department is to make sure the health & safety of staff members. In this regard, we are continuously providing best health facilities to staff by engaging the top renowned insurance companies of Pakistan. (BCR 5.12(m))



Social and Environmental Responsibility

FHM having the ambition to serve the community with great professionalism and zeal has been always emphasizing on following areas for better environment and sustainability.

FHM, being a socially responsible corporate entity, has been a regular contributor to the society and communities. It has been our primary concern to ensure that contributing to community development should be continuously carried out.



Since last several years FHM has been donating to the non-profit organization, working for improvement educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education in under privileged members of society.

- Strong internal controls are one of the main corporate objectives. FHM promote sound ethical practices within the modaraba.
- The staff members with Risk & Reward concept.
- Contribution on social community projects by staff members which are indeed a catalyst for any good corporate institution.
- Encourage staff members for avoiding of unnecessary wastage of resources such as excessive consumption of energy and paper printing etc.
- Motivate staff members for participation in activities which are beneficial for better environment at large.
- In order to keep customers' interest safe, FHM, from time to time address their grievances feedback and regular visits.
- FHM encourage equal opportunity employment without any discrimination whether it is gender or any disability. We believe that every human mind having talent which can be benefited to the institutions.
- Health and safety always remain an utmost concern of the management of FHM. Within the HR policy, the staffs of FHM are covered under health and group life insurance/takaful policies with renowned insurance/takaful companies.

Employee health, safety and protection.

Guidelines:

- To provide safe and healthy working conditions for FHM employees; and contractors of all businesses in which we invest and to safeguard the health and safety of any person who has dealings with the businesses. The FHM shall require all its Branch Managers to apply the legally enforceable standards in its offices.
- The FHM shall require all of its staff to follow stated / published best practice in relation to health and safety. FHM shall only invest in businesses which comply with local health and safety law as a minimum; and assess the specific risks arising from work activities and introduce measures to eliminate or reduce those risks.

Tools that are available in the premises which come under the Safety & Protections of staff across the network

- A well maintained CCTV system installed across the network.
- Fire alarm system is installed at every premises of FHM.
- Fire extinguisher system is installed at every premises of FHM.

Investors' Grievance Policy

First Habib Modaraba is strongly committed to equitable treatment of every certificate holder, whether they are major or minority certificate holders, Institutional investors, or foreign certificate holders. We treat all customer complaints as opportunities

to better understand what is important to our customers and to drive service improvement priorities. Complaint redressal is supported by a review mechanism, to minimize the recurrence of similar issues in future.

FHM is well focused on redressing investor grievances and ensure that appropriate mechanism exists for receiving and addressing complaints from our customers/investors in good manner and in shortest possible time. We believe that Investor service is an important segment for sustained business growth and it is our corporate motto that our investors must receive exemplary service across different areas of operations. Prompt and efficient service is essential to retaining existing relationships and investor's satisfaction.

Under the policy, FHM ensures that;

- Investors must be treated fairly at all times.
- Complaints raised by investors must be dealt with courtesy and in a timely manner.
- Grievance, if any, shall be resolved in a proper and time bound manner with detailed communication to relevant complainer.
- In case the resolution needs time, an interim response acknowledgment shall be issued.
- All the staff members of FHM work in good faith and without prejudice towards the interests of the investors.
- To timely address any untoward incident, FHM has a well-functioning grievance mechanism that proves a transparent and credible process resulting in outcomes that are seen as impartial, effective and durable. Through this initiative FHM is able to reduce investment risks, provide an effective avenue to express and resolve concerns, thereby substantiating positive relationship.



Grievance Redress Handling Mechanism

- Handling of all the investor grievances of the Modaraba is a centralized function and is being handled by the respective department at Head office.
- FHM has made arrangement of compliant box in each branch for any kind of complaint regarding Modaraba's activity.
- Compliance Department assists internal and external customers in resolving long standing complaints and issues and ensures that customer service standards are maintained and upgraded.
- An email id has been assigned where the investors can make complain and same is monitored by the designated department on regular basis.
- Any serious complaint must be bring into the knowledge of senior management & CEO of FHM as well.

Whistle Blowing Policy

An important aspect of accountability and transparency is a mechanism to facilitate all individuals to raise their concerns internally in a responsible and effective manner when they discover information which they believe that such practices are not good or damaging for institution.

A whistleblower as defined by this policy is an employee of FHM who reports an activity that he/she considers to be illegal or dishonest and can harm to the institution. The whistleblower is not responsible for investigating the activity or for determining fault or corrective measures rather appropriate management officials are charged with these responsibilities.

FHM having its corporate objective to work in most transparent manner, address the needs of each and every staff in fulfilling his or her official duties. Since beginning the culture of openness and freedom of speech is well functional at all level of FHM. Senior management having direct relationship with each and every staff and any grievance directly understand by top tier and prompt action taken accordingly.

Key elements of our Whistle Blowing Policy are highlighted below:

- All disclosures are required to be made in writing.
- All disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation.
- All staff members are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.
- Disciplinary action may be taken against the wrongdoer dependent on the results of the investigation.

There are no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

FHM is committed to continually operate at the highest standards of conduct as the trustees of investors' funds and it is our core value to serve our community with integrity and honesty. We endeavor to earn and uphold the trust of all our stakeholders by serving and dealing with them ethically and professionally by adhering all applicable laws and best business practices.

Whistle Blowing Mechanism

The Board has developed the Whistle Blowing Mechanism in line with the requirements of the Code of Corporate Governance. There may sometimes be conditions in which people feel uncomfortable raising issues directly with their managers. Hence we plan to provide a confidential "whistle blowing" mechanism throughout the Modaraba which the employees will be able to use.

The policy encourages open discussion of these issues and no one will be disadvantaged as a result of informing in good faith any concerns about compliance with the Modaraba's Code of Conduct. Under the policy, all disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation.

However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.



Policy for safety of records of the modaraba

At First Habib Modaraba (FHM), customer trust holds utmost importance and safeguarding the security of our clients' information remains a top priority, which is why we prioritize its privacy and safety.

With a broad customer base across the country, FHM is entrusted with significant volumes of sensitive information from diverse industries, including healthcare, financial services, technology, and more. FHM maintains control of their privacy and data security in a myriad of ways:



- **Trust:**

First Habib Modaraba ensuring the complete and due performance of our contractual and statutory duties and has developed security protections and control processes to help to ensure a secure environment for their information. Independent third-party experts have confirmed FHM's adherence to industry standards.

- **Access Management:**

FHM offers a comprehensive suite of advanced access and encryption features to effectively protect information. It is important to emphasize that we strictly adhere to a policy of not accessing or utilizing customer content for any purpose other than the provision, maintenance, and enhancement of FHM services, as well as when legally obligated to do so.

- **Data Security:**

FHM offers an online backup service that enables us to proactively secure our data against potential disasters. Leveraging the cloud as a reliable backup option, FHM adopts robust security practices to ensure the utmost protection of their data.

We have implemented comprehensive data backup policies encompassing daily, weekly and monthly backups. These policies involve uploading data to the Disaster Recovery (DR) site on a daily basis. Furthermore, FHM maintains two data storage facilities located in Karachi and Lahore, where monthly data backups are securely stored.

FHM has implemented extended fire suppression and detection systems, along with a surveillance system to safeguard our data center. Additionally, we have enhanced our disaster recovery plan with Data Guard and are utilizing fiber optic technology for the online transfer of data to our disaster recovery site.

Board Review Statement of the **Organization's Business Continuity Plan or Disaster Recovery Plan**

FHM's Board of Directors recently completed an in-depth review of the organization's business continuity and disaster recovery plans. This review aimed to ensure that the plans are comprehensive, current, and equipped with effective measures to mitigate potential business disruptions.

During this process, the Board evaluated reviewed the effectiveness of the existing plans, identifying gaps and areas for improvement. Additionally, they reviewed FHM's risk profile to assess the likelihood and impact of possible disruptions. Based on this evaluation, the Board provided guidance and recommendations to the management team to align the business continuity and disaster recovery plans with the organization's risk profile. This alignment ensures that the plans effectively address potential risks and threats to the business.

The Board's review underscores FHM's commitment to preparedness, ensuring that the modaraba can respond to disruptions swiftly and maintain effective and efficient operations.

Business Continuity Plan (BCP) Disaster Recovery Plan (DRP)

Business Continuity Plan (BCP)

Business Continuity Management (BCM) serves as a crucial framework aimed at mitigating and managing risks related to the disruption of essential operations, thereby ensuring the unwavering resilience of FHM's business. Anchored by a robust business resilience framework, FHM remains steadfast in delivering uninterrupted services to its esteemed customers, irrespective of challenging circumstances, crises, or other disruptive events. By enabling third-party Business Continuity Management (BCM) spaces, systems and people, the FHM's business resilience team keeps operations running in the midst of disruption through proactive planning, maintenance and testing. We continuously work to create a culture that enables resilience.

Disaster Recovery Plan (DRP)

The FHM has adequately kept an eye on the Disaster Recuperation (DR) challenge of unconventionality, uptime and availability of each and every unified systems and infrastructure.

DR plan is integrated to a large extent with BCP and designated key members are familiar with the specific actions they will need to take in case of any disaster. At FHM, our DR plan is adaptable and regularly update with the backup. Our relevant department also does the mock exercise at allocated DR sites to make sure Business Continuity Tests/ Simulation Drills are conducted in a timely & effective manner. FHM has implemented comprehensive policies and procedures to safeguard business continuity and effectively handle major incidents, encompassing both business continuity and disaster recovery. Ensuring BCP is of paramount importance to FHM, both for our organization and our clients. By streamlining processes, we have achieved reduced turnaround time, minimized manual intervention, and facilitated easy access to comprehensive reports and logs for review. FHM's Disaster Recovery Plan and Philosophy are renowned for their robustness and manageability, distinguishing them from others in the field.

Through a detailed review of the business impact analysis process, BCM Steering Committee endorsed an established process that could restore FHM's critical business processes in a timely and orderly manner while operations continue with minimal delays to operations, and making sure that all critical

business functions continue in the case of a disaster. Continuous updates of these plans are performed annually, to ensure that they are kept up to date with changes in systems and business units. Business heads are accountable for their divisional recovery strategies, the validation of recovery capabilities and the provision of appropriate training and awareness and its importance in the organization.

Our relevant department has taken following measures to ensure the quick and smooth availability of BCP/DRP.

FHM have already arranged third Party BCP/DR solution from M/s. Cube XS Weatherly (Pvt.) Ltd and maintaining DR side since last several years which also cover Tier 4 Data Centre and Disaster Recovery site.

Business Continuity Plan (BCP) mock exercises to ensure the following:

- **IT Recovery:** Testing the restoration of technology, including data and network recovery.
- **Offsite Recovery:** Verifying the preparedness of backup locations, including communications and utilities.
- **Trained Personnel:** Ensuring that informed and trained personnel are effectively performing recovery procedures.
- **Transaction Testing:** Confirming restored connectivity and access by involving individuals familiar with the business processes.
- **Education:** Educating responsible individuals on the detailed workings of the plan.

These exercises are critical to maintain our readiness and resilience in the face of potential disruptions.

FHM has also developed environment that provides a ready-to-go computer system in a prepared location with a minimizing network downtime and minimizes customer inconvenience and promotes loyalty.

Take update on latest process and tools on BCP.

Gender Pay Gap Statement

FIRST HABIB MODARABA

Gender Pay Gap statement under Securities and Exchange Commission of Pakistan (SECP) Circular 10 of 2024

Following is gender pay gap calculated for the year ended June 30, 2024:

- (i) Mean Gender Pay Gap: 50.6%
- (ii) Median Gender Pay Gap: 26.4%
- (iii) Any other data / details as deemed relevant: The above ratios reflect the overall employee gender pay gap across the organization. The modaraba ensures equitable compensation for the female members in their respective role based on experience, qualification and performance.

For and on behalf of the Board of Directors

Muhammad Shoaib Ibrahim

Chief Executive Officer

Date: August 20, 2024

Disclosure of Beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.

Name of Associated Entity	Nature of Relationship	Basis of Relationship	Aggregate Percentage of Certificate Holding
Habib Metropolitan Bank Limited	Associate	Holding Company of Management Company	5.43%
Habib Metropolitan Modaraba Management Company (Private) Limited	Associate	Management Company of the Modaraba	10%
Habib Metropolitan Financial Services Limited	Associate	Subsidiary of Parent Bank	-
Habib Metro Exchange Services Limited	Associate	Subsidiary of Parent Bank	-
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management	-
First Habib Modaraba Staff Gratuity Fund	Associate	Common Management	-

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE – YEAR ENDED JUNE 30, 2024

The Modaraba Management Company (hereafter referred to as the Company) has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are six as per the following:

Male : 5

Female : 1

2. The composition of Board is as follows:

Executive Director	Mr. Muhammad Shoaib Ibrahim
Chairman - Non-Executive Director	Mr. Mohammad Shams Izhar
Non-Executive Independent Director	Syed Rasheed Akhtar
Non-Executive Independent Director	Mr. Saeed Uddin Khan
Non-Executive Director	Mr. Usman Nurul Abedin
Female Director	Dr. Irum Saba

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. All the directors, are compliant with necessary requirements of Directors Training Certificate at The Institute of Chartered Accountants of Pakistan (ICAP), The Institute of Cost and Management Accountants of Pakistan (ICMAP), Institute of Business Administration (IBA) and Pakistan Institute of Corporate Governance (PICG). Directors status of compliance with necessary requirements of Directors Training program are as follows:

Mr. Muhammad Shoaib Ibrahim	Certified from ICAP
Mr. Mohammad Shams Izhar	Certified from PICG
Syed Rasheed Akhtar	Certified from ICAP
Mr. Saeed Uddin Khan	Certified from ICMAP
Mr. Usman Nurul Abedin	Certified from ICMAP
Dr. Irum Saba	Certified from IBA

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

Audit Committee

Chairman	Mr. Saeed Uddin Khan
Member	Ms. Irum Saba
Member	Mr. Mohammad Shams Izhar
Secretary	Mr. Muhammad Babar

HR and Remuneration Committee

Chairman	Mr. Saeed Uddin Khan
Member	Syed Rasheed Akhtar
Member	Mr. Mohammad Shams Izhar
Secretary	Mr. Muhammad Jehanzaib

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Audit Committee	Four quarterly meetings
HR and Remuneration Committee	One annual meeting

15. The Board has set up an effective internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

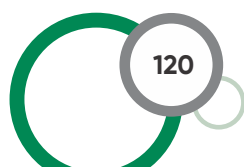
MOHAMMAD SHAMS IZHAR

Chairman

Karachi: August 08, 2024

MUHAMMAD SHOAIB IBRAHIM

Chief Executive Officer





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Fax: +92 21 3568 4239
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Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

Independent Auditors' Review Report

To the Certificate Holders of First Habib Modaraba

on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of First Habib Modaraba (the Modaraba) for the year ended June 30, 2024 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2024.

Karachi

Date: 20 August 2024

UDIN Number: CR202410166Yj42iEH8

CHARTERED ACCOUNTANTS

Engagement Partner: Tariq Feroz Khan

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

(BCR 5.14)

HABIBMETRO
Modaraba Management

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Categories of Certificate Holders

As at June 30, 2024

Categories of Certificate Holders	Certificate Holders	Certificate Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
NIL	-	-	-
Associated Companies, undertakings and related parties			
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	1	11,083,050	10.00
NIT and ICP	1	2,730	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	2	6,018,744	5.43
Insurance Companies	3	2,007,510	1.81
Mutual Funds	4	665,065	0.60
General Public			
a. Local	4308	27,543,799	24.85
b. Foreign	787	1,280,254	1.16
Foreign Companies	9	863,768	0.78
Others	42	61,365,580	55.37
Totals	5157	110,830,500	100.00

Certificate holders holding 10% or more	Certificate Held	Percentage
H4 MANAGEMENT (PRIVATE) LIMITED	58,803,183	53.06
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	11,083,050	10.00

Pattern of Certificate Holding

As at June 30, 2024

Number of Certificate Holders	Certificate Holdings			Total Certificate Held
917	1	to	100	37,030
1868	101	to	500	479,377
721	501	to	1000	507,578
1007	1001	to	5000	2,288,276
202	5001	to	10000	1,457,238
117	10001	to	15000	1,445,754
51	15001	to	20000	922,080
49	20001	to	25000	1,125,848
24	25001	to	30000	654,781
19	30001	to	35000	625,000
14	35001	to	40000	520,081
11	40001	to	45000	461,240
28	45001	to	50000	1,352,274
14	50001	to	55000	730,938
7	55001	to	60000	406,638
8	60001	to	65000	495,818
6	65001	to	70000	402,237
8	70001	to	75000	584,519
5	75001	to	80000	394,760
6	80001	to	85000	489,345
5	85001	to	90000	433,180
2	90001	to	95000	187,500
1	95001	to	100000	100,000
4	100001	to	105000	407,939
3	105001	to	110000	324,840
2	110001	to	115000	224,150
1	115001	to	120000	120,000
4	120001	to	125000	494,986
2	125001	to	130000	255,500
4	130001	to	135000	529,398
3	135001	to	140000	412,374
1	140001	to	145000	141,120
2	145001	to	150000	300,000
1	150001	to	155000	154,185
3	160001	to	165000	488,495
2	170001	to	175000	350,000
1	180001	to	185000	182,500
1	190001	to	195000	191,440
1	195001	to	200000	195,250
2	200001	to	205000	400,400
1	205001	to	210000	209,000
2	225001	to	230000	459,664
2	245001	to	250000	498,710
2	250001	to	255000	502,469
1	275001	to	280000	276,435
1	345001	to	350000	350,000
1	390001	to	395000	395,000
1	400001	to	405000	402,101
3	410001	to	415000	1,236,416
1	420001	to	425000	424,500
2	425001	to	430000	855,750
1	475001	to	480000	476,250
1	620001	to	625000	623,100
1	630001	to	635000	634,785
1	650001	to	655000	650,096
1	695001	to	700000	700,000
1	790001	to	795000	790,122
1	995001	to	1000000	1,000,000
2	1005001	to	1010000	2,017,500
1	1145001	to	1150000	1,150,000
1	6015001	to	6020000	6,018,300
1	11080001	to	11085000	11,083,050
1	58800001	to	58805000	58,803,183
5157				110,830,500

Notice of Annual Review Meeting

Notice is hereby given that the Annual Review Meeting of Certificate-Holders of First Habib Modaraba will be held on October 10, 2024 at 3.00 p.m. at the Institute of Cost and Management Accountants of Pakistan (ICMAP) Building, ST-18/C Block-6, Gulshan-e-Iqbal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2024.

The Certificate Holders whose names appear in the register of Certificate Holders of FHM as on October 03, 2024 will be eligible to attend the Annual Review Meeting.

By order of the Board

Tehsin Abbas

Company Secretary
Karachi: September 19, 2024

REQUEST TO CERTIFICATE HOLDERS

- The individual certificate holders who have not yet submitted photocopy of their valid Computerized National Identity Card (CHIC) to the Modaraba / Share Registrar, are one again reminded to send the same at the earliest directly to Modaraba's Share Registrar, M/s CDC Share Registrar Services Limited. In case of non-receipt of the copy of a valid CNIC, the Modaraba would be constrained under section 243 (3) of the Companies Act, 2017 to withhold dividend of such certificate holders.
- In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its certificate holder only through electronic mode directly into the bank account designated by the entitled certificate holder. Therefore, certificate holders are requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services.

(i) Certificate holder's details	
Name of the certificate holder (s)	
Folio # / CDS Account No.(s)	
CNIC NO. (copy attached)	
Mobile/Landline no.	

(ii) Certificate holder's Bank detail	
Title of Bank Account	
International Bank Account number (IBAN)	
Bank's Name	
Branch's name and address	

It is stated that the above-mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

Certificate Holders Information

Registered Office:

6th Floor, HBZ Plaza
I.I. Chundrigar Road, Karachi
U.A.N: 111-346-346
Tel No: 021-32635949-51
Web: www.habibmodaraba.com
Email: fhm@habibmodaraba.com

Share Registrar Office:

CDC Share Registrar Services Limited
Share Registrar Department
CDC House, 99-B, Block "B", S.M.C.H.S
Main Shahrah-e-Faisal, Karachi
Ph: 021-111-111-500

Listing on Stock Exchange

Modaraba Certificates of First Habib Modaraba (FHM) is listed on Pakistan Stock Exchange (PSX).

Investor Service Centre

FHM share department is operated by CDC Share Registrar Services Limited. It also functions as an Investor Service Centre and has been servicing nearly 5,157 Certificate holders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. The team is headed by Mr. Mohsin Rajab Ali at registered office, Central Depository Company of Pakistan Limited - Share registrar department and Mr. Tehsin Abbas, Company Secretary at FHM.

FHM share department has online connectivity with Central Depository Company of Pakistan Limited - Operation department. The share department undertakes activities Certificate Transfer and Transmission, issue of duplicate / revalidated dividend warrant, issue of duplicate / replaced share Certificates, change of address and other related matters.

For assistance, Certificate holders may contact either the Registered Office or Share Registrar Office:

Contact Person:
Registrar Office:
Mr. Mohsin Rajab Ali
Manager Share Registrar
CDC Share Registrar Services Limited

Contact Person:
Mr. Tehsin Abbas
Company Secretary
First Habib Modaraba

Dividend Announcement

The Board of Directors of the Modaraba Management Company has approved cash dividend of 21% (Rs. 2.10 per Modaraba Certificate of Rs. 10/- each) for the financial year ended 30th June, 2024.

Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 04-10-2024 to 12-10-2024 (both days are inclusive).

Payment of Dividend Electronically (E-mandate)

Pursuant to the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, the dividend will be paid, to those certificate holders whose name appear in the Register of Member of the Modaraba after entertaining all requests for transfer of certificate lodge with the Modaraba before the book closure date, through electronic mode directly into the bank account designated by the entitled certificate holder.

Withholding of Tax & Zakat on Dividend

Currently Section 150 of the income Tax Ordinance, 2001 prescribed following tax rates for deduction of withholding tax on the amount of dividend paid by the modarabas, unless the Certificate Holder's income is tax-exempted:

1. whose name appearing in the Active Tax Payers List 15%
2. whose name not appearing in the Active Tax Payers List 30%

The status of deduction of withholding tax will be determined as per Active Taxpayer List (ATL)" available on FBR website.

Further, in the light of clarification from Federal Board of Revenue, all the shareholders who intend to seek exemption from withholding of taxes on payment of dividend under clause 47B of Part-IV of the Second Schedule of the Income Tax Ordinance, 2001, are requested to provide the valid Exemption Certificate under section 159(1) of the Income Tax Ordinance, 2001 duly issued by the concerned Commissioner of Inland Revenue in order to claim the said exemption.

Zakat is also deductible at source from the dividend at the rate of 2.5% of face value of the share, other than the corporate holders or the individuals who provide the undertaking for non-deduction of Zakat.

Conversion of Physical Modaraba Certificates into Book-Entry Form:

As per requirement of Companies Act, 2017, all listed companies are required to replace the Certificates held in physical form with the Certificates to be issued in Book-Entry, all Certificate holders holding Certificates in physical form are requested to convert their shares in Book-Entry Form in order to comply with the provisions of the Companies Act, 2017. Certificate holders may contact the Modaraba's Certificate Registrar to understand the process of conversion of Certificates held in physical form, into the Book-Entry Form.

Audit Committee Terms of Reference

- 1) Determination of appropriate measures to safeguard the Modaraba's assets;
- 2) Review of annual and interim financial statements of the Modaraba, prior to their approval by the Board of Directors, focusing on:
 - a) Major judgmental areas;
 - b) Significant adjustments resulting from the audit;
 - c) Going concern assumption;
 - d) Any changes in accounting policies and practices;
 - e) Compliance with applicable accounting standards;
 - f) Compliance with these regulations and other statutory and regulatory requirements; and
 - g) All related party transactions.
- 3) Review of preliminary announcements of results prior to external communication and publication;
- 4) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- 5) Review of management letter issued by external auditors and management's response thereto;
- 6) Ensuring coordination between the internal and external auditors of the modaraba;
- 7) Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the modaraba;
- 8) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- 9) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- 10) Review of the Modaraba's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- 11) Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Modaraba by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- 12) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- 13) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;

- 14) Determination of compliance with relevant statutory requirements;
- 15) Monitoring compliance with the these regulations and identification of significant violations thereof;
- 16) Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- 17) Consideration of any other issue or matter as may be assigned by the Board of Directors.

During the year, four meetings of audit committee were held, attendance by each member is appended below:

Members	No. of Meeting Attended
Mr. Saeed ud din Khan Non Executive Independent (Chairman)	4
Syed Rasheed Akhtar Non Executive Independent	4
Mr. Mohammad Shams Izhar Non Executive (Member)	4
Mr. Muhammad Babar Secretary to Audit Committee	4

HR Committee

Terms of Reference

The terms of reference of committee shall be determined by the Board which may include the following:

- The human resource policies are reviewed periodically and as necessary, revised and recommended to the Board, in order to attract and retain potential employees.
- Recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management).
- Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing therein name and qualifications of such consultant and major terms of its appointment;
- Consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer;
- Review and recommend changes to the Committee's terms of reference, as and when required.
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- The Modaraba strategy related to Human Capital Management and Planning, include:
 - i. Recruitment and Selection strategy is aligned to Business objectives and philosophy.
 - ii. Training and Developmental needs of Human Resources are identified, adequately met and aligned to business objectives;
 - iii. Performance Evaluation and Management System is objective, transparent and unbiased.

During the year, one meeting of human resource committee was held; attendance by each member is appended below:

Members	No. of Meeting Attended
Mr. Saeed Uddin Khan Non Executive Independent (Chairman)	1
Syed Rasheed Akhter Non Executive Independent	1
Mr. Muhammad Shams Izhar Non Executive (Member)	1
Mr. Muhammad Jehanzeb Secretary Human Resource Committee	1

Report of the Audit Committee

Composition of the Audit Committee

The Audit Committee comprises of three directors, all of them are non-executive including one as independent director who is also the Chairman of the Audit Committee, and the directors are financially literate and possess enriched experience in banking and non-banking sector.

Role of Audit Committee

The role of Audit Committee is determined by its Terms of Reference (TORs) which have been shaped in line with all applicable regulations and directives from relevant regulators and Board of Directors (BOD). The Audit Committee primarily deals with questions of effectiveness of risk management & internal control, which includes credit, operational risk, regulatory compliance and governance structure particularly IT governance and financial reporting in line with the applicable laws, regulations and good practices.

- All significant findings are reported to Audit Committee by Head of Internal Audit for their feedback and necessary actions taken, if any. The audit committee actively monitors the implementation of internal controls in line with directives of the Board.
- The Audit Committee deals with the effectiveness and functional capabilities of the risk management system and internal control environment of the First Habib Modaraba (FHM) and provides utmost support and guidance in framing the control environment to prevent FHM from any unforeseen events.
- The Audit Committee concentrate on the effectiveness of internal control, risk management & its assessment, compliance, internal audit functions, IT governance and other responsibilities vested in by the BOD.
- The Audit Committee is actively engaged in reviewing the Annual/Half yearly/Quarterly financial statements and internal audit activities in accordance with code of corporate governance and committee TOR.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and having the full liberty to discuss issues having significant concern over the organization's control, governance and risk.
- The Audit Committee through internal auditor facilitate the staff and management to share any information in confidence on account of any impropriety in financial and other matters and develop processes in addressing these issue with mitigating and remedial measures.
- Audit Committee performed detail reviewed and is satisfied that Annual report is fair, balanced &

understandable and also provides necessary information for shareholders on account of assessment of modaraba position, performance and business model.

- Audit committee self-evaluated their performance and is satisfied with the overall quality of work done.
- During the year no whistle blowing incident was reported to the Audit committee.

Internal Control Framework (ICF)

The audit committee is also entrusted to make sure that ICF is effectively implemented. The management of First Habib Modaraba (FHM) is responsible to establish and maintain an adequate, efficient and effective system of ICF and procedures. The core objective of ICF is as follows:

- Effectiveness and efficiency of operations across the entire FHM.
- Reliability of financial reporting with respect to accuracy of information and timeliness.
- Compliance with applicable laws, regulations and procedures to encompass all important areas.
- Strengthened reporting framework throughout the organization by use of technology based processes and controls.
- Improve compliance culture throughout the organization and by inducting quality resource & training/retraining and updating standing operational procedures.
- Ensure adherence to policies, laid down procedures and plans so that organization strategic objective could be achieved.

The FHM's internal control function ensures compliance with regulatory requirements, which is the prerequisite for any financial institution and also ensure the adherence of policies and procedures with specific emphasis on KYC/FATCA/AML&CFT/CRS and Shariah audit mechanism. The Audit Committee actively monitors the implementation of policies and procedures through internal control function.

During the year, the following controls mechanism were strengthened:

- A revised risk based audit methodology was developed keeping in view with the rapid changes the world is going through.
- Expenses approval authority were delegated down the

line to respective Head of Departments (HODs) and Branch Managers (BMs) with appropriate controls for recurring expenses.

- Cheque authorization was delegated with appropriate controls to HODs by increasing authorized person in both categories A and B for smooth running of business operations.
- Payroll disbursement was automated by distributing payroll through digital banking system.
- Certificate of Musharaka (COM) policy and procedure was developed during the year.
- Shariah governance and processes were strengthened by hiring Shariah compliance officer and providing Shariah compliance training to FHM staff on regular interval.
- BCP/DRP drills increased so that continuity of critical business processes is ensured.
- Credit and Investment compliances / processes especially AML/CFT compliances have been improved further through capacity building of staff and IT systems.
- Processes and procedures were reviewed further in line with latest applicable laws/ regulations/ policies/procedures and the requirements of parent bank so that regulatory requirements as well parent banks are aligned.

Role of Internal Audit Function

The internal audit function role in FHM is in line with Institute of Internal Auditors (IIA) guidelines to provide independent objective assurance to the management and guide to improve system of internal control, risk management and governance process to accomplish FHM objectives as defined by BOD.

Audit Committee Meeting

- Audit Committee meetings were held on quarterly basis during the year 2023-24.
- The Audit Committee reviewed quarterly, half yearly and annual financial statements of the FHM prior to their approval by the BOD.
- The Audit Committee has reviewed and approved all related party transactions.
- The internal audit function has carried out its duties under the audit charter defined by the Committee so that smooth functioning of the operation is possible.
- The Committee reviewed and deliberated upon the

relevant control and suggests further insight over the control mechanism where ever is considered necessary for effective control mechanism.

- Significant internal audit findings are forwarded to audit committee for review and for prompt decision making.
- Update on evaluation of ICF system by internal audit, as well as compliance thereon by the management on account of how internal control and compliance function effectively operated is presented before the Audit Committee.
- Review of Shariah Advisor reports and its compliance status to ascertain all the transaction are in line with Shariah rules and regulations.

External Auditors

The Audit Committee regularly assesses the performance of external auditors taking into consideration a number of important factors including satisfactory rating under ICAP's quality control review program, the length of time the firm has been engaged, the quality of the Audit Committee's ongoing discussions with the external auditors, assessment of their past performance, etc.

The statutory auditors of the Modaraba, M/s. BDO Ebrahim & Co. Chartered Accountants, have completed audit of the Modaraba's Financial Statements and the Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2024.

The Audit Committee reviewed to the BOD for the approval of the Audited Financial Statements of FHM for the year ended June 30, 2024 audited by M/s. BDO Ebrahim & Co. Chartered Accountants and confirms that there is no material non-compliance found within the Audited Financial Statements as narrated by auditors.

The statutory auditors have indicated their willingness to continue as auditors. Being eligible for reappointment under listing regulations, the Board Audit Committee recommends the reappointment of M/s. BDO Ebrahim & Co. Chartered Accountants as statutory auditors for the financial year ending June 30, 2025, on terms approved by the BOD.

Saeed Uddin Khan

Chairman Audit Committee

Proceedings of Annual Review Meeting



In compliance with Registrar of Modaraba, Securities & Exchange Commission of Pakistan (SECP), First Habib Modaraba (FHM) conducted Annual Review Meeting (ARM) of Certificate Holders on October 26, 2023 in order to review performance of FHM for the year ended June 30, 2023.

The following were present from FHM:

Mr. Muhammad Shoaib	-	Chief Executive Officer
Mr. Saeed ud din Khan	-	Chairman Audit Committee
Mr. Tehsin Abbas	-	Chief Financial Officer
Mr. Intisar M. Usmani	-	Head of Credit
Mr. Amir Kaleem	-	Head of Business Development
Ms. Aeraj Abeer	-	Company Secretary

CEO has briefed the forum about the business activities and performance of FHM along with challenges faced during the year 2022-23 as reported in Directors' Report attached with Annual Report. He also commented in detail on key financial figures reported in financial statements of FHM

Business Strategy and its Implementation Status

The Certificate Holders acknowledged the hard and dedicated efforts of FHM particularly on financial performance and declaration of cash dividend of 20% for the year ended June 30, 2023.

Certificate Holders raised following questions on account of performance of FHM during the meeting.

- What strategies will be adopted to combat challenges faced by Modaraba?
- What will be the future prospects of Modaraba with respect to profitability and growth potential?
- What are the major sectors of investment?
- How the overall operational effectiveness maintained by the Modaraba?
- What about the strategy for investment in capital market?

CEO and CFO have addressed all the questions/reservations queries at the entire satisfaction of Certificate Holders. Other points and suggestion have also been noted for future compliance.

Presence of Chairman Audit Committee at ARM

The chairman of the audit committee had also attended the questions raised by Certificate Holders during the meeting about activities and matters within the scope of the audit committees' responsibilities.

Board disclosure on Enterprise Resource Planning (ERP)

Core Business processes integrate and Management

FHM ERP system is designed to integrate and streamline Modaraba's business processes and operations. These systems enable to manage various functions, including financial management, human resources, business operations, and customer relationship management. In ERP different system automate routine tasks, allowing staff to focus on more complex and value-added tasks. That results in increased efficiency, productivity, and cost savings.



Effective Implementation and continuous improvement

Effective implementation of an ERP system requires the active participation and support of management. FHM's Management active participation and commitment have been evident in providing the necessary resources for the project, setting clear objectives, and emphasizing the importance of the system to the organization. Moreover, their involvement in supporting the staff during the transition phase has been highly commendable, ensuring they receive the necessary training and assistance to adapt to new business processes and workflows. This level of management support has played a vital role in the successful implementation of the ERP system and its continuous improvement. Without such support, achieving this level of success would have been challenging.

User education and training of ERP software

To ensure the successful implementation and use of an ERP system, it is crucial to provide proper user training. ERP systems are complex and can have a significant impact on a modaraba's operations. Therefore, to support the proper use of the ERP system and ensure employees receive the necessary training, the HR and system support department has created training programs. These programs are designed to provide comprehensive training to employees at regular intervals, as well as on an as-needed basis. HR and system support department ensures that employees are well-equipped to use the ERP system effectively, ultimately contributing to the system's success and the overall success of the business.

Risk Management in ERP Projects

ERP development and implementation is a complex process that requires a comprehensive understanding of both technical and functional aspects. To manage the complexities and ensure the success of an ERP project, it is essential to have a robust project management process in place. The "change management system" module of FHM provides a systematic approach to managing changes to an ERP system, which is critical to ensuring the system's success. The module can help streamline the development and implementation process, reducing the risk of errors and delays. Ultimately, this module helps ensure the success of ERP projects by providing a structured approach to managing change, mitigating risks, and ensuring the quality of the system.

Evaluate system security, user access reviews and segregation of duties

To assess system security, FHM regularly conducts its security audit to identify potential vulnerabilities and risks. This can include evaluating the system's network infrastructure, firewalls, user authentication, and access controls. The audits also identify potential risks related to data privacy and compliance with regulatory requirements. Segregation of duties is also an important consideration to prevent fraud and errors. The ERP system has controls in place to prevent employees from having access to conflicting responsibilities or duties that could lead to fraudulent activities. This is achieved through the implementation of separation of duties policies and procedures

A man in a dark suit, white shirt, and black tie is shown from the chest up. He is pointing his right index finger towards a digital cityscape of skyscrapers. A circular graphic element with a green and white border is partially visible on the left. In the background, there is a network of blue dots connected by thin lines, suggesting a digital or data environment.

Analysis of Financial Information

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Analysis of Financial and Non-Financial Performance

Past and current performance

Despite the widespread economic and political challenges experienced in the previous year, we not only sustained our dominant positions in our sector but also excelled in critical aspects of our business. The exceptional teamwork and a strong sense of unity were key factors contributing to our outstanding performance during the financial year 2023-24. We are grateful to report that not only did we meet all our major objectives, but we surpassed them by a significant margin. It is worth noting that the aforementioned year stands out as one of the most successful in the operational history of FHM in terms of performance, disbursement, profitability, and overall business expansion.

The key performance indicators during year 2023-24 were as follows

	2024	2023	Variance %
Financing Assets	25,125,596,123	19,226,095,572	31%
Balance Sheet Size	26,409,925,193	20,539,856,090	29%
Profit Before Tax	1,197,260,940	770,787,947	55%
Profit After Tax	690,197,341	519,630,795	33%
Earning per Certificate of Rs. 10/-	6.23	4.68	33%

KPIs to assess and measure the financial performance in 2024 are disclosed in "Key Performance Indicators" section of Annual report.

Performance against Targets

In spite of the challenging political and economic circumstances, FHM not only maintained its top positions in the sector but also showcased exceptional performance in critical business domains. As we kicked off 2024, we were determined to remain optimistic for the upcoming year. The team at First Habib Modaraba (FHM) stayed vigilant and flexible from the outset of the year to seize opportunities within the business landscape.

With a commendable level of teamwork and unity, Alhamdulillah, the performance during the financial year 2023-24 remained consistently outstanding. We didn't just meet our key objectives, but we surpassed them with significant margins. It's evident that the year mentioned above stands out as one of the most successful in FHM's operational history, characterized by impressive performance, disbursement, profitability, and overall business expansion.

Objectives to Assess Stewardships of Management

The Modaraba aims to enhance certificate holders value by delivering impressive returns and sustaining performance in alignment with market and shareholder expectations. We have outlined clear short, medium, and long-term objectives, accompanied by relevant strategies and comprehensive Key Performance Indicators (KPIs) to gauge the Modaraba's performance. These KPIs encompass Human Capital, Natural Capital, and Intellectual Capital and are detailed in the "Key Performance Indicators, Strategy and Resource Allocation Plan" section of our Annual Report.

Future prospects of profit

As we look to the future, we remain optimistic while acknowledging potential economic challenges due to extended business sentiment shifts. While some businesses are taking longer to repay loans, we view this as an opportunity to reinforce our partnerships and provide tailored support. The financial sector is navigating a dynamic environment, and we are confident in our ability to adapt to evolving lending rates and operational costs. Given the current conditions, we will take a prudent and strategic approach to managing our business engagements, with a focus on delivering sustainable solutions, particularly in asset financing.

Non-financial measures

Non-financial measures are difficult to quantify as compared to financial measures but they are equally important. Following are the non-financial measures to determine the healthy prospectus of modaraba.

Quality of Services:

- Service accuracy and reliability.
- Compliance with regulatory and Shariah standards.
- Adherence to ethical and socially responsible practices

Environmental Sustainability:

- Energy and resource consumption reduction efforts.
- Waste reduction and recycling initiatives.
- Adherence to environmentally friendly practices.

Employee Development and Engagement:

- Employee satisfaction and retention rates.

- Training hours per employee and participation in development programs.
- Employee feedback and involvement in decision-making processes.

Brand Reputation:

- Brand perception in the market.
- Industry awards, recognitions, or certifications received

Risk Management and Compliance:

- Compliance with Shariah principles and regulatory guidelines.
- Monitoring and mitigation of operational and financial risks.
- Adherence to internal control procedures.

Operational Efficiency:

- Turnaround time for service delivery.
- Process efficiency and effectiveness.

Key Financial Data for Six Years

	Rupees in Million					
	2024	2023	2022	2021	2020	2019
KEY FINANCIAL & OPERATING DATA						
Total Assets	26,409.93	20,539.86	17,162.82	12,122.53	9,913.06	11,124.02
Lease Financing Assets	-	-	185.06	861.52	1,719.65	2,739.37
Diminishing Musharaka Financing Asset	23,669.35	17,981.78	13,183.23	9,913.81	7,002.50	6,939.90
Lease Financing Asset Disbursement	-	-	57.98	97.98	610.00	1,218.43
Diminishing Musharaka Asset Disbursement	15,202.18	10,781.69	11,088.56	6,531.04	3,042.89	4,010.66
Current Assets	9,792.76	7,816.91	8,257.25	4,987.87	3,839.71	3,849.50
Current Liabilities	21,284.87	15,906.40	13,151.20	8,153.14	6,025.45	7,185.90
Total Liabilities	21,300.99	15,926.06	13,185.80	8,294.19	6,279.50	7,487.67
Paid-up Capital	1,108.31	1,108.31	1,008.00	1,008.00	1,008.00	1,008.00
Reserves	3,966.12	3,499.57	2,959.52	2,619.07	2,538.68	2,503.72
Certificate Holders' Equity	5,074.43	4,607.88	3,967.52	3,627.07	3,546.68	3,511.72
Gross Revenue	5,184.64	3,435.47	1,562.77	1,545.15	2,201.31	2,023.99
Net Profit	690.20	519.63	382.12	363.15	316.68	319.69
Earning Per Certificate - Rs.10/- each	6.23*	4.68*	1.90	1.80	1.57	1.59
Cash Dividend	21%	20%	20%	28%	28%	28%
Income from Diminishing Musharaka Financing	5,184.64	3,396.95	1,424.75	796.47	1,017.66	734.36
STAKEHOLDER INFORMATION						
	2024	2023	2022	2021	2020	2019
Profitability Ratios						
Profit before tax ratio (%)	23.09	22.44	31.69	23.50	14.39	15.79
Gross yield on earning assets (%)	61.16	50.99	28.61	28.45	42.27	32.09
Gross spread ratio (%)	17.95	14.45	18.16	16.80	6.68	9.30
Cost / Income ratio (%)	69.08	67.57	62.04	34.61	38.47	31.06
Return on equity (%)	13.60	11.28	9.63	10.01	8.93	9.10
Return on assets (%)	2.61	2.53	2.23	3.00	3.19	2.87
Return on capital employed (%)	28.35	20.55	14.67	11.04	9.57	9.59
Gross profit ratio (%)	89.45	84.08	82.23	53.67	46.68	42.03
Profit after Tax (%)	13.31	15.13	24.45	23.50	14.39	15.79
EBITDA margin (%)	31.59	32.17	47.10	36.59	23.22	24.40
Income / Expense ratio	1.27	1.22	1.30	1.26	1.10	1.13
Turnover Ratio						
Total Asset Turnover Ratio (%)	20.64	18.06	10.34	13.60	23.92	19.38
Fixed Asset Turnover Ratio (%)	33.69	30.09	19.92	23.11	39.04	29.63

* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/-.

Key Financial Data for Six Years

	2024	2023	2022	2021	2020	2019
Liquidity Ratios						
Advance to deposit ratio	1.46	1.31	1.19	1.48	1.65	1.57
Current ratio	0.46	0.52	0.63	0.61	0.64	0.54
Quick / Acid test ratio	0.46	0.52	0.63	0.61	0.64	0.54
Cash to current liabilities	1%	1%	1%	3%	3%	1%
Cashflow from operations	-98%	-60%	-298%	-302%	-55%	-46%
Cashflow coverage ratio	-144%	-90%	-499%	-417%	158%	-171%
Gross Non-Performing assets to gross advances	3.37%	2.18%	1.58%	1.40%	1.26%	0.08%
Investment / Market ratio						
Market Value Per Share	16.01	7.29	9.36	9.80	9.95	9.41
High	16.74	9.00	10.32	9.80	10.89	11.46
Low	16.40	8.81	8.81	9.70	9.31	9.31
Earning per Certificate of Rs. 10/-	6.23*	4.68*	1.90	1.80	1.57	1.59
Price earning ratio	2.57	1.56	4.93	5.44	6.34	5.92
Price to book ratio	0.35	0.35	0.48	0.54	0.57	0.54
Dividend Yield ratio (%)	13.12	13.72	10.68	14.29	14.07	14.88
Dividend Payout ratio (%)	33.72	42.66	52.76	77.72	89.12	88.29
Dividend cover ratio	2.97	4.68	1.90	1.29	1.12	1.14
Cash dividend (%)	21.0%	20.0%	20.0%	28.0%	28.0%	28.0%
Cash dividend per certificate	2.10	1.00	1.00	1.40	1.40	1.40
Book value per certificate	45.79	20.79	19.68	17.99	17.59	17.42
Dividend (in million rupees)	233	222	202	282	282	282
Profit Growth Ratio (%) [YoY]	33	36	5	15	(1)	10
Profit Growth Ratio (%)	45	38	6	20	4	5
DuPont Analysis						Covered in detail at page no. 152
Free Cash Flow						Covered in detail at page no. 140
Economic Value Added (EVA)						Covered in detail at page no. 151
Capital Structure ratio						
Net assets per certificate of Rs. 10/- each	46.10	20.81	19.73	18.99	18.02	18.04
Capital adequacy ratio	20%	23%	24%	33%	Not req.	Not req.
Earning asset to total asset ratio (%)	92.16	91.73	82.13	96.08	95.74	97.06
Weighted Average cost of deposit	20.00%	20.30%	14.30%	7.22%	8.18%	11.08%
Debt to Equity ratio (Book value and Market value)	4.20	3.46	3.32	2.29	1.77	2.13
Non-Financial Ratios						
a) Staff turnover ratio	16%					
b) Employee Productivity Rate	89%					
c) Female Staff Ratio	21%					

* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/-.

Horizontal Analysis

BALANCE SHEET (%)	2024	2023	2022	2021	2020	2019
ASSETS						
NON-CURRENT ASSETS						
Financing assets	0.00	(100.00)	(78.52)	(49.90)	(37.22)	(5.63)
Fixed assets in own use	56.24	8.38	(7.49)	(21.79)	57.98	45.83
Intangible assets	11,932.90	(43.65)	0.51	(28.92)	12.02	(42.30)
Diminishing musharaka financing	31.07	40.16	79.69	45.17	(4.61)	34.03
Long term advances and deposits	72.39	(27.52)	2.18	(5.83)	0.99	(0.74)
CURRENT ASSETS						
Investments	(21.98)	17.92	(16.52)	13.54	(31.23)	(11.24)
Current portion of diminishing musharaka financing	32.78	29.25	27.78	35.91	11.00	9.09
Lease financing installments receivables	0.00	0.00	(100.00)	(61.57)	(92.01)	487.31
Diminishing musharaka financing installments receivables	(31.39)	224.63	1,400.63	(94.41)	(93.76)	1,065.07
Advances and prepayments	16.47	(54.00)	27,676.67	121.02	13.70	(15.03)
Other receivables	(9.79)	(4.76)	(0.06)	21.38	(36.55)	(25.86)
Income tax refundable	0.00	(100.00)	(46.45)	8.70	12.17	20.54
Cash and bank balances	41.18	37.26	(36.58)	28.17	233.06	(84.22)
TOTAL ASSETS	28.58	19.68	41.58	22.29	(10.89)	8.22
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	0.00	27.27	0.00	0.00	0.00	0.00
Reserves	13.33	18.25	13.00	3.17	1.40	2.85
Certificate holders' equity	10.12	16.14	9.39	2.27	1.00	2.02
SURPLUS ON REVALUATION OF INVESTMENTS	482.83	(37.66)	(95.28)	131.70	(30.44)	5.94
NON-CURRENT LIABILITIES						
Security deposits against lease financing assets	0.00	(100.00)	(79.89)	(43.64)	(23.03)	(27.46)
Liability against right of use assets	(17.99)	137.32	(18.25)	(51.75)	0.00	0.00
CURRENT LIABILITIES						
Certificates of Musharaka - current portion	18.09	21.71	54.48	38.09	(14.14)	9.94
Security deposits - current portion	0.00	(100.00)	(52.52)	(42.90)	(15.51)	144.33
Unearned Diminishing Musharaka installments	(34.93)	52.03	347.97	147.76	(58.98)	(72.33)
Advance Diminishing Musharaka installments	60.69	40.13	11.02	(34.13)	(52.52)	22.31
Trade & other payables	35.73	32.45	13.34	17.88	(1.68)	12.58
Unclaimed profit distribution	3.22	5.32	5.69	7.00	13.75	11.97
TOTAL EQUITY & LIABILITIES	28.58	19.68	41.58	22.02	(10.89)	8.22
PROFIT & LOSS ACCOUNT (%)						
Financing income	(100.00)	(72.09)	6.37	(32.26)	(0.36)	(11.85)
Profit on diminishing musharaka	52.63	138.42	88.69	(17.50)	132.57	22.31
Administrative expenses	19.05	31.46	12.66	0.59	45.37	13.02
Other Income	(2.79)	29.76	104.26	(38.94)	49.50	10.15
Financial charges	53.19	144.89	120.88	(44.73)	189.57	30.14
Modaraba company's management fee	55.33	55.62	36.38	14.67	9.37	(4.94)
Profit for the year	55.33	55.63	36.41	14.67	9.37	(4.94)

Vertical Analysis

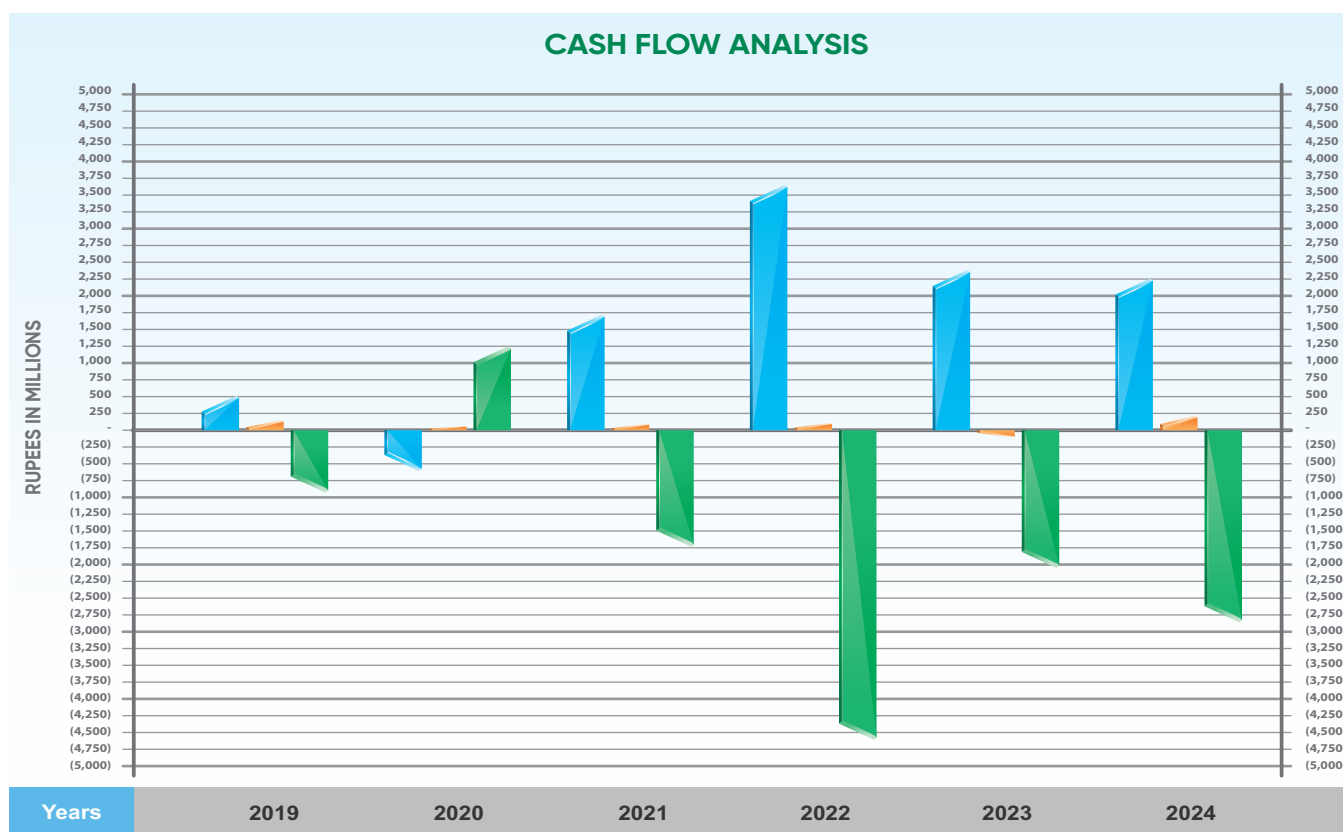
BALANCE SHEET (%)	2024	2023	2022	2021	2020	2019
ASSETS						
NON-CURRENT ASSETS						
Financing assets	0.00	0.00	1.08	7.11	17.35	24.63
Fixed assets in own use	0.32	0.27	0.29	0.45	0.70	0.40
Intangible assets	0.0364	0.0004	0.0008	0.0012	0.0020	0.0016
Diminishing musharaka financing	60.06	58.92	50.31	51.29	43.20	40.36
Long term advances and deposits	0.01	0.00	0.01	0.01	0.01	0.01
Deferred tax	0.84	0.83	0.20	0.00	0.00	0.00
CURRENT ASSETS						
Investments	2.54	4.18	4.24	7.20	7.75	10.04
Current portion of diminishing musharaka financing	29.56	28.62	26.50	30.49	27.44	22.03
Lease financing installments receivables	0.00	0.00	0.00	0.00	0.01	0.11
Diminishing Musharaka financing installments receivables	0.02	0.04	0.01	0.00	0.03	0.40
Advances and prepayments	5.53	6.10	15.88	0.08	0.04	0.04
Other receivables	0.08	0.12	0.15	0.21	0.21	0.30
Income tax refundable	0.00	0.00	0.52	1.38	1.55	1.23
Cash and bank balances	1.01	0.92	0.80	1.78	1.70	0.46
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	5.30	6.82	6.41	9.07	11.12	9.89
Issued, subscribed & paid-up capital	4.20	5.40	5.87	8.32	10.19	9.06
Reserves	15.02	17.04	17.24	21.60	25.67	22.51
Certificate holders' equity	19.21	22.43	23.12	29.92	35.86	31.57
SURPLUS ON REVALUATION OF INVESTMENTS	0.13	0.03	0.06	1.66	0.88	1.12
NON-CURRENT LIABILITIES						
Security deposits against lease financing assets	-	-	0.15	1.08	2.35	2.71
Liability against right of use assets	0.06	0.10	0.05	0.08	-	-
CURRENT LIABILITIES						
Certificates of investment (musharaka)	61.30	66.74	65.62	60.14	53.38	55.28
Running Musharaka	11.98	3.63	4.36	0.41	-	-
Security deposits - current portion	-	-	0.20	0.58	1.26	1.32
Unearned Diminishing Musharaka installments	0.09	0.19	0.47	0.15	0.07	0.16
Advance Diminishing Musharaka installments	0.09	0.08	0.06	0.08	0.15	0.29
Trade and other payables	5.05	4.78	4.32	5.40	5.61	5.07
Unclaimed profit distributions	0.29	0.36	0.38	0.38	0.44	0.34
Profit payable on certificates of investment (musharaka)	1.85	1.76	1.41	-	-	2.13
Total Current Liabilities	80.65	77.54	76.82	68.42	63.27	64.59
TOTAL EQUITY & LIABILITIES	100.00	100.00	100.00	100.00	100.00	97.29
PROFIT & LOSS ACCOUNT (%)						
Income from financing	-	1.04	7.78	13.13	15.01	27.49
Income on diminishing musharaka financing	95.11	91.57	80.30	76.40	71.71	56.28
Other Income	4.89	7.40	11.92	10.47	13.28	16.22
	100.00	100.00	100.00	100.00	100.00	100.00
Administrative expenses	4.77	5.89	9.37	14.93	11.50	14.44
Other charges	5.66	8.53	5.85	-	-	0.12
Financial charges	64.30	61.68	52.66	42.80	59.96	37.80
Modaraba Management Company's remuneration	2.53	2.39	3.21	4.23	2.85	4.76
Sales tax on Modaraba Management Company's remuneration	0.33	0.31	0.42	0.55	0.37	0.62
Provision for Sindh Workers' Welfare Fund	0.45	0.42	0.57	0.75	0.51	0.85
Profit for the year	12.66	14.01	21.54	36.74	24.81	41.41
Taxation	9.30	6.77	6.38	-	-	-
Total	100.00	100.00	100.00	100.00	100.00	100.00

Free Cash Flows to Equity

	Rupees			
	30-Jun-24 Annual	31-Mar-24 Nine monthly	31-Dec-23 Half yearly	30-Sep-23 Quarterly
Net cash used in operating activities	(5,059,775,064)	(4,443,891,148)	(3,700,491,858)	499,841,614
Net cash generated / (used in) from investing activities	189,529,214	(57,057,761)	(41,874,284)	(243,869,471)
Net cash inflow from financing activities	2,253,001,402	2,734,205,203	2,025,342,217	240,434,005
	(2,617,244,448)	(1,766,743,706)	(1,717,023,925)	496,406,148

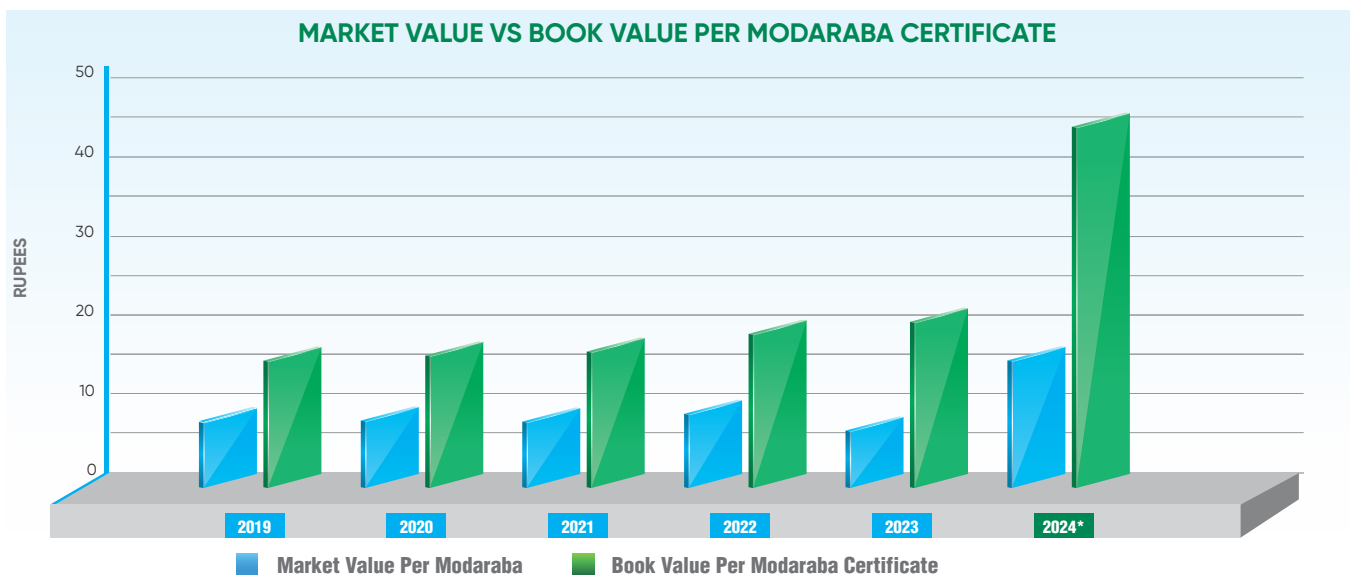
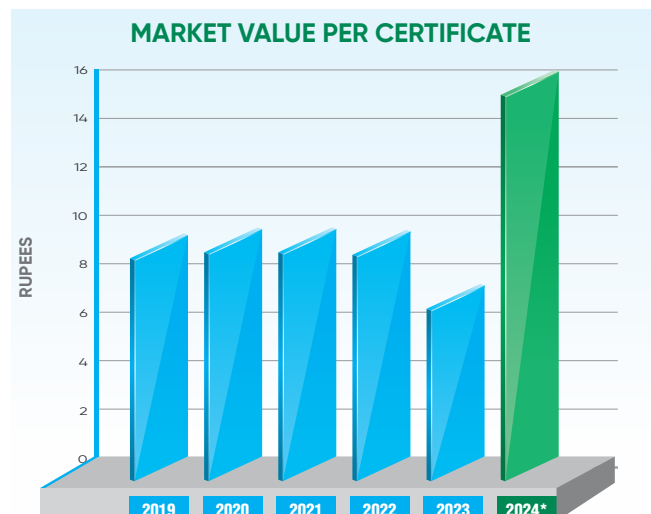
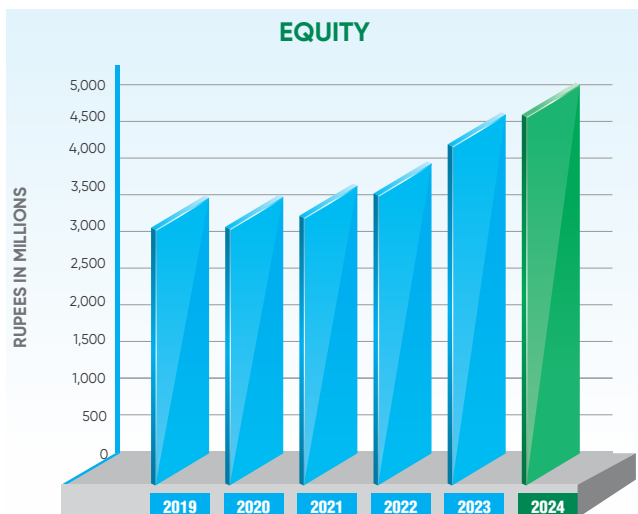
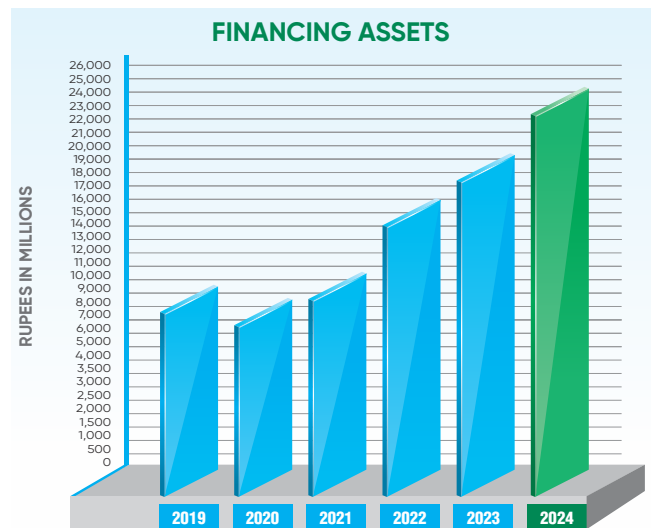
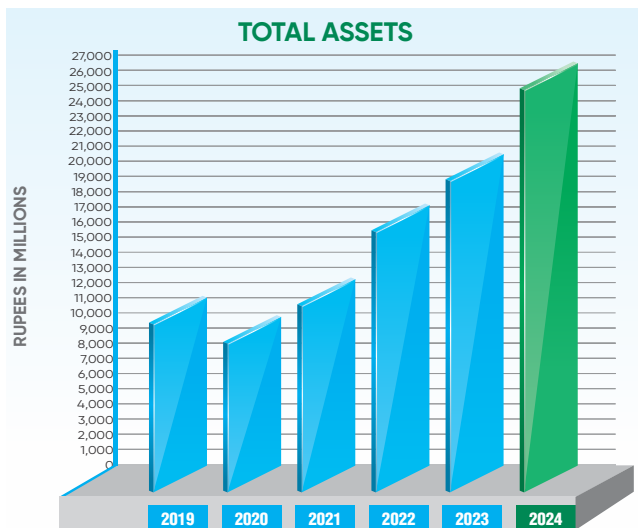
Summary of Cash Flows

	Rupees in Million					
	2024	2023	2022	2021	2020	2019
Cash and cash equivalents at the beginning of the year	(198)	(330)	655	668	51	321
Net Cash flow from operating activities	(5,060)	(2,051)	(4,664)	(1,762)	1,212	(929)
Net Cash flow from investing activities	190	(57)	3	20	16	152
Net Cash flow from financing activities	2,253	2,240	3,676	1,729	(611)	507
Net (decrease) / increase in cash & cash equivalent	(2,617)	132	(985)	(13)	617	(270)
Cash and cash equivalents at the end of the year	(2,815)	(198)	(330)	655	668	51



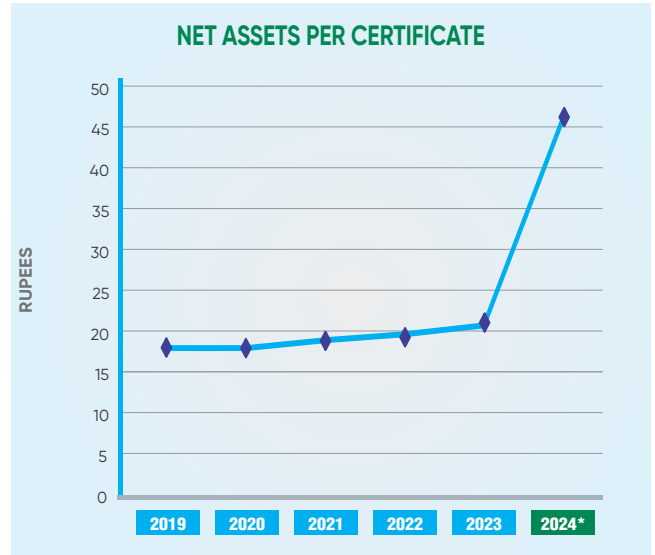
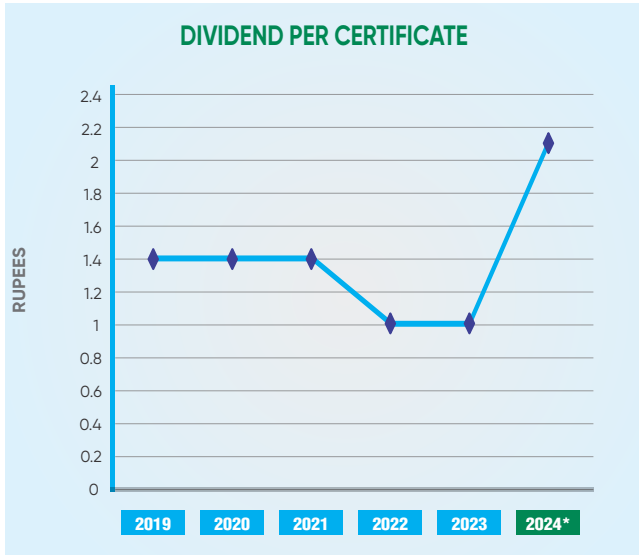
■ Net Cash flow from operating activities
 ■ Net Cash flow from investing activities
 ■ Net Cash flow from financing activities

Graphical Presentation of Financial Summary



* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/-.

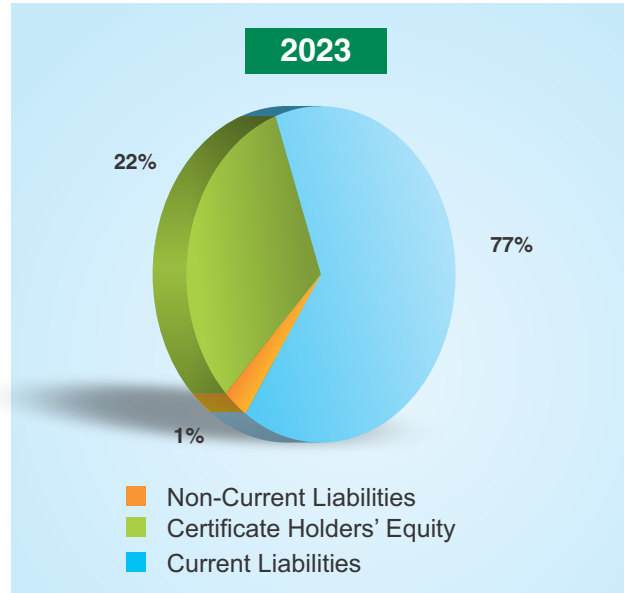
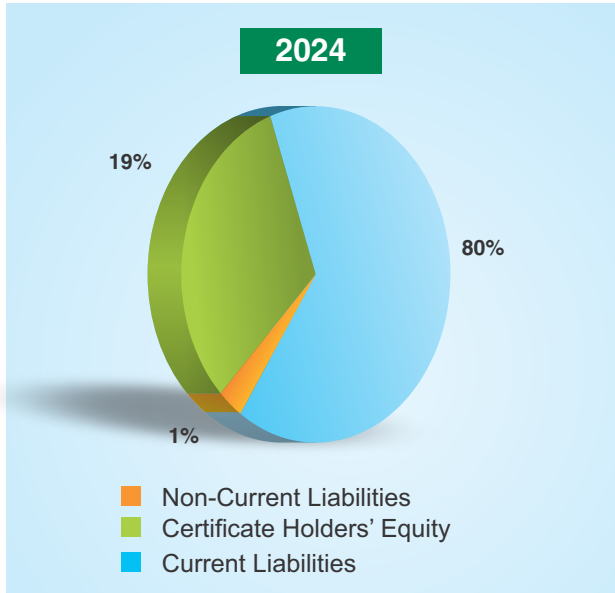
Graphical Presentation



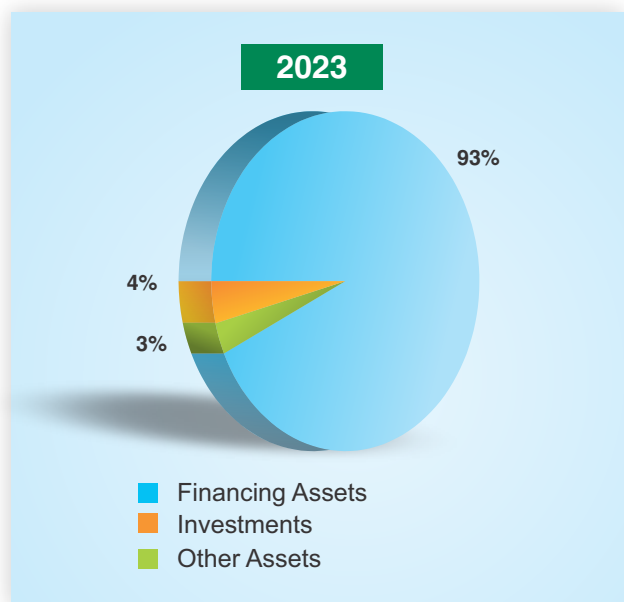
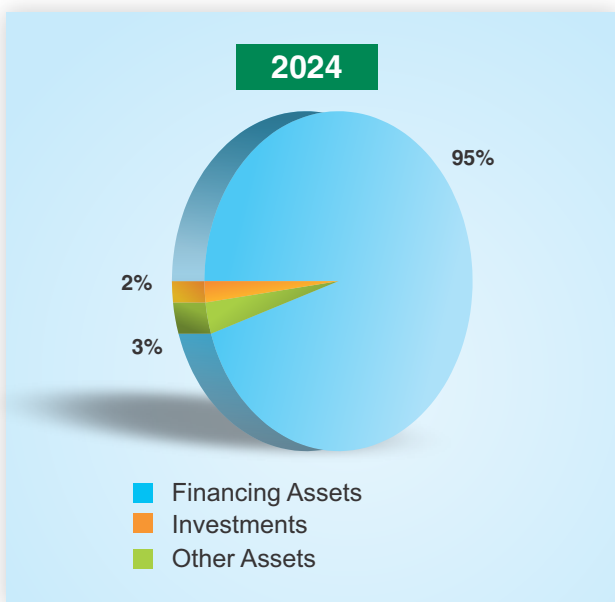
* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/-.

Balance Sheet Composition

Equity & Liabilities



Assets



Explanation of Negative Change From Prior Year

Profitability Ratio:

- EBITDA margin to revenue has been decrease from 32.17% in 2023 to 31.59% in current year due to significant escalation in administrative expenses and financial charges.
- Net profit to revenue has been declined from 15.13% in 2023 to 13.31% in current year is primarily attributed to increased administrative expenses, financial costs and tax implications, affecting the net profit margin.

Liquidity Ratio:

- Gross Non Performing asset to gross advance has increased to 3.37% compared with last year 2.18% due to provisioning against Diminishing Musharaka financing.

Investment / market Ratio:

- Reduction in the dividend payout ratio, shifting from 42.66% in 2023 to 33.72% in 2024, is predominantly a strategic choice to reinvest a greater portion of profits back into the company and emphasize cash flow for operational needs. This decision aligns with the financial strategy of the company and is a response to the current market conditions.

Capital structure Ratio:

- Debt to equity has increased to 4.20 times from 3.46 times as compared to last year due to increase in Certificate of Investment (Musharaka) and Running Musharaka from islamic banks.

Information about defaults in payment of any debt

Not a single default of re-payment of debt. Alhamdulillah, all financials obligation of credit facilities from banks and Certificate of Investment (Musharaka) have been paid on time without the delay of single day.

Methods and assumptions used in compiling the indicators

Following assumptions/estimates have been used in compiling the indicators:

- Economic review and business forecast at the country level.
- Consideration of expected future business growth and opportunities.
- Utilization of historical experience and various reasonable factors.
- Comprehensive research from different sources.
- Review of customers' financials.
- Incorporation of customer feedback.
- Gathering insights from market feedback.

The estimates and assumptions undergo continuous evaluation and any adjustments are reflected in the corresponding reporting period. While our statements are founded on sensible assumptions and expectations using current data, they should not be construed as an assurance of future outcomes.

Statement of Cash Flows - Direct Method

	2024	2023
	-----Rupees-----	
CASH FLOW FROM OEPRATING ACTIVITIES		
Installments received against Diminishing Musharaka Financing	13,600,499,143	9,692,083,418
Net payments made against Diminishing Musharaka Financing	(14,806,940,924)	(10,977,398,263)
Working capital movement	(163,404,162)	1,427,507,547
Financial charges paid	(3,296,249,470)	(2,103,963,486)
Gratuity Paid	(2,542,314)	(3,662,956)
Tax paid	(391,137,337)	(85,563,583)
Net cash used in operating activities	(5,059,775,064)	(2,050,997,323)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(51,305,777)	(11,479,502)
Purchase of intangible assets	(10,194,494)	-
Purchase of investments	-	(103,871,927)
Proceeds from sale of assets in own use	8,120,067	1,465,111
Proceeds from sale / maturity of investments	230,651,218	51,301,475
Dividends received	12,258,200	5,750,000
Net cash generated from investing activities	189,529,214	(56,834,843)
CASH FLOW FROM FINANCING ACTIVITIES		
Profit distribution paid	(220,004,911)	(199,000,200)
Payments of lease rentals against right of use assets	(7,135,375)	(7,201,004)
Certificates of Investment (Musharaka)	2,480,141,688	2,445,781,216
Net cash generated from financing activities	2,253,001,402	2,239,580,012
Net (decrease) / increase in cash and cash equivalents	(2,617,244,448)	131,747,846
Cash and cash equivalents at beginning of the year	(197,618,432)	(329,366,278)
Cash and cash equivalents at end of the year	(2,814,862,880)	(197,618,432)

Segment-wise Review

Financing

Diminishing Musharaka Financing

Diminishing Musharaka Financing portfolio as at June 2024 was Rs.25,126 million as compare to Rs.19,226 million posted 31% growth on year to year basis.

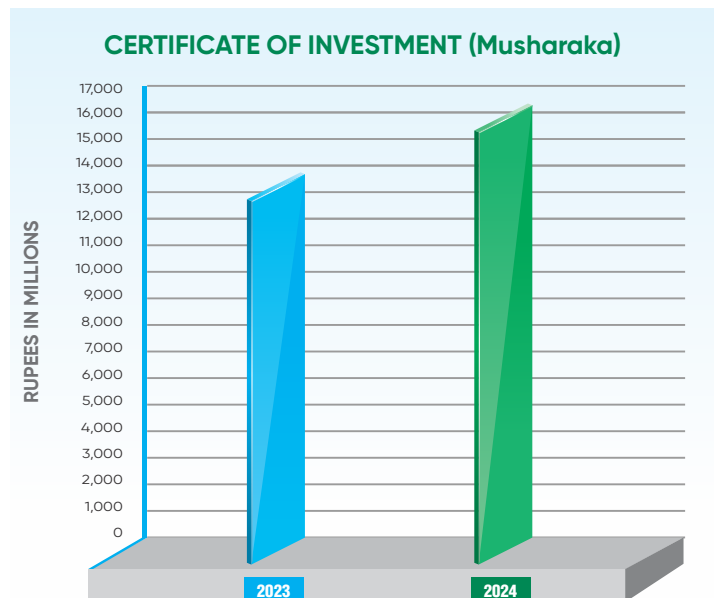
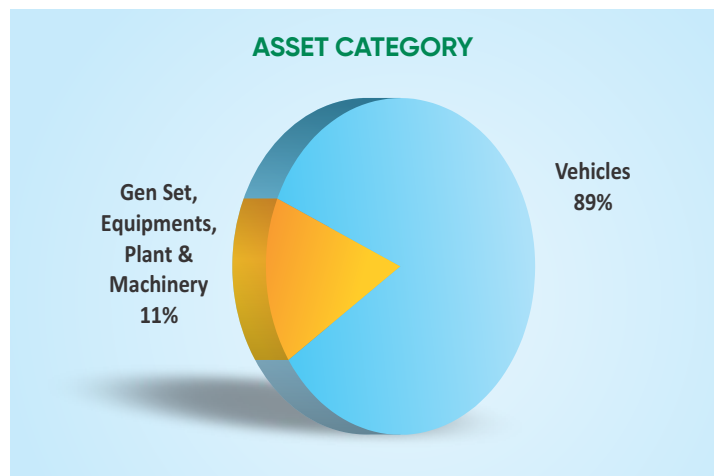
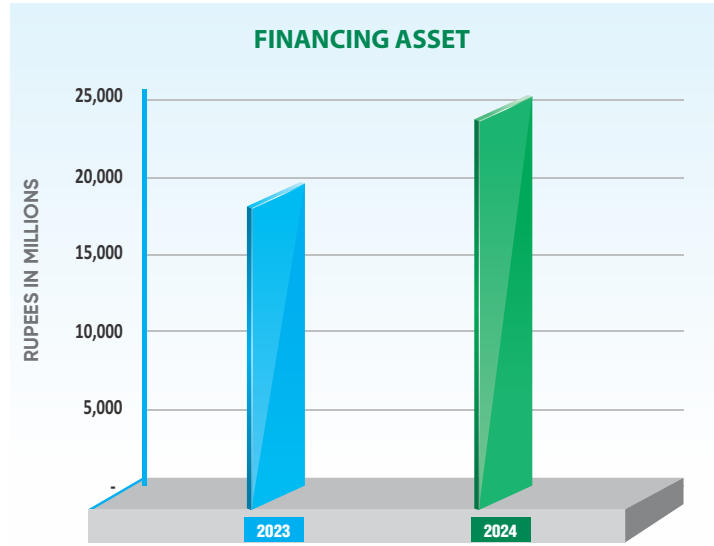
Our all branches i.e. Karachi, Lahore, Islamabad and Multan have made significant contribution in assets booking as compared to corresponding period of last year. Moreover, good new corporate customers, commercial vehicle segment and consumer car financing segment had also been added by these branches which have supported to further enhance business volume and also help us in maintaining our profitability in their respective areas.

Assets category and sector

Major portion of financing remain within the assets category of motor vehicles i.e. 89% of total financing and rest of financing was made within the assets of generator set, machinery and equipment. The leading sectors of disbursement were targeted such as Pharmaceuticals, Services, Refinery & Lubricant, Food & Allied, and Chemicals.

Certificate of Investment (Musharaka)

Good growth has been witnessed on liability side within the Certificate of Investment (Musharaka). The outstanding amount under COI was Rs.16,189 million at the end of year as compared to Rs.13,708 million of corresponding period of last year, increase by 18%. Our treasury department has made their good efforts in channelizing deposit under COI which has greatly supported for generation of business volume at desired level.

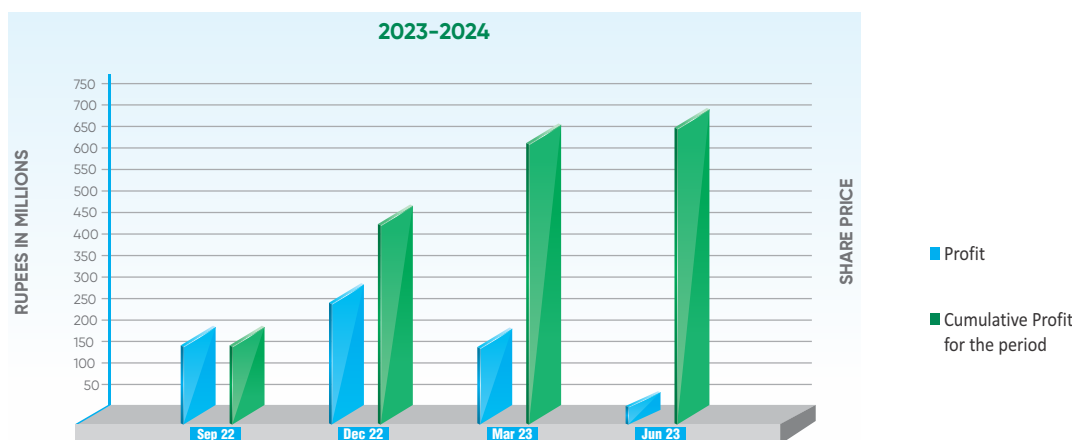


Analysis of Variation in Quarterly Results

	from April 2024 to June 2024	from April 2023 to June 2023	Variance	From Jan 2024 to Mar 2024	from Jan 2023 to Mar 2023	Variance
	Rupees			Rupees		
Income from lease financing	-	-	0%	-	-	0%
Income on diminishing musharaka financing	1,440,716,982	1,194,270,256	21%	1,270,806,711	803,628,783	58%
Administrative expenses	(85,060,837)	(59,412,337)	43%	(52,576,597)	(54,416,770)	-3%
Other income	63,697,049	86,928,312	-27%	68,849,999	59,139,587	16%
Financial charges	(986,858,775)	(701,845,096)	41%	(901,144,370)	(598,081,726)	51%
Profit after taxation	32,448,718	119,474,074	-73%	183,980,903	160,876,136	14%

	from Oct 2023 to Dec 2023	from Oct 2022 to Dec 2022	Variance	From Jul 2023 to Sep 2023	from Jul 2022 to Sept 2022	Variance
	Rupees			Rupees		
Income from financing	-	16,588,876	-100%	-	21,934,723	-100%
Income on diminishing musharaka financing	1,277,918,063	790,247,173	62%	1,195,195,209	608,800,335	96%
Administrative expenses	(59,732,764)	(56,032,875)	7%	(62,878,164)	(48,737,880)	29%
Other income	64,952,874	88,287,771	-26%	69,243,338	40,036,770	73%
Financial charges	(813,252,630)	(525,758,272)	55%	(804,087,040)	(462,562,030)	74%
Profit after taxation	286,187,148	135,547,091	111%	187,580,572	103,733,494	81%

Analysis of Variation in Results Reported in Quarterly Accounts



Dividend and Overdue Payments

- Dividend has been declared and approved by the Board is 21% i.e Rs.2.10 per certificate of Rs. 10/- each.
- No overdue or outstanding taxes, duties, levies etc. on account of FHM.

CEO Presentation Video on the FHM's Website

CEO's message has been uploaded on the FHM's website explaining the business overview of FHM at the link below:

<https://www.habibmodaraba.com/ceo-annual-performance-review> (BCR 6.11)

Share Price Sensitivity Analysis

The share price of the Modaraba depends on the Modaraba's overall performance and reputation in the respective industry in which it exists, combined with other external factors on which management has lesser or no control. The Modaraba's share price is sensitive to the following uncontrollable external factors:

Stock Market

Modaraba's share price depends on overall market performance, investor confidence in the economy and particular sector and the overall fundamentals of the Modaraba. Positive sentiments, news-flows prevailing in the market may result in an appreciation of the share price of the Modaraba.

Government Policies

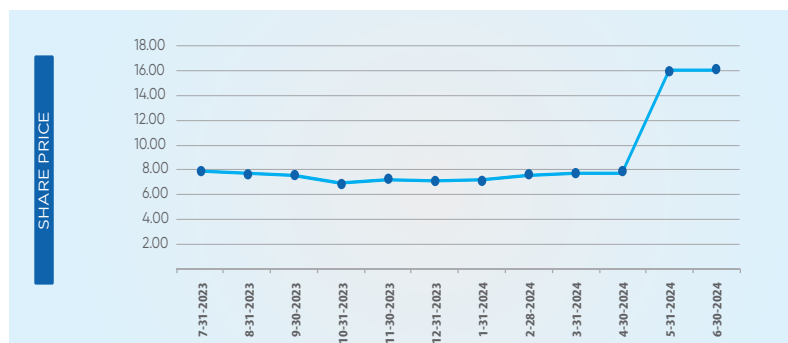
Modaraba is exposed to Government regulations, taxes schemes, policies, incentive schemes which directly affect the Modaraba's financial performance which in turn may affect the share price.

Political Instability

The stable political situation in the country improves the overall business performance, investor confidence and also encourages foreigners to deal with some of the prestigious companies in the country, which may have an impact on the Modaraba's share price.

Interest Rates/Profit Rates

Modaraba follow Islamic principles and don't directly deal with interest, the general interest rate environment affects investor sentiments. If conventional banking rates rise, investors may shift away from Modarabas to interest-bearing securities, lowering demand for Modaraba's certificates.



GDP Growth

General economic growth is a crucial factor. Strong economic growth improves the profitability of sectors where Modarabas invest, leading to potential increases in share prices. Conversely, economic slowdowns could lower investor confidence, decreasing demand for Modaraba certificates.

Shariah Compliance

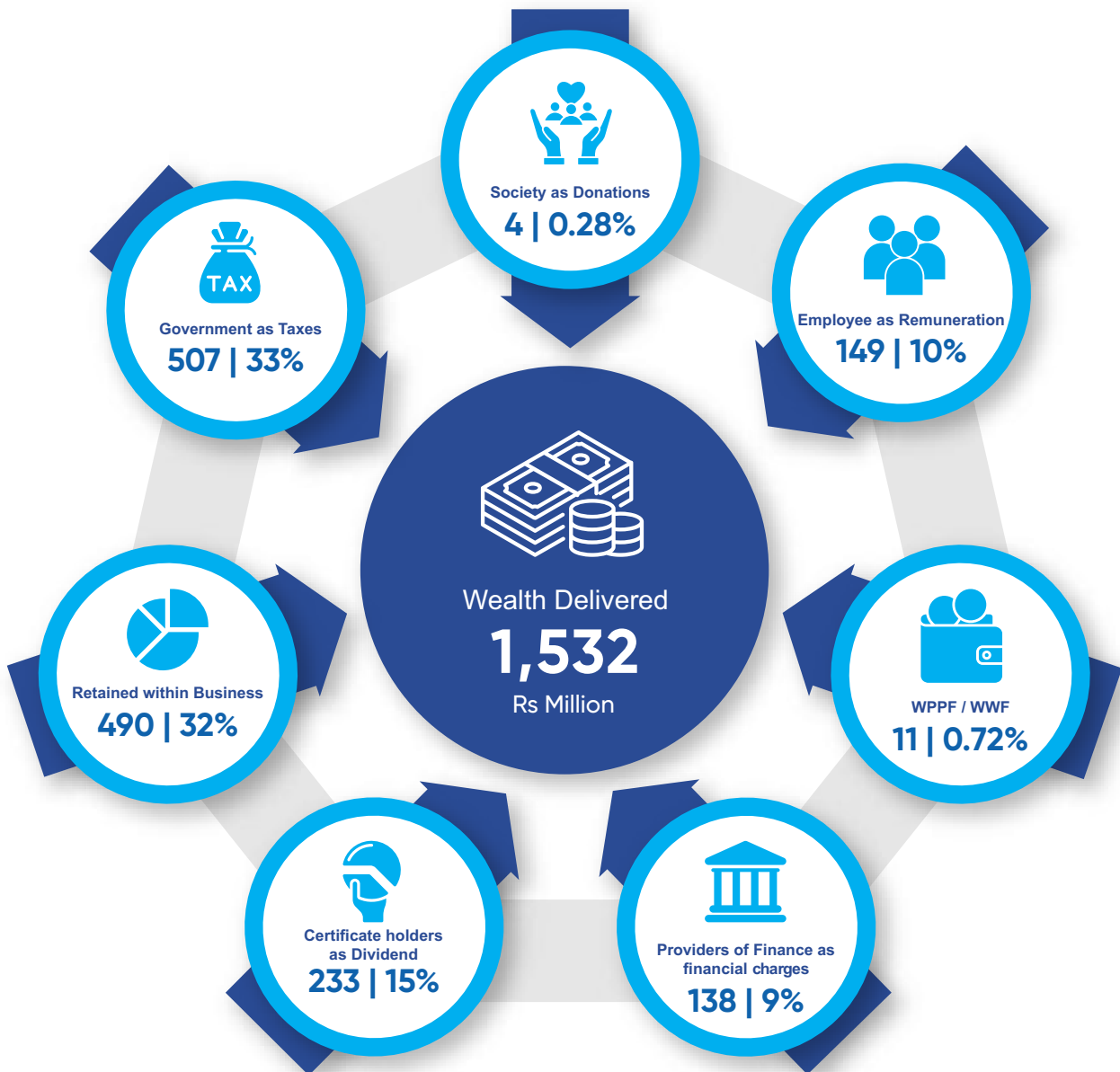
Modaraba must adhere to Islamic financial principles. Any event of non-compliance can lead to loss of investor confidence and a sudden drop in share prices. Additionally, changes in Shariah interpretations or rulings can affect how Modaraba structure their investments.

Announcement of dividends

Expected distribution from earning could increase the share prices as expectation of realisation of profit on investment.

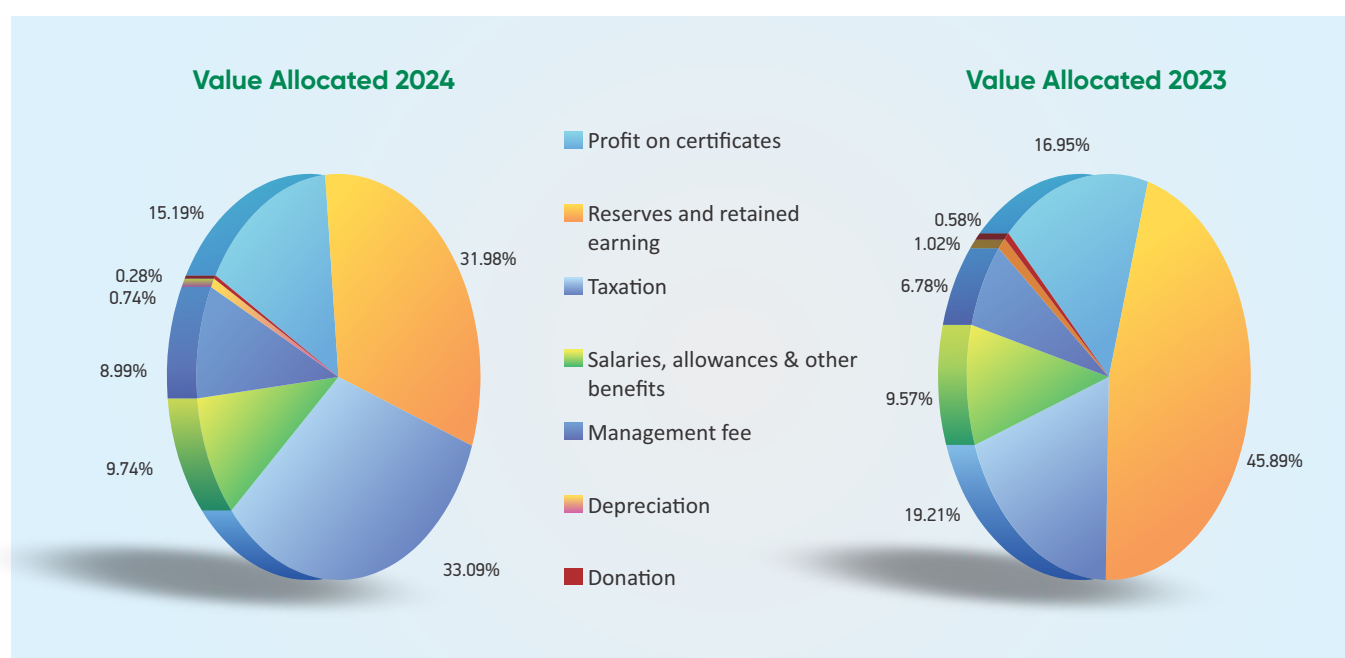
Statement of Value Added

Rs. in Million



Statement of Economic Value Added

	2024		2023	
	Rupees	(%)	Rupees	(%)
Value Added				
Revenue from operations	1,523,655,461	85.00	1,271,694,435	82.00
Other income / charges	266,743,260	15.00	274,392,440	18.00
Value added by financial services	1,790,398,721		1,546,086,875	
Operating expense including provisions	257,976,556		238,583,587	
	1,532,422,165	100.00	1,307,503,288	100.00
Value Allocated				
To Employees				
Salaries, allowances & other benefits	149,212,832	9.74	125,079,698	9.57
To Modarib				
As management fee	137,733,353	8.99	88,671,738	6.78
To certificate holders				
Profit on certificates (Dividend)	232,744,050	15.19	221,661,000	16.95
To Government				
Taxation	507,063,599	33.09	251,157,152	19.21
To Society				
Donation	4,268,842	0.28	7,568,000	0.58
To expansion & growth				
As Depreciation	11,399,489	0.74	13,365,700	1.02
As Reserve and Retained earning	490,000,000	31.98	600,000,000	45.89
	1,532,422,165	100.00	1,307,503,288	100.00



DuPont Analysis

Rupees in Million

13%

5.20 Times
Financial Leverage

26,410
Total Assets

5,074
Certificate Holders' Equity

5,074
Certificate Holders' Equity

35
Surplus on Revaluation of Investment

21,301
Total Liabilities

21,301
Total Liabilities

35
Surplus on Revaluation of Investment

26,410
Total Assets

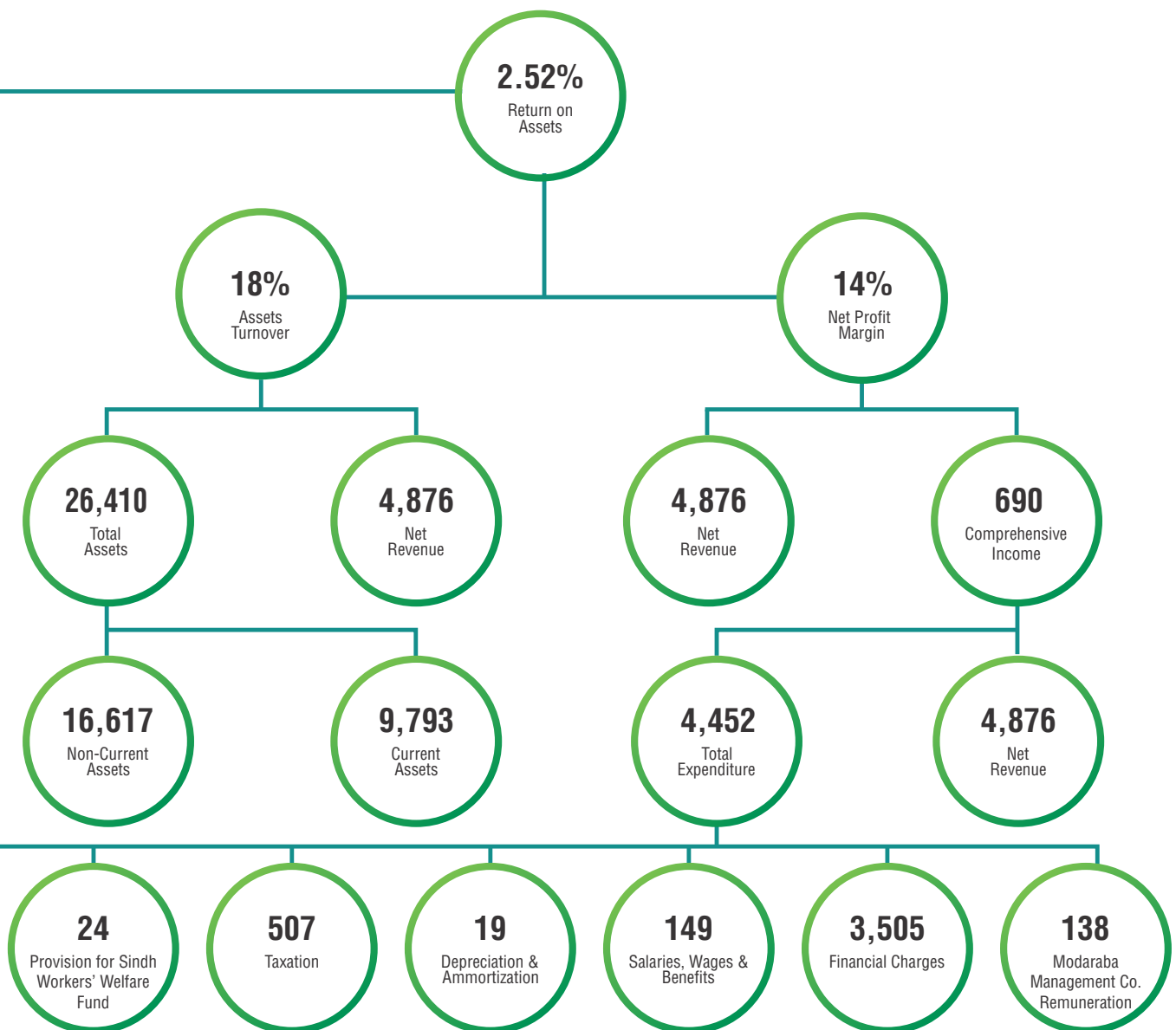
16
Non-Current Liabilities

21,285
Current Liabilities

92
Other Costs

18
Sales Tax on Modaraba Management Co. Remuneration

Return on Equity



OUR CORPORATE APPROACH

BEST COMPLIANCE CULTURE

Keeping in view of present changes in regulatory and compliances landscape, FHM further strengthen compliance culture in line with current requirements particularly on AML/CFT.

FOSTERING A CULTURE OF EXCELLENCE:

We aim to build an environment in which our team constantly strives to deliver out of their best capabilities and capacities and it endeavors to achieve this through attracting and retaining the best talent.

CORPORATE GOVERNANCE

Our goal is to respond to a rapidly changing business environment in a timely manner through best business practices by reinforcing our ethical standards and good governance.

PROFIT SHARING

The partnership of FHM has spread on around 4 decades of successful business operation and now has grown manifold. Enriching every relationship and creating huge benefits through sharing profits every year in the shape of dividends to our Certificate Holders.

PERFORMANCE

Our sound balance sheet and the market position of our businesses have placed us well to deliver sustainable growth. We always stand by with our pledge, fulfilled our commitment and give satisfactory financial result with better return to our Certificate Holders every year.

SHARIAH GOVERNANCE

The management of FHM is fully committed for Shariah governance and Shariah compliance culture. Strong and effective Shariah governance within the Modaraba are prime objectives of the management of Modaraba.

TECHNOLOGICAL ADVANCEMENT

We firmly believe that without the support of technology the innovation and growth in business cannot be achieved. The management is fully conscious with the significance of technological advancement and pays their full attention on this segment.

RISK MANAGEMENT

FHM's risk management capabilities are circled around a strong management structure, sound information system, an effective risk-rating system and robust policies. The primary objective of risk management is to maintain the Modaraba's financial strength and ensure efficient capital deployment to support business growth.

SUSTAINABILITY

We constantly strive to make institution more sustainable and equitable for the coming generations. It is our belief that sustainable development strengthens brand image, drives business growth and ensures long-term and sustainable success.



Business Model

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Material changes in Business Model	156

Business Model

Inputs

- Share Holders Equity: Rs.5.07 billion
- Certificate of Investment (Musharaka) : Rs.16.19 billion
- Capital Adequacy Ratio: 20

FINANCIAL CAPITAL

- Highly competent, experienced staff.
- Fully adhered to Compliance & Governance
- Reward & compensation are linked with KPI
- Regular training and development Programs both in house and external

HUMAN CAPITAL

- Strong Legacy of group
- Strong Branding
- Strong Management Structure and Leadership
- Support in Systems, Processes and Procedures established by the parent Bank

INTELLECTUAL CAPITAL

- State-of-the-art internal IT infrastructure
- Geographical presence in major cities (Karachi, Lahore, Islamabad and Multan)
- Liaison offices (Faisalabad, Gujranwala and Hyderabad)
- Provide Shariah Compliant Financing Products

MANUFACTURED CAPITAL

- Huge number of corporate and consumer clients
- Excellent relationship with all Stakeholders.
- Improved complaint handling mechanism
- Engagement in CSR.

SOCIAL AND RELATIONSHIP CAPITAL

Output/Outcome

- Profit after Tax: Rs.690 million
- Earning per certificate of Rs.10 each: 6.23
- Dividend per certificate: Rs.2.10
- Dividend Payout ratio: 33.72%
- Return on Equity (PAT): 13.60%
- Return on Assets: 2.61%

- Enhanced Employee skill set
- Increased training hours
- Efficient talent acquisition process
- Employee safety, culture and well-being
- Team building events

- Long term rating AA+ for last 16 years
- Short term rating A1+ for last 16 years
- Wining Best Corporate Report Awards last 14 years
- Winning Corporate Excellence Awards last 14 years
- Best Presented Accounts and Disclosure Awards (SAFA)

- Continuous operational, Infra-structural development
- Technological development
- Integrated environmental social and governance into business

- Delivering market leading customer solutions
- Optimizing resource management
- Fulfilling compliance of regulatory requirements
- Increased CSR activities

BUSINESS ACTIVITIES

- Financing Activities: Providing Islamic Financial products to corporate and consumer clients to acquire assets.
- Deposit Mobilisation: Taking deposits from Corporate and individual clients on Shariah Compliant and Halal products.
- Investment Activities: Building strong and income generating portfolio for additional income.
- Improving Corporate Governance Culture within Modaraba
- Enlarging Geographical Expansion through opening of Liaison office.
- System Upgradation given top priority
- Quality lending through stringent Risk Management.
- Increasing Deposit Mobilization
 - Human Resource Capability Building through Trainings, Talent Management.

KEY ELEMENTS

- Established brand name across the country
- Professional and Committed Human Capital
- Subsidiary of one the well reputed and sound institution of Pakistan i.e., Habib Metropolitan Bank
- Robust customer confidence and loyalty
- Leading Modaraba within the Modaraba sector
- Highest credit rating within Modaraba sector
- Trained human resource for quality service to customer
- High ethical and professional standards.
- Prudent and Sustainable Business Policies.

There were no material changes in Business Model during the year (BCR 7.02)



Disclosures on IT Governance & Cyber Security

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IT Governance & Cybersecurity

Board Statement on Assessing and Enforcing the Legal and Regulatory Impact of Cyber Risk.

The vigilant information security team spearheads the development and implementation of effective risk management strategies, guaranteeing resilience while bolstering the capacity to ensure resilience in case of widespread disruptions, cyber-security threats, and potential compromises to critical assets. *(BCR 8.01)*



Cybersecurity Programs, Procedures and Strategy

The System Support department and Information Security teams actively collaborate to fortify the organization's cybersecurity defenses and safeguard valuable information assets, as well as customer data, against the threats unleashed by unauthorized or malicious agents. Over time, FHM has invested significantly in maintaining a deterrence posture, implementing meticulous defense strategies developed in consultation with cybersecurity experts. Furthermore, to ensure seamless service delivery, the SSD prioritizes business requirements, customer satisfaction, optimal performance, and resilient security aligned with industry best practices. BOD has mandated that all ITG services provided to business units adhere to stringent service standards regulated by Service Level Agreements (SLAs), while the IT Helpdesk, equipped with a dedicated technical support team, swiftly addresses service issues with efficiency and adherence to appropriate policies and procedures. *(BCR 8.02)*

Board's Cyber Risk Oversight

The IT Steering Committee (ITSC) stands as the esteemed authority, enlightened by the board, responsible for scrutinizing, assessing, prioritizing, and endorsing significant technology investment plans and strategies. Their diligent efforts include assessing value for money and analyzing return on investment (ROI) considerations. Moreover, the ITSC diligently ensures that the information security domain within the Modaraba is subjected to vigilant risk oversight, guaranteeing that the organization's information security stance aligns harmoniously with its risk appetite. *(BCR 8.03)*

Board Committees Oversight IT Governance and Cyber Risk Matters

The ITSC under the board approved major IT and digital investments aligned with business objectives. ITSC takes special care and focus on achieving the highest level of operational optimization with seamless customer service. ITSC also emphasizes timely addressing all information and cybersecurity issues as well as proactively mitigating associated risks. *(BCR 8.04)*

Early Warning System

FHM has devised some strategy to monitor market risk, liquidity, compliance, and information security. These strategies and mechanism support to control and mitigate risk factor for smooth operation and long term sustainability. *(BCR 8.05)*

Policy on Independent Security Risk Assessment.

The Information Security Department meets regulatory requirements for IT security risk management. It maintains a framework that allows FHM management and employees to mitigate IT security risks to an acceptable level. SSD continuously monitors evolving and emerging threats to recommend and identify relevant information security controls. In addition, FHM regularly arranges third-party information security risk assessments. Further, conducts regular security monitoring for identified categories of information security risk management systems, perform information assets and investigate Information security incidents. Information security awareness campaigns are regular part of ISD activity, the same conducted in October and December 2023, significantly enhanced staff of IT security awareness. *(BCR 8.06)*

Resilient Contingency and Disaster Recovery on Cyber Breach.

FHM has a very well-established framework for business resilience, ensuring uninterrupted access to client services even amidst crises or disruptive incidents. Supported by the diligent business resilience team, FHM prioritizes the resilience of business operations by undertaking proactive planning, maintenance, service provision, and rigorous testing across personnel, infrastructure, systems, and third-party Business Continuity Management (BCM). By fostering a culture of cyber resilience, FHM consistently endeavors to enhance its ability to withstand and recover from cyber threats. *(BCR 8.07)*

Advancement In Digital Transformation to Improve Transparency, Reporting and Governance.

Artificial Intelligence

With the help of Artificial Intelligence, FHM has created a facial recognition system that used for security, authentication and identification. It is an AI-powered attendance management software solution used for attendance management and control access management.

Internet of Things

Using the concept of the Internet of Things (IoT) and the cloud FHM developed a solution system uses Utilizing existing mobile phone technology, we are developing an application that enables users to interact via WhatsApp.

Cloud Computing

Deploying a private cloud on FHM allows us to leverage resources on-demand. This means that workloads can be deployed on different physical servers as service requirements change. This flexibility not only ensures application performance and quick report process, but also reduces costs. *(BCR 8.08)*

Education and Training Efforts to Reduce Cybersecurity Risks.

We remain focused on building our capabilities in line with regulatory framework, compliance obligations, good practices and have taken many initiatives in this area. Various events on cybersecurity awareness were held with the help of internal IT staff and external experts. Learning initiatives are under-taken to increase digital awareness in order to recognize contemporary trends and prepare staff for the cyber resilience. *(BCR 8.09)*

IT Governance Policy

FHM's IT governance framework is shaped by regulatory requirements, aiming to enhance overall governance in the technology sector through guidance from regulatory authorities, IT management and the IT Steering Committee. IT governance, in addition to calculating and monitoring risks, bridges the gap between business and IT strategies and aligns technology initiatives to the benefit of Modaraba.

Over time, Information Technology (IT) has undergone significant evolution, fundamentally transforming the way businesses operate. It has not only simplified but also enhanced the efficiency of conducting business activities. IT has paved the way for a multitude of new advancements, which are utilized both within organizations and for personal purposes. In this context, the governance of IT within enterprises has emerged as a crucial cornerstone, addressing the challenges posed by these rapid technological changes. Enterprise governance of IT is an integral part FHM governance and address the implementation the process ,structural and relational mechanism in organization that enable both business and IT resource to execute their responsibility with business alignment and creation of value. It makes sure that all stakeholders' interests are taken into account and that processes provide measurable results. System support department increasing expectation that they will be utilized electronic processes for not only more efficient governance but also improving management of information and services.

This Policy makes the administration for the Information Technology Division for the FHM under its supervision of IT Steering Committee, and Board of Directors. This policy describes and creates a framework that will clear the guide on which IT Division will offer types of services to FHM's business operations and to guarantee that the FHM's business functions are driven based on Technology Solutions.

First Habib Modaraba executed standard SOP to reap the highest advantages from information technology with the lowest risk and at the least costs. These SOP incorporates a scope of procedures and practices that cover the FHM's different departments. Information technology governance and related procedures are planned with the support of the executive management, and department staff. The FHM pursues the procedure of information technology management and maintaining operations as well as executing needed policies to achieve FHM's strategic objectives.

FHM's IT governance covers following functional areas.

Compliance area

Ensuring investment in licensed applications adheres to relevant laws and regulations.

Financial reporting area

Integrating various systems used by different departments to streamline financial reporting.

IT Security area

The System Support Department and Information Security teams are fully committed to enhance the organization's cyber resilience and safeguarding its valuable information assets and customer data against threats from unauthorized or malicious actors. Over the years, FHM has devoted substantial time and effort to maintaining a strong deterrent posture by implementing comprehensive defense measures, in close collaboration with cybersecurity experts

Judicious Capital Expenditure

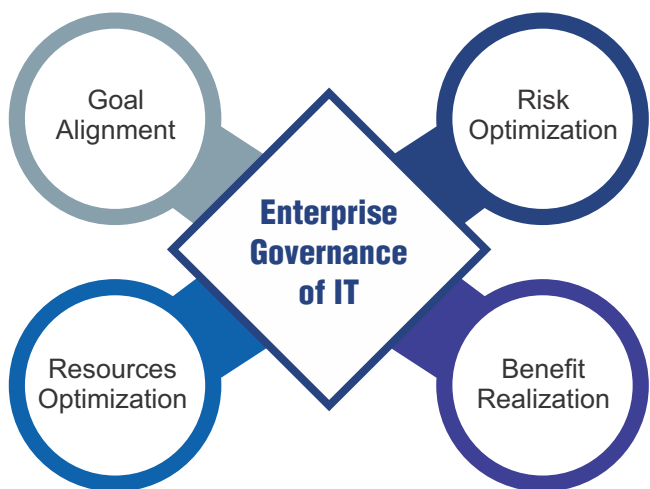
All major IT-related procurement is reviewed and approved by a relevant IT committee.

IT Risk Management functions

The IT-related Risk Management processes are regularly reviewed and strengthened to ensure effective mitigation of risks and security threats.

Data Governance

Governance involves the systematic and formal management of all services and processes necessary for effective information management.



FUTURE OUTLOOK



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Forward Looking Statement

Future outlook of the economy and businesses of FHM have been discussed in details in Directors' Report. Forward looking statement including expectations about known trends and uncertainties that may affect the resources, revenues and operations in the short, medium, and long term. Since there are uncertainties related to the unexpected changes in economic or any other front, these should be read in conjunction with contingencies and force majeure segments.

Economic outlook of Pakistan

In recent past, the country has encountered with multiple external and internal shocks. However, in FY 2023-24 the economy of Pakistan displayed on a stabilization phase. Key macroeconomic indicators were better than the comparable period of last year with GDP growth rate of 2.38 percent against negative 0.21 percent last year.

However, Pakistan's growth prospects in FY2024-25 will remain challenging keeping in view soaring domestic and foreign debt particularly huge repayment of external debt including high taxation in recent budget. Government is focusing on high potential sectors like IT, SMEs, mines and minerals, tourism, exports and agriculture. These sectors can pay rich dividends and can support to the country's balance of payments position. However, country will not lay solid foundation of growth until the fundamental governance flaws in its system are addressed. Delaying these necessary reforms will continue to burden the public and hinder economic prosperity and growth.

Future outlook of FHM

The performance of the Modaraba will largely depending on macroeconomic factors. Country is aiming to achieve fiscal stabilization to regain macroeconomic stability while complying with the IMF conditions. Recently we have witnessed political stability after general election and set up of new government. Country has successfully finalized the bailout package from IMF and planning of stand by arrangement for current financial year. Due to political stability, the business sentiments have been restored. However, we foresee that current year would be challenging year keeping in view soaring domestic and foreign debt particularly huge repayment of external debt in FY2024-25, increasing trends of energy cost and excessive high taxation in recent budget will again fuel to inflation.

The Modaraba is prudently progressing ahead to shape a successful future by investing autonomous technologies and digitally led innovative solutions. As we move forward into

2024-25, our primary objective is to enhance customer experiences across various channels while simultaneously focusing on augmenting the Modaraba's revenue growth. Synergy with business teams shall be heightened to achieve further business growth. Customer centric culture shall be focused and customer service shall be used as the main tool for business growth.

Key business growth forecast

- Grow our market share by adding new sector, cities and sound customers
- Explore possibilities for generation of low cost funds in order to support our financing book.
- Concentrate on small and medium size customer for horizontal growth.
- Promote green financing particularly solar equipment
- Careful watch impact of climate change on environment and customer businesses.

Business uncertainties and economic challenges in 2024-25

We foresee that current year would be challenging year keeping in view soaring domestic and foreign debt particularly huge repayment of external debt in FY2024-25, increasing trends of energy cost and excessive high taxation in recent budget which will again fuel to inflation. The country will not lay solid foundation of growth until the fundamental governance flaws in its system are addressed. Delaying these necessary reforms will continue to burden the public and hinder economic prosperity and growth.

Furthermore, the performance of FHM may be affected due to change in business environment such as:

- Political and other disturbance within country.
- Change taxation policies.
- Adverse move on economic front
- High Inflation
- Climate change impact
- Disruption in imported raw materials
- Rising energy prices
- Any other force majeure.

Forward Looking Statement made in 2023	Performance made in 2024
<ul style="list-style-type: none"> • Enhance the size of Balance Sheet • To enhance our market reach in new cities and add sound customer base • To increase financing portfolio with good assets categories. • Explore new avenues of low cost resource mobilization through COIs and other Islamic instruments. • Enhance income stream to dilute the impact of income tax for better profitability and dividend distribution. 	<ul style="list-style-type: none"> • Size of balance sheet reached to Rs.26.4 billion which is the highest since inception of FHM. • Business avenues explored and engaged in few active cities of Punjab and Sindh to enhance market reach. • Our total disbursement during the year was Rs.15.2 billion as compared to previous year of Rs.10.8 billion increase by 41%. • Our deposit under Certificate of Investment (Musharaka) also reached to Rs.16 billion, reflect the growth of around 18%. • We enhance our after tax profit by around 33% which is significant rise as compare to last year.

(BCR 9.02)

Status of the projects in progress disclosed in the forward-looking statement in the previous year.

a) Explore new markets and add sound customer within financing book

In last report, we had targeted new cities such Gujranwala, Gujrat, Bahawalpur and Sukkar. Two cities i.e., Gujranwala and Bahawalpur have been actively engaged and new customers have been added. Working on rest of cities is still in process.

b) To enhance and diversify liability book

Sizeable enhancement has been made in liability book by adding assets management companies and corporate entities.

(BCR 9.03)

Sources of Information and assumptions

Following sources of information are used by the management for the preparation of projections/forecasts:

- Economic review and business forecast at country level
- Central bank's various reports and monetary policy statements
- Country's internal and external factors
- Research from different counters
- Review of customers' financials
- Customer's feed back
- Market feedback

Our above forward looking statement is based on our present business structure model supported by our future business strategy. Though our statements are reasonable assumptions and expectations based on current data, they are not intended to be a guarantee of future results, especially under the present challenging situation particularly with continuous re-occurrence of pandemic and its impact on business and economy. *(BCR 9.04)*

Disclosure about modaraba's future Research & Development initiatives.

FHM is committed to innovation and sustainable growth, we believe that continuous Research & Development is vital for driving future success. Our initiatives are focused on aligning with the principles of Islamic finance and creating value for our investors and stakeholders.

Strategic Focus Areas

Product Innovation: We aim to develop Shariah-compliant financial products that cater to the evolving needs of our clients and investors. This includes creating new financing models and risk management tools that adhere to Islamic financial principles.

Technology Integration: We will invest in advanced financial technologies, such as artificial intelligence, and machine learning, to enhance the transparency, efficiency, and scalability of our Modaraba operations. We are focused on upgrading our interconnectivity infrastructure to strengthen communication with more reliable and security features. We are also adopting cutting-edge data protection technologies to ensure optimal information security. Furthermore, we are evaluating top business intelligence solutions to enhance staff data visualization and improve forecasting of future trends.

Sustainability and Social Impact: A core component of our R&D strategy is to develop initiatives that contribute to social welfare and environmental sustainability. We intend to focus on projects that foster inclusive growth and align with the principles of Maqasid al-Shariah (the objectives of Islamic law). *(BCR 9.05)*

Stakeholders Relationship & Engagement

STAKEHOLDERS

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Stakeholders' Engagement

What is a Stakeholder?

Stakeholders are specific groups of people, each with different desires and needs from the organization. A stakeholder is anyone who has a stake in your organization, either through interest, influence or both. Stakeholders can range from shareholders, to staff, board members, volunteers, funders, government, customers and beyond.

Stakeholder engagement has always been a crucial to an organization's performance. Stakeholder is an integral to the organization's business can be described as an effort to understand and involve them in business activities and decision-making processes. Stakeholders are defined here as any group or individual who can affect or can be affected by an organization or its activities.

Stakeholder Engagement is emerging as a means of describing a broader, more inclusive and continuous process between a modaraba and those potentially impacted that encompasses a range of activities and approaches. The overall purpose of stakeholder engagement is to drive strategic direction and operational excellence for organizations and to contribute to the kind of sustainable development from which organizations, their stakeholders and wider society can benefit.

We always give importance to work with our stakeholders at all levels of the business in order to maintain our sustainable development and performance. The integration of stakeholders into our sustainability risk assessment and management processes helps us identify and priorities stakeholders' concerns.

In our business we have some key stakeholders what we try to do to meet or exceed their expectations of as responsible corporate venture. We wish to engage with individuals and groups who can help us continue to improve in these areas.

Some of our engagement with stakeholders is listed below.

Certificate Holders

Every year FHM has annual review meeting, where we invite our all-certificate holders, interact with them, and take their suggestions for improvement of businesses. FHM updates their Certificate holders and investors through Annual Report, Quarterly Financial announcements, investor's road shows and conferences. FHM continuously upgrades their technological supports for better and timely information to its certificate holders and investors and keep them informed through various resources and dialogue.

Management's steps to encourage Minority Certificate Holders to attend ARM.

Management has always made sure that basic right of Modaraba Certificate Holders is well protected. The minority Certificate Holders

always encourages to attend annual review meeting and Modaraba extend its full courtesies and facilitations.

Customers

We always respect customer needs and design our financial products according to their business needs without compromising principles of Islamic Finance. Being Islamic Financial Institution, it is built-in feature in corporate objective of FHM for fairness of transaction and no exploitation or deceives customer's rights. FHM monitors the fair terms of pricing and accessibility in its products and services offerings. It protects its customers' privacy and security of their personal information.

Employees

FHM has excellent blend of professional personnel who are well committed and dedicated to their respective jobs. Our Human Resource department always encourages making such policies for employees which promote culture of reward on merit basis and foster for team work. We believe to manage them by leading rather than by driving. We hire the best people for the job and strive to retain, motivate, empower and reward them for their contribution. We are committed to provide an ideal professional environment to enable our employees to pursue the highest possible level of performance.

Government / Regulators

FHM always gives utmost importance for compliance of applicable Rules and Regulations of Regulators. Also comply with legislative framework of Government regarding submission of return and of taxes and duties etc. FHM also communicates with Government authorities and regulators regarding commercial, policy, regulatory and other relevant matters.

Suppliers

FHM prefers to work with local suppliers in order to support national economy and also save hard earned foreign exchange of the country. Approximately 70% of assets purchased for lease financing are from local suppliers. FHM regularly engage and communicate with suppliers during and after contract. We promote an ethical supplier management relationship in our policy guidelines.

Communities

Economic sufficiency, optimal health, and happy relationships are some of the important needs that contribute to our quality of life. FHM supports various trusts and societies who engaged in to provide health facilities and educations to needy communities of societies. Certain portion of profits of FHM has earmarked every year to contribute funds to these trusts and societies.

Steps To Encourage Minority Certificate Holders To Attend The Annual Review Meeting

Annual Review Meeting of an Modaraba provides a platform to decide the important matters as well as solicit the viewpoints of certificate holders, especially minority certificate holders, regarding performance of the organization. The Modaraba takes immense interest in encouraging minority certificate holders to participate in the Annual Review meeting of the Modaraba.

Below are the steps taken by the Modaraba for this purpose:

To ensure complete update

Notice of the Annual Review Meeting specifying time and place of the meeting is forwarded to each certificate holder and published in Urdu as well as in English newspapers at least 21 days before the date of the meeting. Further, the notice of the Annual Review Meeting is served to the Pakistan Stock Exchange and is also made available on the Modaraba's website.

To ensure they attend the ARM

All certificate holders are entitled to attend and speak. Annual Report of the Modaraba is provided to all certificate holders before Annual Review Meeting so that they can review performance of the Modaraba. Further, a detailed briefing on Modaraba performance is provided in Annual Review Meeting, including minority certificate holders, are encouraged to raise their queries and provide suggestion relating to performance of the Modaraba. (BCR 10.03)

Redressal of Investor Complaints

Various means of filing a complaint are available on Modarabas' website. Investors' complaints / queries are usually related to receipt of latest dividends, request for hard copies of annual/quarterly reports, updation of bank account details to receive dividends, unclaimed dividends etc. (BCR 10.07)

Business Strategy and its Implementation Status Following are the implementation status of the business strategy discussed with the Certificate Holders:

Business Strategy for the year 2023-24 given in ARM	Achievement during 2023-24
Exploring new corporate clients and strengthen relationships with existing one	The quality portfolio of client achieved through engagement of more high rated and sound companies
Use Bank's branches network to add quality customer & enhance market outreach	Penetrate the FHM Products in diversified market.
Further develop and improve the staff capacity through trainings, seminars etc.	Effective training methods have been introduced for professional grooming of the staff members
Enhanced profitability and good appropriate dividend distribution accordingly in upcoming years, keeping in view the growth & sustainability requirements.	Modaraba has increased pre-tax profit by 55% and after tax by 33%. Furthermore, entity has declared 21% cash dividend for the year ended June 30, 2024.
Improve internal control environment and strict adherence to legal and regulatory requirements	With the support of technological advancement, several effective measures have been taken for improvement of internal control and regulatory compliances.

Investors' Relation Section On Corporate Website

The Modaraba disseminates information to its investors and certificate holders through a mix of information exchange platforms, including its corporate website. The website is updated regularly to provide detailed and latest information including financial highlights, investor information and other requisite information. (BCR 10.04)

Corporate Briefing Session

As mandated by the Pakistan Stock Exchange, the Modaraba conducted its annual 'Corporate Briefing Session' on 26 October, 2023. The session was conducted by the Modaraba's Chief Executive Officer and the Chief Financial Officer and was attended by certificate holders and analysts. The Management presented an analysis of the Modaraba's performance, plans and challenges along with business outlook. (BCR 10.06(a,b))

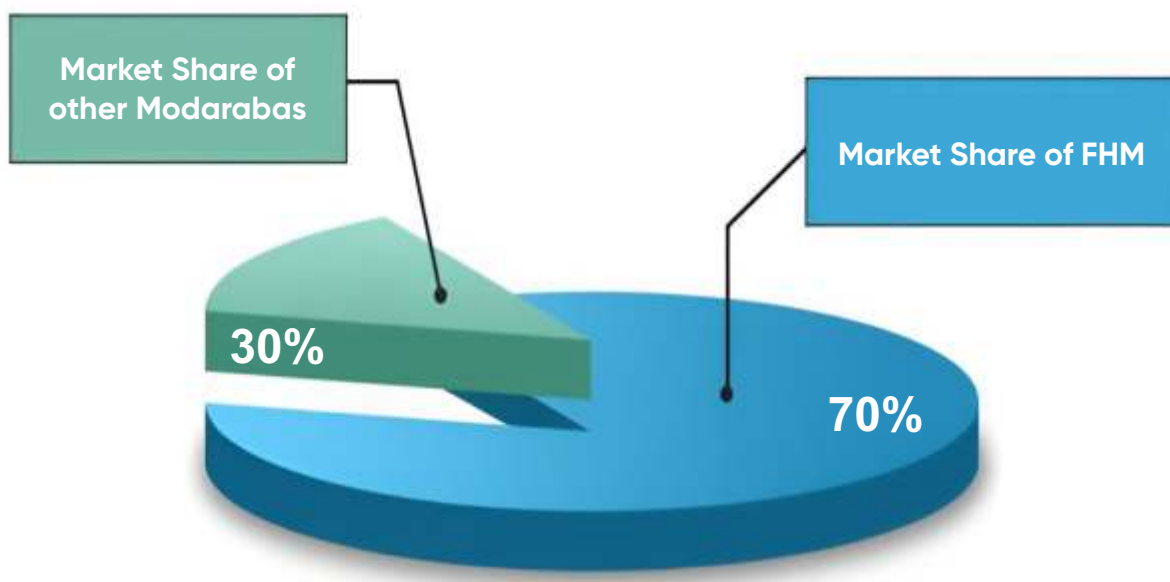
Issues Raised In The Last Arm

FHM remains committed to engage with its certificate holders, to understand their concerns, devise appropriate strategies and deliver to their expectations. During the last Annual Review Meeting, we transparently briefed our certificate holders about our performance. No issues were raised during the meeting. The Chairman of the meeting addressed all questions to the satisfaction of the certificate holders. (BCR 10.05)

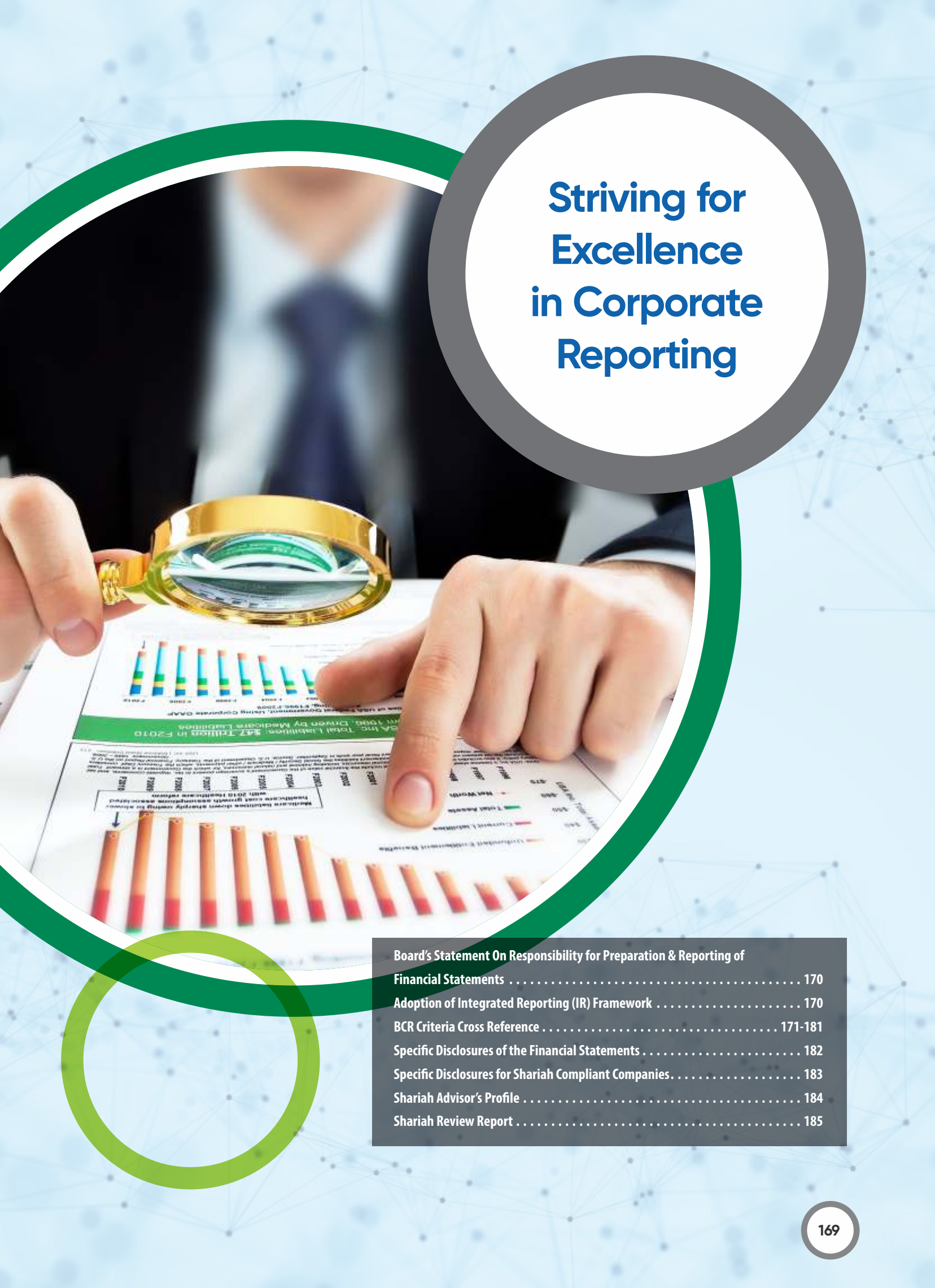
Disclosure of Market Share of the Modaraba and its products and Services

Since last 39 years FHM is catering the financing need under shariah compliant mode of financing. With gradual increase and penetration of shariah compliant financing solutions, FHM also progressed well and keep its niche in its sector. Alhamdulillah, FHM has show steady progress and consistently outperformed its competitors in terms of Islamic financing solutions providing within Modaraba sector and demonstrate its resilience over the period. FHM is now enjoying more than 70% market share in financing segemnt within Modaraba sector.

Market Share of FHM's Financing portfolio within the Modaraba Sector



Striving for Excellence in Corporate Reporting



Board's Statement On Responsibility for Preparation & Reporting of Financial Statements	170
Adoption of Integrated Reporting (IR) Framework	170
BCR Criteria Cross Reference	171-181
Specific Disclosures of the Financial Statements	182
Specific Disclosures for Shariah Compliant Companies	183
Shariah Advisor's Profile	184
Shariah Review Report	185

Board's Statement On Responsibility for Preparation & Reporting of Financial Statements

Management is fully aware of its responsibility towards preparation and presentation of financial statements. The Directors of the Modaraba confirm that:

The financial statements have been prepared which fairly represent the state of affairs of the Modaraba, the result of its operations, cash flows and changes in equity.

Proper books of accounts of the Modaraba have been maintained.

Appropriate accounting policies have been applied in preparation of financial statements in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan.

International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any deviation therefrom have been adequately disclosed and explained.

Internal control system of the Modaraba is effectively implemented and monitored regularly.

There are no significant doubts upon the Modaraba's ability to continue as a going concern.

There is no material departure from the best practices of Corporate Governance as per regulations.

Adoption of Integrated Reporting (IR) Framework

The Modaraba has adopted the Integrated Reporting Framework by fully applying the 'Fundamental Concepts', Content Elements and Guiding Principles in the IR Framework. FHM always strives for excellence to meet the Reporting Framework. We have adopted the Integrated Reporting Framework to provide the insight about the resources and relationships used and affected by our organization.

BCR Criteria Cross Reference

S.No.	BCR Criteria	Page No.
1	Organizational Overview and External Environment	
1.01	Mission, vision, code of conduct, ethical, principal and core values.	12, 13, 14, 47
1.02	Profile of the company including principal business activities, markets (local and international), key brands, products and services.	45
1.03	Geographical location and address of all business units including sales units and plants.	46
1.04	The legislative and regulatory environment in which the company operates.	59
1.05	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates.	49
1.06	Name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	49
1.07	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	118
1.08	Organization chart indicating functional and administrative reporting, presented with legends.	50, 51
1.09	A general review of the performance of the company, including its subsidiaries, associates, divisions etc., for the year and major improvements from last year.	53
1.10	Description of the performance of the various activities / product(s) / service(s) / segment(s) of the entity and its group entities during the period under review.	53
1.11	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	52
1.12	a) Explanation of significant factors affecting the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and the organization's response. b) The effect of seasonality on business in terms of production and sales.	54, 55
1.13	The legitimate needs, interests of key stakeholders and industry trends.	56
1.14	SWOT Analysis of the company.	57
1.15	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	58
1.16	History of major events.	60
1.17	Details of significant events occurred during the year and after the reporting period.	60

2.	Strategy and Resource Allocation	
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve objectives.	62
2.02	Resource allocation plans to implement the strategy. Resource mean 'Capitals' including: a) Financial Capital; b) Human Capital; c) Manufactured Capital; d) Intellectual Capital; e) Social and Relationship Capital; and f) Natural Capital.	63

S.No.	BCR Criteria	Page No.
2.03	The capabilities and resources of the company that provide sustainable competitive advantage, resulting in value creation by the company.	64
2.04	Company's strategy on market development, product and service development.	65
2.05	The effects of the given factors on the company strategy and resource allocation: a) Technological Changes; b) Sustainability reporting and challenges; c) Initiatives taken by the company in promoting and enabling innovation; and d) Resource shortages (if any).	66
2.06	Key Performance Indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	67, 68
2.07	The linkage of strategic objectives with company's overall mission, vision and objectives.	70
2.08	Board's statement on the significant plans and decisions such as corporate restructuring, business expansion, major capital expenditure or discontinuance of operations.	71
2.09	a) Information about defaults in payment of any debt with reasons and its repayment plan; b) Board strategy to overcome liquidity problems and plans to meet operational losses.	71, 72

3.	Risks and Opportunities	
3.01	Key risks and opportunities (internal and external), including Sustainability-related risks and opportunities affecting availability, quality and affordability of Capitals.	74, 75
3.02	A Statement from the Board for determining the following: a) Company's level of risk tolerance by establishing risk management policies; b) Company's robust assessment of the principal risks being faced, including those that would threaten the business model, future performance and solvency or liquidity.	76
3.03	Risk Management Framework covering principal risks and uncertainties facing by the company, risk methodology, risk appetite and risk reporting.	77
3.04	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	74, 75
3.05	Disclosure of a risk of supply chain disruption due to an environmental, social or governance incident and company's strategy for monitoring and mitigating these risks (if any).	78
4.	Sustainability Reporting and Corporate Social Responsibility (CSR)	
4.01	Board's statement for the adoption of CSR best practices including Board's commitment to continuous improvement and implementation updates in the form of periodic reviews to ensure the relevance and effectiveness of CSR practices in business strategies.	81

S.No.	BCR Criteria	Page No.
4.02	Board's statement about the company's strategic objectives and the intended impact on stakeholders on ESG (Environmental, Social and Governance) reporting/ Sustainability Reporting in line with IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures'. Weightage will be given to companies who provides following disclosures (as per IFRS S1 and IFRS S2) along with the company specific examples for each factor for the investor's information: a) Disclosures of company specific sustainability-related risks and opportunities and their impact on the financial performance in the short, medium and long term; b) Disclosures about four-pillars core content (Governance, Strategy, Risk Management and Metrics and Targets), together with the specific metrics designed by the company to demonstrate the performance and progress of the company. c) Disclosures of material information about sustainability-related risks and opportunities throughout a company's value chain together with specific examples of initiatives taken by the company. d) Disclosure about company's climate-related risks and opportunities, as required in IFRS S2 including explanation of the specific methodologies and tools used by the company.	86, 87
4.03	A chairman's overview on how the company's sustainable practices can affect the financial performance of the company.	82-85
4.04	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and CSR: - Social initiatives such as research and development initiatives, employment generation, community health and education, and health and safety of staff etc.; - Environmental initiatives like climate change mitigation etc. by focusing on 3R's (Reduce, Reuse & Recycle) and how does the company reduce pollution, depletion and degradation of natural resources; - Technological innovation such as contributing to sustainability (i.e. energy-efficient processes or eco-friendly product designs); - Information on consumption and management of materials, energy, water, emissions and waste.	88
4.05	- Status of adoption/ compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP. - ISO certifications acquired for best sustainability and CSR practices.	91 to 97

5.	Governance	
5.01	Board composition: a) Leadership structure of those charged with governance; b) Name of independent directors indicating justification for their independence; c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience; d) Profile of each director including education, experience and engagement in other entities as CEO, Director CFO or Trustee etc.; e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	26, 27
5.02	A brief description about role of the Chairman and the CEO.	105
5.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	106

S.No.	BCR Criteria	Page No.
5.04	Chairman's Review Report on the overall performance of the board including: a) Effectiveness of the role played by the board in achieving the company's objectives; b) Chairman's significant commitments, such as strategic, financial, CSR and ESG etc., and any changes thereto from last year'; c) Board statement on the company's structure, processes and outcomes of internal control system and whether board has reviewed the adequacy of the system of internal control.	22
5.05	Board statement of its commitment to establish high level of ethics and compliance in the company.	102
5.06	Annual evaluation of performance, along with a description of criteria used for the members of the board, including CEO, Chairman, and board's committees.	103
5.07	Disclosure if the board's performance evaluation is carried out by an external consultant once in every three years.	107
5.08	Details of formal orientation courses for directors.	34
5.09	Directors' Training Program (DTP) attended by directors, female executives, and head of departments from the institutes approved by the SECP, along with names of those who availed exemptions during the year.	34
5.10	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	106
5.11	Disclosure about related party transactions: a) Approved policy for related party transactions; b) Details of all related party transactions, along with the basis of relationship describing common directorship and percentage of shareholding; c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement; d) Disclosure of director's interest in related party transactions; e) In case of conflict, disclosure of how conflicts are managed and monitored by the board.	106, 208, 230

S.No.	BCR Criteria	Page No.
5.12	Disclosure of Board's Policy on the following significant matters: a) Governance of risk and internal controls. b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. c) Disclosure of director's interest in significant contracts and arrangements. d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings. e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies. f) Security clearance of foreign directors. g) Board meetings held outside Pakistan. h) Human resource management including: - Preparation of succession plan; - Merit based recruitment; - Performance based appraisal system; - Promotion, reward and motivation; - Training and development; - Gender and race diversity; - Appointment of / quota for people with disability; and - Employee engagement /feedback. i) Social and environmental responsibility including managing and reporting policies like procurement, waste and emissions. j) Communication with stakeholders. k) Dividend policy. l) Investors' relationship and grievances. m) Employee's health, safety and protection. n) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner, and provide protection to the complainant against victimization and reporting in Audit Committee's report. o) Safety of records of the company.	108 104 106 34 34 34 34 109 111 105 104 112 110 113 114
5.13	Board statement of the organization's business continuity plan or disaster recovery plan.	115
5.14	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	119, 120, 121
5.15	Disclosure about: a) Shares held by Sponsors / Directors / Executives; b) Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors / Executives or close family member of Directors / Executives etc.) or foreign shareholding (if any).	122, 123
5.16	Details about Board meetings and its attendance.	35
5.17	TORs, composition and meeting attendance of the board committees including (Audit, Human Resource, Nomination and Risk management).	127, 128
5.18	Timely Communication: Date of authorization of financial statements by the board of directors: Within 40 days - 6 marks Within 50 days - 6 marks (in case of holding company who has listed subsidiary /subsidiaries) Within 60 days - 3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee).	243

S.No.	BCR Criteria	Page No.
5.19	<p>Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <p>a) Composition of the committee with at least one member qualified as financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee.</p> <p>b) Committee's overall role in discharging its responsibilities for the significant issues related to the financial statements, and how these issues were addressed.</p> <p>c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure.</p> <p>d) Role of Internal Audit in risk management and internal control, and the approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance.</p> <p>e) Review of arrangements for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters, and recommended instituting remedial and mitigating measures.</p> <p>f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded.</p> <p>g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.</p> <p>h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information to shareholders to assess the company's position and performance, business model and strategy.</p> <p>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</p> <p>j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.</p>	129, 130
5.20	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities.	131
5.21	<p>Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including:</p> <p>a) How it is designed to manage and integrate the functions of core business processes / modules like finance, HR, supply chain and inventory management in a single system;</p> <p>b) Management support in the effective implementation and continuous updation;</p> <p>c) Details about user training of ERP software;</p> <p>d) How the company manages risks or control risk factors on ERP projects;</p> <p>e) How the company assesses system security, access to sensitive data and segregation of duties.</p>	132
5.22	Disclosure about the Government of Pakistan policies related to company's business / sector in Directors' Report and their impact on the company business and performance.	32, 33
5.23	Information on company's contribution to the national exchequer (in terms of payment of duties, taxes and levies) and to the economy (measured in terms of GDP contribution, new jobs creation, increase in exports, contributions to society & environment and community development etc.)	89

S.No.	BCR Criteria	Page No.
6.	Analysis of the Financial Information	
6.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators, showing linkage between: a) Past and current performance; b) Performance against targets /budget; and The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred, as well as future prospects of profits.	135
6.02	a) Analysis of financial ratios (Annexure I) with graphical presentation and disclosure of methods and assumptions used in compiling the indicators. b) Explanation of negative change in the performance as compared to last year.	136, 137 141, 142, 144
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years. Weightage to be given to graphical presentation.	138, 139
6.04	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	146
6.05	a) Information about business segment and non-business segment; and b) Segmental analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	147, 148
6.06	Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.	149
6.07	Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	N/A
6.08	Disclosure of market share of the company and its products and services.	168
6.09	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business.	150
6.10	Statement of Economic value added (EVA) [EVA = NOPAT – WACC x TC, where NOPAT is Net Operating Profit After Tax, WACC is Weighted Average Cost of Capital, and TC is Total Invested Capital]	151
6.11	CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	148

7.	Business Model	
7.01	Describe the business model including inputs, business activities, outputs and outcomes as per international applicable framework.	156
7.02	Explanation of any material changes in the entity's business model during the year.	156

8.	Disclosures on IT Governance and Cybersecurity	
8.01	The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches.	158

S.No.	BCR Criteria	Page No.
8.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	158
8.03	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	158
8.04	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	158
8.05	Disclosure about Company's controls and procedures about an early warning system that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	158
8.06	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	159
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8.09	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	159

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10.04	Investors' Relations section on the corporate website.	167
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13.	Assessment based on Qualitative Factors	
13.01	Assessment of overall quality of information contained in the annual report based on the following qualitative factors: a) Clarity, simplicity and lucidity in presentation of Financial Statements; b) Theme on the cover page; c) Effective use of presentation tools, particularly diagrams, graphs, charts, smart arts, icons, tables and infographics in the annual report; d) Effectiveness and relevance of photos and graphs; e) Effectiveness of the theme on the cover page.	Based on the quality of text, presentation, photos, graphs and theme used in the report

S.No.	BCR Criteria	Page No.
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Financial Sector		
Profitability Ratios		
	a) Profit before tax ratio	136
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	f) Return on Capital employed	136
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Investment / Market Ratios		
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	g) Market value per share at the end of the year and high/low during the year	-
	h) Breakup value per share	137
	i. Without Surplus on Revaluation of property, plant and equipment.	N/A
	ii. With Surplus on Revaluation of property plant and equipment including the effect of all Investments.	N/A
	iii. Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment.	N/A

S.No.	BCR Criteria	Page No.
	i) DuPont Analysis	152,153
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	a) Staff turnover ratio	137
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For Specific Disclosures of the **Financial Statements**

S.No.	Annexure II - Specific Disclosures of the Financial Statements	Page No.
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2	Particulars of significant / material assets and immovable property including location and area of land.	Not Applicable
3	Capacity of an industrial unit, actual production and the reasons for shortfall.	Not Applicable
4	Forced sale value in case of revaluation of Property, Plant and Equipment or investment property.	Not Applicable
5	Specific disclosures required for shariah compliant companies / companies listed on the Islamic Indices as required under clause 10 of the Fourth Schedule of the Companies Act, 2017.	182
6	Disclosure requirements for common control transactions as specified under the Accounting Standard on 'Accounting for common control transactions' developed by ICAP and notified by SECP (through SECP S.R.O. 53(I)/2022 dated January 12, 2022)	Not Applicable
7	Disclosure about Human Resource Accounting (includes the disclosure of process of identifying and measuring the cost incurred by the company to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets).	Not Applicable
8	In financial statements issued after initial or secondary public offering(s) of securities or issuance of debt instrument(s) implementation of plans as disclosed in the prospectus/offering document with regards to utilization of proceeds raised till full implementation of such plans.	Not Applicable
9	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	Not Applicable

Specific Disclosures For Shariah Compliant Companies And The Companies Listed On The Islamic Indices

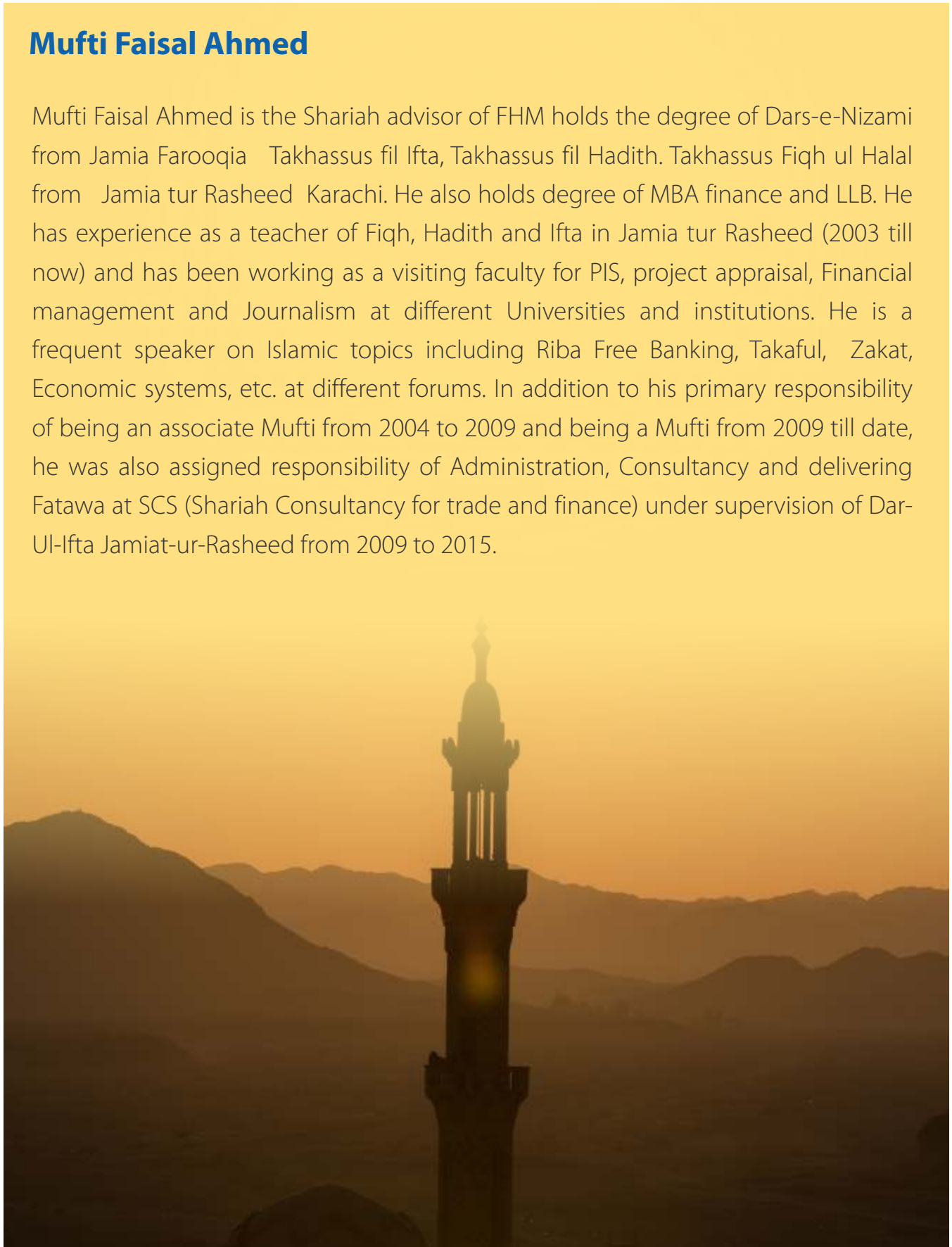
The disclosures required under clause 10 of the Fourth Schedule of the Companies Act, 2017 for Sharia compliant companies and the companies listed on Islamic index are as follows:

Disclosure Required	Reference to the disclosure in financial statements	Page No.
Loans/advances obtained as per Islamic mode	Refer Note 21 and 23	220 and 225
Shariah compliant bank deposits/bank balances;	Refer Note 10.2 and 16	214 and 217
Profit earned from shariah compliant bank deposits/bank balances	Refer Note 27	228
Revenue earned from a shariah compliant business segment	all revenue earned is from shariah compliant business	-
Gain/loss or dividend earned from shariah compliant investments	Refer Note 27	228
Exchange gain earned from actual currency	Not applicable	-
Financial Charges paid on Islamic mode of financing	Refer "Financial Charges paid" in Cashflow from Operating Activities	196
Relationship with shariah compliant banks	Refer Note 21 and 23	220 and 225
Profits earned or interest paid on any conventional loan or advance	Not applicable	-

Shariah Advisor's Profile

Mufti Faisal Ahmed

Mufti Faisal Ahmed is the Shariah advisor of FHM holds the degree of Dars-e-Nizami from Jamia Farooqia Takhassus fil Ifta, Takhassus fil Hadith. Takhassus Fiqh ul Halal from Jamia tur Rasheed Karachi. He also holds degree of MBA finance and LLB. He has experience as a teacher of Fiqh, Hadith and Ifta in Jamia tur Rasheed (2003 till now) and has been working as a visiting faculty for PIS, project appraisal, Financial management and Journalism at different Universities and institutions. He is a frequent speaker on Islamic topics including Riba Free Banking, Takaful, Zakat, Economic systems, etc. at different forums. In addition to his primary responsibility of being an associate Mufti from 2004 to 2009 and being a Mufti from 2009 till date, he was also assigned responsibility of Administration, Consultancy and delivering Fatawa at SCS (Shariah Consultancy for trade and finance) under supervision of Dar-UI-Ifta Jamiat-ur-Rasheed from 2009 to 2015.





SHARIAH REVIEW REPORT

For the year ended June 30, 2024

By the Grace of Allah, the Shari'ah review of First Habib Modaraba managed by Habib Metropolitan Modaraba Management Company (Pvt.) Ltd. was conducted for the year ended June 30, 2024 in accordance with requirement of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modaraba.

It is acknowledged and certified in capacity of Sharia Advisor of the Modaraba that, the financial arrangements, contracts and transactions entered into by the company with its participants, stakeholders and customers were found in compliance with the requirements of Sharia rules and principles. During the review following areas were verified in compliance with Shari'ah compliance mechanism:

- Financing transactions i.e., Diminishing Musharakah financing were frequently reviewed and found as per guidelines.
- The financing transactions, description of assets, relevant documents and their sequence, delivery of assets, start of repayment and other requirements were also reviewed and found proper.
- Charity account was reviewed and found in line with the direction of rules and regulation. The major portion of Charity amount recovered from the customers due to late payments and paid to approved charitable institutions accordingly.
- Profit-sharing ratios, profit weightages and distribution of profit on certificate of Musharkah were in accordance with weightages announced by the Modaraba on defined frequencies.
- FHM conducted onsite trainings for the newly appointed staff during the year and also nominated its staff members for trainings on Islamic Finance conducted by IFMP.

Observations & Recommendations

- FHM financing assets around 97% portfolio is covered under Takaful, However, further improvement required to put its effort for conversion of remaining portfolio to Takaful.
- Shari'ah related trainings are improved during the year, however it is suggested to plan for customized training for staff as per work area.
- All investments were made in Shari'ah compliant shares, however no new investment is made during the year.

Conclusion

Based on the reviews of sample cases for each class of transaction, related documentation, processes, profit distribution mechanism for the depositors and management's representation made and in this regard, it is opined that, the affairs, activities and transactions, performed by the Modaraba during the year are in compliance with the rules & principles of Shari'ah.

May Allah bless FHM with the best Tawfeeq to accomplish His cherished tasks, all good deed is from Allah and weaknesses are from our sides that needs to be forgiven.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Mufti Faisal Ahmed
Shari'ah Advisor



Dated: July 23,2024/ 16 Muharram Ul Haram 1446





Financial Statements

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

Opinion

We have audited the annexed financial statements of FIRST HABIB MODARABA (the Modaraba), which comprise the statement of financial position as at June 30, 2024, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of change in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2024 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Modaraba and First Habib Modaraba in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key Audit matters	How the matter was addressed in our audit
1.	Existence & Valuation of Diminishing Musharaka Financing	
	Refer note 8 to the financial statements for the year ended June 30, 2024, the Modaraba has outstanding balance of Rs. 23,669 million relating to Diminishing Musharaka Financing, which represent significant element of statement of financial position.	Our audit procedures in respect of this area includes the following: <ul style="list-style-type: none"> Our audit procedures included assessing and testing the design and operations of key internal controls over the recognition, valuation and existence of diminishing musharaka financing.

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

S. No.	Key Audit matters	How the matter was addressed in our audit
	<p>The existence and valuation of Diminishing Musharaka Financing embodies potential risk of inappropriate measurement and recording, which would impact the Modaraba's reported financial position as those are the main drivers of movement in the assets of the Modaraba.</p> <p>Management considers certain specific factors including the age of the balance, recent payment patterns, historical defaults and forward-looking information on macro-economics factors and other available information. Management uses this information to determine whether a provision for impairment is required at a specific or overall balance level.</p> <p>In view of significance of Diminishing Musharaka Financing in relation to the total assets of the Modaraba, we have considered Diminishing Musharaka Financing as a Key audit matter.</p>	<ul style="list-style-type: none"> • We performed test of controls over addition, termination and periodic valuation of the portfolio and performed other substantive audit procedures on the year end balances. • We have reviewed documentation required in the context of the parties and verified income from financing during the year by performing recalculation of schedules on a sample basis as per applicable accounting framework. • We performed detailed assessment of the credit approval procedures of the diminishing musharaka sanctioned in accordance with the modaraba regulations and performed credit review procedures on sample basis. In addition, we have circulated confirmations to certain parties and checked repayment received from them. • Assessed the reasonableness of provision made by the management in accordance with regulation of modaraba for appropriateness of the assumptions used and the methodology applied. We also tested the mathematical accuracy of the model. <p>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of diminishing musharaka financing in accordance with the requirements of applicable financial reporting frameworks.</p>
2.	Income from Diminishing Musharaka	
	<p>Modaraba earns income from the Diminishing Musharaka financing which is its substantial income source (Refer note 4.11 to the financial statement). During the year, the Modaraba has recognized income of Rs. 5,185 million which represents an increase of Rs. 1,787 million (53%) over last year.</p> <p>We identified income from diminishing musharaka financing as a key audit matter as it is one of the key performance indicators of the Modaraba and because of the potential risk that income from diminishing musharaka transactions may not be accurately recorded, recognized in the appropriate period, and not properly disclosed in the financial statements.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, including the design and implementation of internal controls over recording and processing of diminishing musharaka income. • Assessed the appropriateness of the Modaraba's accounting policy for recording of income and in line with the requirements of applicable law, accounting and reporting standards; • Matched customer contracts with the income schedule and performed recalculation on sample basis to ensure that income is appropriately recorded and also evaluated that these contracts were appropriately classified and recorded in the appropriate accounting period. • On sample basis, traced the rentals received from the underlying records issued to contract holders and applied substantive analytical procedures to determine any variations;

S. No.	Key Audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Recalculated the unearned portion of income and check the appropriate amount has been recorded as unearned income in liabilities. <p>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of income from diminishing musharaka financing in accordance with the requirements of applicable financial reporting frameworks.</p>

Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Modaraba Company for the Financial Statements

Management of the modaraba is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Modaraba Company is responsible for assessing the Modaraba’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Modaraba’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurances about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;

Conclude on the appropriateness of the management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors of the Modaraba Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980) and are in agreement with the books of account;

- c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements for the year ended June 30, 2023 were audited by another firm of chartered accountants, who expressed an unmodified opinion on those financial statement vide their report dated 02 October, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 09 August 2024

UDIN: AR202410166pGCjbPIMi

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Statement of Financial Position

AS AT JUNE 30, 2024

	Note	2024	2023
Rupees			
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets	5	-	-
Fixed assets in own use	6	85,056,329	54,442,474
Intangible assets	7	9,626,317	81,143
Diminishing musharaka financing	8	15,862,875,979	12,102,544,307
Long term deposits	9	1,465,300	852,800
Investments	10	436,890,160	395,045,160
Deferred tax asset - net	11	221,253,543	169,977,273
		16,617,167,628	12,722,943,157
CURRENT ASSETS			
Short term investments	12	233,161,186	463,812,404
Current portion of diminishing musharaka financing	8	7,806,471,555	5,879,239,824
Diminishing Musharaka financing installments receivable	13	5,207,720	7,590,286
Advances and prepayments	14	1,460,347,585	1,253,786,642
Other receivables	15	21,993,461	24,375,360
Cash and bank balances	16	265,576,058	188,108,417
		9,792,757,565	7,816,912,933
TOTAL ASSETS		26,409,925,193	20,539,856,090
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 140,000,000 of Rs. 10/- each (2023: 280,000,000 certificates of Rs. 5/- each)		1,400,000,000	1,400,000,000
Issued, subscribed and paid-up certificate capital	17	1,108,305,000	1,108,305,000
Reserves	18	3,966,122,330	3,499,571,200
Certificate holders' equity		5,074,427,330	4,607,876,200
SURPLUS ON REVALUATION OF INVESTMENTS	19	34,503,367	5,915,958
NON-CURRENT LIABILITIES			
Liability against right of use assets	20	16,124,116	19,655,522
CURRENT LIABILITIES			
Certificates of investment (musharaka)	21	16,188,522,739	13,708,381,051
Current maturity of liability against right of use assets	20	7,969,360	2,769,105
Unearned diminishing musharaka installments		24,961,381	38,359,710
Advance diminishing musharaka installments		25,020,110	15,572,861
Trade and other payables	22	953,087,947	768,542,817
Profit payable on certificates of investment (musharaka)		488,241,779	362,344,841
Running Musharaka	23	3,164,386,488	745,667,326
Unclaimed profit distributions		53,135,949	51,479,860
Taxation-net		379,544,627	213,290,839
		21,284,870,380	15,906,408,410
TOTAL EQUITY AND LIABILITIES		26,409,925,193	20,539,856,090
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes from 1 to 46 form an integral part of these financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Director

Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
-----Rupees-----			
Income from lease financing	25	-	38,523,599
Income from diminishing musharaka financing		5,184,636,965	3,396,946,547
Provision in respect of diminishing musharaka financing	8.3.1	(308,455,522)	(316,298,223)
Administrative expenses	26	(260,248,362)	(218,599,862)
		4,615,933,081	2,900,572,061
Other income	27	266,743,260	274,392,440
		4,882,676,341	3,174,964,501
Financial charges	28	(3,505,342,815)	(2,288,247,124)
Modaraba Management Company's remuneration	22.5	(137,733,353)	(88,671,738)
Sales tax on Modaraba Management Company's remuneration	22.6	(17,905,336)	(11,527,326)
Provision for Sindh Workers' Welfare Fund	22.4	(24,433,897)	(15,730,366)
Profit before taxation		1,197,260,940	770,787,947
Taxation	29	(507,063,599)	(251,157,152)
Profit after taxation		690,197,341	519,630,795
			(Restated)
Earnings per certificate - basic and diluted	30	6.23	4.68

The annexed notes from 1 to 46 form an integral part of these financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Director

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
-----Rupees-----			
Profit after taxation		690,197,341	519,630,795
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to statement of profit or loss			
Actuarial loss on defined benefit plan - net of tax	22.8 (i)	(1,985,211)	(979,696)
Surplus / (deficit) on revaluation of investments classified as 'at fair value through other comprehensive income' - net of tax	19	28,587,409	(83,032)
Other comprehensive income / (loss)		26,602,198	(1,062,728)
Total comprehensive income for the year		716,799,539	518,568,067

The annexed notes from 1 to 46 form an integral part of these financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Director

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	41	4,855,318,059	4,800,873,856
Proceeds from transfer of lease financing assets		-	199,531,158
Diminishing musharaka financing - net		(6,224,551,502)	(4,798,550,364)
Long term deposits		(612,500)	320,000
Security deposits against lease financing assets		-	(59,981,948)
Financial charges paid		(3,296,249,470)	(2,103,963,486)
Gratuity paid		(2,542,314)	(3,662,956)
Tax paid		(391,137,337)	(85,563,583)
Net cash used in operating activities		(5,059,775,064)	(2,050,997,323)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets in own use		(51,305,777)	(11,479,502)
Purchase of intangible assets		(10,194,494)	-
Purchase of investments		-	(103,871,927)
Proceeds from sale of fixed assets in own use		8,120,067	1,465,111
Proceeds from sale of investments		230,651,218	51,301,475
Dividends received		12,258,200	5,750,000
Net cash generated from / (used in) investing activities		189,529,214	(56,834,843)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distributed		(220,004,911)	(199,000,200)
Payments of lease rentals against right of use assets	20	(7,135,375)	(7,201,004)
Issue of Certificates of investment (musharaka)		64,253,599,294	54,192,510,001
Repayment of Certificates of investment (musharaka)		(61,773,457,606)	(51,746,728,785)
Net cash generated from financing activities		2,253,001,402	2,239,580,012
Net (decrease) / increase in cash and cash equivalents		(2,617,244,448)	131,747,846
Cash and cash equivalents at beginning of the year		(197,618,432)	(329,366,278)
Cash and cash equivalents at the end of the year	31	(2,814,862,880)	(197,618,432)

The annexed notes from 1 to 46 form an integral part of these financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Director

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2024

	Certificate capital	Capital reserves			Revenue reserves		Total equity
		Certificate premium	Amalgamation Reserve	Statutory reserves	General reserves	Unappropriated profit	
----- Rupees -----							
Balance as at July 01, 2022	1,008,000,000	378,000,000	-	1,284,362,639	740,000,000	557,156,812	3,967,519,451
Amalgamation reserve	-	-	233,003,899	-	-	-	233,003,899
Capital issued pursuant to acquisition	100,305,000	-	-	-	-	-	100,305,000
Profit distribution for the year ended June 30, 2022 at Rs.1/- per certificate	-	-	-	-	-	(201,600,000)	(201,600,000)
Profit distribution to Habib Metro Modaraba certificate holders for the year ended June 30, 2022 at Rs.0.45/- per certificate	-	-	-	-	-	(13,500,000)	(13,500,000)
Total comprehensive income for the year	-	-	-	-	-	518,651,099	518,651,099
Surplus transferred to unappropriated profit during the year	-	-	-	-	-	3,496,751	3,496,751
Transfer to general reserves	-	-	-	-	600,000,000	(600,000,000)	-
Balance as at June 30, 2023	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,340,000,000	264,204,662	4,607,876,200
Balance as at July 01, 2023	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,340,000,000	264,204,662	4,607,876,200
Profit distribution for the year ended June 30, 2023 at Re. 1/- per certificate	-	-	-	-	-	(221,661,000)	(221,661,000)
Total comprehensive income for the year	-	-	-	-	-	688,212,130	688,212,130
Transfer to general reserves	-	-	-	-	490,000,000	(490,000,000)	-
Balance as at June 30, 2024	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	240,755,792	5,074,427,330

The annexed notes from 1 to 46 form an integral part of these financial statements.

**For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Director

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2024

1. STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba or FHM) is a perpetual, multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). The Modaraba is listed on Pakistan Stock Exchange Limited. The Modaraba is engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business. The affairs, activities and transactions, performed by the Modaraba during the year comply with the rules and principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Securities and Exchange Commission of Pakistan Limited (SECP). The registered office of the Modaraba is at 6th Floor HBZ Plaza, I.I. Chundrigar Road, Karachi.

Geographical location and addresses of business units of the modaraba are as under:

Location	Address	Purpose
Karachi	6th Floor, HBZ plaza, I.I Chundrigar Road, Karachi	Head Office
Karachi	3rd Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi	Branch Office
Lahore	1st Floor, 5-Z Block, Phase III, Defence Housing Authority, Lahore	Branch Office
Islamabad	Office No. 513, 5th Floor, ISE Tower, Jinnah Avenue, Blue Area, Islamabad	Branch Office
Multan	Mezzanine Floor, Abdali tower, Abdali road, Multan	Branch Office

In the year 2023, Habib Metro Modaraba (HMM) was merged into First Habib Modaraba (FHM) under a Scheme of Arrangement for the merger / amalgamation. This scheme was initially approved by the Board of Directors of Modaraba Management Company in their meeting held on June 06, 2022 and subsequently approved by the Securities and Exchange Commission of Pakistan (SECP) on July 22, 2022. The High Court of Sindh passed an order dated February 07, 2023 sanctioning the scheme of amalgamation with effect from July 01, 2022.

As of the effective date of amalgamation, the affairs of the HMM had been incorporated with and into the affairs of FHM at their respective carrying amounts and in consideration thereof, 20,061,000 fully paid ordinary certificates of Rs. 5 each were issued to the registered certificate holders of HMM on March 10, 2023 in accordance with the swap ratio.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards as applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRS Standards) issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) as notified under the provision of Companies Act 2017 and made applicable to Modarabas.
- Provisions of and directives issued by the under the Companies Act, 2017.

- Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations 2021 and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain investments in accordance with the requirements of IFRS 9 'Financial Instrument', wherever applicable, defined benefit obligations are carried at present value.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistani Rupee, which is the functional and presentation currency of the Modaraba. All amounts have been rounded to the nearest rupee, unless otherwise stated

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- a Useful lives, pattern of flow of economic benefits and impairment (note 4.1,6.1)
- b Staff retirement benefits (note 4.11)
- c Provisions against non-performing financing (Suspense income) (note 13.1)
- d Lease term of contracts with renewal options (note 4.20)
- e Current and deferred income taxes (note 4.13,29)
- f Contingencies (note 4.17)

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO BE PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The Modaraba adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Modaraba to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 4 Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026

	Effective date (annual periods beginning on or after)
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
IFRS 17 Insurance Contracts	January 01, 2026

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

4. MATERIAL ACCOUNTING POLICES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

4.1 Fixed assets

(a) Lease financing assets

Lease financing assets are stated at cost less accumulated depreciation. Depreciation is charged to profit or loss account applying the straight line method whereby the cost of an asset less salvage value is written off over the Lease financing period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination. At the end of the lease financing period, asset is transferred to the customer in accordance with the arrangement of Ijarah Mumtaha Bittamleek as per the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) shariah standard.

(b) Assets in own use

These are stated at cost less accumulated depreciation. Depreciation is charged to profit or loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

(c) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

(d) Impairment

The Modaraba assesses at each reporting date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit or loss.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to profit or loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, amortization is charged proportionately for the period of use.

Impairment

The Modaraba assesses at each reporting date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, intangible assets are written down to the recoverable amount and the difference is charged to the profit or loss.

4.3 Financial instruments

Initial recognition and measurement

Financial assets and liabilities, with the exception of bank balances, loans and advances to employees / counter parties and due to counterparties, are initially recognised on the trade date, i.e., the date that the Modaraba becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Bank balances and loans and advances to employees / counter parties are recognised when funds are transferred to the banks / employees / counterparties. The Modaraba recognises due to counterparties when funds reach the Modaraba.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Modarabas business model for managing them.

i) Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. The Modaraba includes in this category short-term non-financing receivables, accrued income and other receivables.

ii) Financial assets measured at fair value through profit or loss (FVPL)

- (a)** Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding; or
- (b)** It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c)** At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

iii) Financial assets measured at fair value through other comprehensive income (FVOCI)

Debt instrument

The Modaraba measures debt instruments at FVOCI if both of the following conditions are met:

- (a)** The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- (b)** The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at FVOCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss account and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in Other Comprehensive Income. Upon derecognition, the cumulative fair value change recognised in Other Comprehensive Income is recycled to profit or loss.

Equity instrument

Upon initial recognition, the Modaraba can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 - 'Financial Instruments: Presentation and are not held for trading'. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss account. Dividends are recognised as other income in the statement of profit or loss account when the right of payment has been established, except when the Modaraba benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in Other Comprehensive Income. Equity instruments designated at FVOCI are not subject to impairment assessment.

Impairment of financial assets

The Modaraba has adopted the requirement of IFRS 9, 'Financial Instruments' with respect to Expected Credit Loss (ECL) model. The ECL has an impact on the assets of the Modaraba which are exposed to credit risk. Provision for non-performing Islamic financing is made in accordance with the Modaraba Regulation 2021 for modarabas issued by SECP vide SRO 284 (I) / 2021 dated March 05, 2021 and subsequent amendments made therein, and is charged to profit or loss. The Modaraba while recognizing provisioning for impaired assets has considered the amount which is higher of:

- the provisioning required under the Modaraba Regulation, 2021; and
- the provisioning required under IFRS 9 using the Expected Credit Loss (ECL) model.

The management also evaluates the Islamic financing receivable subjectively to further down-grade if required.

The Modaraba has adopted the requirements of ECL model as given in IFRS 9 using the modified retrospective approach. A lifetime ECL is recorded on Diminishing Musharakah Financing in which there have been significant increase in Credit Risk and which are credit impaired as on the reporting date.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Modaraba includes in this category short-term payables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Modaraba has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Modaraba has:

- (a) transferred substantially all of the risks and rewards of the asset; or
- (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Modaraba has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Modaraba's continuing involvement in the asset. In that case, the Modaraba also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained. The Modaraba derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Any gain or loss on arising on derecognition is charged to profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

Securities and Exchange Commission of Pakistan (SECP) vide various notifications has extended the date for adoption of IFRS 9 for Modaraba companies. However as a best practice, Modaraba Company has early adopted the implementation of IFRS 9

4.4 Write-offs

The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, Modaraba makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

4.5 Trade date accounting

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within two working days after the transaction date as per stock exchange regulations.

4.6 Lease financing installments and Diminishing musharaka financing

Lease financing installments and Diminishing musharaka financing are stated net of provision and suspense income. Provision is recognized for Lease financing installments and Diminishing musharaka financing, in accordance with the Modaraba Regulations 2021 for Modarabas. Bad debts are written-off when identified.

4.7 Deposits, advances, prepayments and other receivables

Deposits, advances, prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, stamp in hand, current and saving accounts, short term deposits with maturity of 3 months or less from date of acquisition and running musharaka.

4.9 Finance arrangements including Certificate of Investment (Musharaka)

These are measured at principal amount on balance sheet date. The amount received by the modaraba from Certificate of Investment holders is invested in the overall business activity of the modaraba on the basis of full participation in the profit or loss of the modaraba.

The profit shall be shared by Certificate of Investment holders and certificate holders in accordance with the agreed ratio. Profit on certificate of investment arrangement are recognized as financial expense in the period in which they are incurred.

Profit on Musharaka finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each quarter after determination of the actual rate.

4.10 Revenue recognition

Lease financing installments are recognized on accrual basis.

Income on diminishing musharaka financing is recognized on accrual basis.

Income on Sukuk is recognized on accrual basis. Where sukuk are purchased at premium / discount, those premium / discounts are amortised through the profit or loss over the remaining maturity.

Dividend income is recognized when the right to receive the dividend is established.

Return on deposit accounts is recognized on accrual basis.

Gain or loss on sale of investment are included in statement of profit or loss in the period in which they arise.

Gain or loss on disposal of fixed asset and intangibles is taken to statement profit or loss in the period in which they arise.

4.11 Staff retirement benefits

(a) Gratuity scheme

The Modaraba operates an approved funded defined benefit gratuity scheme for all its permanent employees. The scheme is administrated by the trustees nominated under the trust deed. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other Comprehensive Income' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Current service costs and any past service costs together with net interest cost are charged to profit or loss.

(b) Provident fund

The Modaraba also operates an approved funded contributory provident fund scheme for all its employees who are eligible under the scheme. Equal monthly contributions at the rate of 10 percent of basic salary are made by both Modaraba and its employees.

4.12 Compensated absences

The Modaraba accounts for these benefits in the period in which the absences are earned.

4.13 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to profit or loss except to the extent it relates to items recognised in other comprehensive income / (loss).

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, taxes paid under the final tax regime.

Deferred

Deferred tax is recognised using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.14 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as provision is the best estimate of consideration required to settle the present obligation at end of reporting date, taking into account the risk and uncertainties surrounding the obligation.

4.15 Profit distribution and other appropriations of profit

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

4.16 Certificate capital and earning per certificate

The Modaraba presents basic and diluted earnings per certificate data for its ordinary certificates. Basic earning per certificate is calculated by dividing the profit or loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earning per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates.

Ordinary certificates are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new certificates or options are shown in equity as a deduction, net of tax, from the proceeds.

4.17 Contingencies

Contingencies are disclosed when the Modaraba has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

4.18 Segment reporting

Segment reporting is based on the operating (business) segments of the Modaraba. An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Management Committee of the Modaraba to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the BoM includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The business segments are engaged in providing products or services which are subject to risk and rewards which differ from the risk and rewards of other segments. Segments reported are lease financing assets and diminishing musharaka financing.

4.19 Details of related parties of the Modaraba

(BCR 5.11 (d))

Name of related party	Nature of relationship	Basis of relationship	Percentage of Certificate
Habib Metropolitan Bank Limited	Associate	Holding Company of Management Company	5.43%
Habib Metropolitan Modaraba Management Company (Private) Limited	Wholly owned subsidiary of Holding Company	Management Company of the Modaraba	10%
Habib Metropolitan Financial Services Limited	Associate	Wholly owned subsidiary of Holding Company	-
Habib Metro Exchange Services Limited	Associate	Wholly owned subsidiary of Holding Company	-
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management	-
First Habib Modaraba - Staff Gratuity Fund	Associate	Common Management	-

4.20 Leases

Right-of-use assets

The Modaraba recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Modaraba is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right of use assets are included in fixed assets in own use.

Lease liabilities

At the commencement date of the lease, the Modaraba recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Modaraba uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Modaraba applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

	Note	June 30, 2024	June 30, 2023
5. LEASE FINANCING ASSETS			
		-----Rupees-----	
Lease financing assets	5.1	-	-

5.1 Lease financing assets

Particulars	2024							
	COST			ACCUMULATED DEPRECIATION			Written down value as at end of the year	Rate of depreciation %
	As at beginning of the year	Additions / (disposals) / *transfers during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) for the year	As at end of the year		
Rupees								
Plant, machinery and equipment	-	-	-	-	-	-	-	8.33 to 50
Vehicles	-	-	-	-	-	-	-	15 to 33.33
	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	

Particulars	2023							
	COST			ACCUMULATED DEPRECIATION			Written down value as at end of the year	Rate of depreciation %
	As at beginning of the year	Additions / (disposals) / *transfers during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) / transfers for the year	As at end of the year		
Rupees								
Plant, machinery and equipment	391,420,339	- (249,070,123) (142,350,216)	-	335,761,745	24,514,310 (249,609,431) (110,666,624)	-	-	8.33 to 50
Vehicles	379,792,840	- (27,018,802) (352,774,038)	-	250,395,584	22,463,436 (1,519,590) (271,339,430)	-	-	15 to 33.33
	771,213,179	(276,088,925) (495,124,254)	-	586,157,329	46,977,746 (633,135,075)	-	-	

* These transfer relate to lease financing assets entered into diminishing musharaka financing

	Note	June 30, 2024	June 30, 2023
Rupees			
6. FIXED ASSETS IN OWN USE			
Assets in own use	6.1	63,142,223	30,874,598
Right-of-use assets	6.2	21,914,106	23,567,876
		85,056,329	54,442,474

6.1 Assets in own use

Particulars	2024							
	COST			ACCUMULATED DEPRECIATION			Written down value as at end of the year	Rate of depreciation %
	As at beginning of the year	Additions / (disposals) during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) during the year	As at end of the year		
Rupees								
Office equipments	30,268,114	17,119,624 (2,708,971)	44,678,767	25,324,524	4,388,262 (2,695,368)	27,017,418	17,661,352	25 to 33.33
Furniture and fixtures	13,190,979	840,350 (401,200)	13,630,129	11,643,211	709,754 (349,112)	12,003,853	1,626,275	20 to 25
Vehicles	34,749,444	32,943,000 (13,283,999)	54,408,445	13,643,246	4,812,056 (5,710,917)	12,744,385	41,664,060	16.67
Leasehold improvements	24,555,229	402,803 -	24,958,032	21,278,187	1,489,409 -	22,767,596	2,190,536	20
	102,763,766	51,305,777 (16,394,170)	137,675,373	71,889,168	11,399,481 (8,755,397)	74,533,252	63,142,223	

Particulars	2023							
	COST			ACCUMULATED DEPRECIATION			Written down value as at end of the year	Rate of depreciation %
	As at beginning of the year	Additions / (disposals) / *transfer during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) / *transfer* during the year	As at end of the year		
Rupees								
Office equipments	26,480,074	2,540,585 (132,000)	30,268,114	21,308,395	2,999,061 (123,669)	25,324,524	4,943,590	25 to 33.33
Furniture and fixtures	12,600,107	1,379,455 804,965 (476,964)	13,190,979	10,370,480	1,140,737 1,472,040 (443,614)	11,643,211	1,547,768	20 to 25
Vehicles	29,805,244	262,871 6,826,000 (1,939,000)	34,749,444	9,348,582	244,305 5,171,290 (891,720)	13,643,246	21,106,198	16.67
Leasehold improvements	20,204,846	57,200 1,307,940 -	24,555,229	15,338,582	15,094 3,723,309 -	21,278,187	3,277,042	20
	89,090,271	3,042,443 11,479,490 (2,547,964) 4,741,969	102,763,766	56,366,039	2,216,296 13,365,700 (1,459,003) 3,616,432	71,889,168	30,874,598	

* Fixed assets transferred from HMM on the effective date of amalgamation amounts to Rs. 1.12 million. The cost and accumulated depreciation of the assets transferred amounts to Rs. 4.74 million and Rs. 3.61 million.

6.1.1 Detail of disposal of assets in own use is as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Relationship with the Modaraba	Particulars of the buyer
Vehicles	1,745,000	930,667	814,333	833,722	19,389	Employee Benefit	Employee	Muhammad Humair Hanif
Vehicles	2,834,999	1,165,500	1,669,499	1,669,499	-	Employee Benefit	Employee	Amir Kaleem
Vehicles	2,144,000	-	2,144,000	2,154,000	10,000	Bidding	Vendor	Muhammad Usman Gulzar
Vehicles	2,144,000	-	2,144,000	2,154,000	10,000	Bidding	Vendor	Muhammad Usman Gulzar
	8,867,999	2,096,167	6,771,832	6,811,221	39,389			

	Note	2024	2023
-----Rupees-----			
6.2 Right-of-use assets			
As at beginning of the year		23,567,876	17,505,148
Additions during the year		4,615,657	19,548,614
Depreciation charge for the year	26	(6,269,427)	(5,876,087)
Terminated during the year		-	(7,609,799)
As at end of the year		21,914,106	23,567,876
7. INTANGIBLE ASSETS			
Intangible assets	7.1	9,626,317	81,143

7.1 INTANGIBLE ASSETS

Particulars	COST			AMORTIZATION			Written down value as at end of the year	Rate of Amortization %
	As at beginning of the year	Additions / (disposals) / *transfer during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) / *transfer for the year	As at end of the year		
-----Rupees-----								
Computer software:								
As at June 30, 2024	4,334,310	10,194,494	14,528,804	4,253,167	649,320	4,902,487	9,626,317	33.33
As at June 30, 2023	3,989,745	-	4,334,310	3,847,770	60,833	4,253,167	81,143	33.33
		*344,565			*344,564			
	3,989,745	344,565	4,334,310	3,847,770	405,397	4,253,167	81,143	

*These amounts were transferred from Habib Metro Modaraba (HMM) on the effective date of amalgamation.

	Note	2024	2023
-----Rupees-----			
8. DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	8.1 & 8.2	24,545,422,571	18,549,421,878
Less: Provision in respect of diminishing musharaka financing	8.3	(876,075,037)	(567,637,747)
		23,669,347,534	17,981,784,131
Diminishing musharaka financing - Non current portion		15,862,875,979	12,102,544,307
Diminishing musharaka financing - Current portion		7,806,471,555	5,879,239,824
		23,669,347,534	17,981,784,131

8.1 This includes amount transferred from HMM on the effective date of amalgamation with the Modaraba in respect of diminishing musharaka financing and provision against diminishing musharaka amounts to Rs. Nil (2023: Rs. 287) million and Rs. Nil (2023: Rs. 0.033) million. Net diminishing musharaka financing amounts to Rs. Nil (2023: Rs. 287) million.

8.2 This represents diminishing musharaka financing for a term of 1 to 10 years.

8.3 The following table sets out information about the Expected Credit Losses (ECL) provision of diminishing musharaka financing:

	2024		2023	
	Amount outstanding	Expected credit loss allowance	Amount outstanding	Expected credit loss allowance
Stage 1	23,375,180,348	-	17,483,113,511	1,304,379
Stage 2	902,838,998	613,777,028	357,367,555	9,184,384
Stage 3	267,403,225	262,298,009	708,940,812	557,148,984
	24,545,422,571	876,075,037	18,549,421,878	567,637,747

8.3.1 An analysis of change in ECL provision in relation to diminishing musharaka financing is, as follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
	----- Rupees -----			
Opening Balance	1,304,379	9,184,384	557,148,984	567,637,747
Charge / (reversal) for the year	(1,207,800)	194,318,177	115,345,145	308,455,522
Write off during the year	-	-	(18,232)	(18,232)
Closing balance	96,579	203,502,561	672,475,897	876,075,037

	2023			
	Stage 1	Stage 2	Stage 3	Total
	----- Rupees -----			
Opening Balance	-	-	254,830,967	254,830,967
Transferred from HMM	-	-	33,169	33,169
Charge / (reversal) for the year	1,304,379	9,184,384	305,809,460	316,298,223
Write off during the year	-	-	(3,524,612)	(3,524,612)
Closing balance	1,304,379	9,184,384	557,148,984	567,637,747

8.3.2 The provision as per the Modaraba Regulation 2021 which includes classification into various categories based on objective and subjective evaluation of borrowers is shown in the table below.

Aging of diminishing musharaka financing

	2024		2023	
	Amount Outstanding	Provision	Amount Outstanding	Provision
	----- Rupees -----			
Classification				
Considered good	23,522,716,543	-	17,725,637,901	-
Provision against classified portfolio:				
Other asset especially mentioned (OAEM)	9,424,241	160,027	154,955,277	1,374,470
Substandard	-	-	13,475,740	3,417,738
Doubtful	375,964,200	238,597,423	255,955,056	151,460,975
Loss	637,317,587	637,317,587	399,397,904	411,384,564
	1,022,706,028	876,075,037	823,783,977	567,637,747
	24,545,422,571	876,075,037	18,549,421,878	567,637,747

8.3.3 It represents provision on subjective basis amounting to Rs. 876.08 million (2023: 567.64 million)

	Note	2024	2023
Rupees			
9. LONG TERM DEPOSITS			
Security deposit to Central Depository Company of Pakistan Limited		150,000	150,000
Security deposit of branch offices		980,000	466,800
Security deposit to Habib Metropolitan Bank for locker		130,000	155,000
Miscellaneous deposits		205,300	81,000
		1,465,300	852,800
10. INVESTMENTS			
At fair value through other comprehensive income			
Investment in shares of listed companies	10.1	83,110,000	41,265,000
Investment in sukuk bonds	10.2	80,000,000	80,000,000
		163,110,000	121,265,000
At Amortized cost			
Investment in GOP Ijarah sukuk bonds	10.3	273,780,160	273,780,160
		436,890,160	395,045,160

10.1 Investment in shares of listed companies

2024		2023		Name of Investee Company	2024		2023	
Number of shares		Average Cost	Market Value		Average Cost	Market Value		
Rupees								
500,000	500,000	34,503,905	83,110,000	Engro Fertilizer Limited	34,503,905	41,265,000		

10.2 Investment in Sukuks Bonds - at fair value through other comprehensive income

This includes perpetual, unsecured, subordinated, non-cumulative, and contingent convertible shariah compliant sukuk bonds having following characteristics:

Name of investee company	Rating	Rate	Face Value	Carrying Value, As at 30, June 2024	Market Value	Unrealised appreciation / (diminution)
Meezan Bank Limited	AAA	3MK + 1.75%	1,000,000	75,000,000	75,000,000	-
BankIslami Pakistan Limited	A	3MK + 2.75%	5,000	5,000,000	5,000,000	-
				80,000,000	80,000,000	

10.3 Investment in Sukuks Bonds - at amortized cost

Note	2024		2023		Face value	2024		2023		2024
	Number of certificates					Cost		Fair value		
Rupees										
Investment in Ijarah GOP Sukuk Bond	10.3.1	3	3		275,000,000	273,675,000	273,675,000			273,780,160

10.3.1 These represents placement with Habib Metropolitan Bank Limited carrying profit at rates ranging from 17.50% to 20.00% (2023: 13.50% to 18.00%) per annum, maturing on October 29, 2026.

10.3.2 Investment in Ijarah GOP Sukuk Bond have been kept in order to comply with the requirement of the Modaraba Regulations, 2021 issued by the SECP with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

11. DEFERRED TAX ASSET - NET

Deductible temporary differences in respect of:

- Depreciation on fixed assets
- Provision in respect of diminishing musharaka
- Post retirement employee benefits

Taxable temporary differences in respect of:

- Surplus on revaluation of investments
- Investment in mutual funds
- Other taxable temporary difference

As at June 30, 2023	Transfers from HMM	Profit or loss	OCI	As at June 30, 2024
-----Rupees-----				
7,373,838	-	10,013,384	-	17,387,222
163,894,440	-	82,869,978	-	246,764,418
-	-	-	2,331,336	2,331,336
171,268,278	-	92,883,362	2,331,336	266,482,975
(845,137)	-	-	(13,257,590)	(14,102,727)
-	-	(6,731,954)	-	(6,731,954)
(445,868)	-	(23,948,884)	-	(24,394,752)
(1,291,005)	-	(30,680,838)	(13,257,590)	(45,229,433)
169,977,273	-	62,202,524	(10,926,254)	221,253,542

Deductible temporary differences in respect of:

- Depreciation on fixed assets
- Provision in respect of diminishing musharaka
- Post retirement employee benefits

Taxable Temporary Differences on:

- Surplus on revaluation of investments
- Other taxable temporary difference

As at June 30, 2022	Transfers from HMM	Profit or loss	OCI	As at June 30, 2023
-----Rupees-----				
3,855,995	381,271	3,136,572	-	7,373,838
34,251,533	-	129,642,907	-	163,894,440
-	-	407,490	(407,490)	-
38,107,528	381,271	133,186,969	(407,490)	171,268,278
(1,360,164)	-	-	515,027	(845,137)
(2,389,348)	-	1,943,480	-	(445,868)
(3,749,512)	-	1,943,480	515,027	(1,291,005)
34,358,016	381,271	135,130,449	107,537	169,977,273

	Note	2024	2023
-----Rupees-----			
12. SHORT TERM INVESTMENTS			
At fair value through profit or loss			
Investment in MCB Arif Habib funds (Alhamra Islamic Money Market Fund)	12.1	122,981,368	103,871,927
Investment in NBP Funds (Islamic Saving Funds)	12.2	26,232,268	-
Investment in Redemption Reserve Funds	12.3	83,947,550	359,940,477
		233,161,186	463,812,404

12.1 This represents investment in mutual funds having units 1,235,869 (2023: 1,043,834) NAV of Rs. 99.51 (2023: 99.51)

12.2 This represents investment in mutual funds having units 2,736,233 (2023: nil) NAV of Rs. 9.587 (2023: nil)

12.3 This represent redemption reserve funds replaced with commercial banks including Rs. 83.95 million out of which Rs. 6.04 million held with a related party Habib Metropolitan Bank Limited.

12.4 The balances held with Asset Management Companies (AMCs) and banks in deposit account have been kept in order to comply with the requirement of the Modaraba Regulations, 2021 issued by the SECP with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

	Note	2024	2023
Rupees			
13. DIMINISHING MUSHARAKA FINANCING INSTALLMENTS RECEIVABLE			
Secured - considered good			
Diminishing Musharaka financing installments receivable		40,164,341	35,706,294
Less: Provision against Diminishing Musharaka financing installments receivable	13.1	(34,956,621)	(28,116,008)
		5,207,720	7,590,286

	Note	2024	2023
Rupees			
13.1 Movement of provision in respect of diminishing musharaka financing installments receivable			
As at beginning of the year		28,116,008	29,086,331
Charge for the year		6,840,613	349,225
Write off during the year		-	(1,319,548)
	13.1.1	34,956,621	28,116,008

	2024			
	Stage 1	Stage 2	Stage 3	Total
Rupees				
Opening balance	386	13,625	28,101,997	28,116,008
Charge for the year	1,452,698	2,156,983	3,230,932	6,840,613
Write off during the year	-	-	-	-
Closing balance	1,453,084	2,170,608	31,332,929	34,956,621

	2023			
	Stage 1	Stage 2	Stage 3	Total
Rupees				
Opening balance	-	-	29,086,331	29,086,331
Charge for the year	386	13,625	335,214	349,225
Write off during the year	-	-	(1,319,548)	(1,319,548)
Closing balance	386	13,625	28,101,997	28,116,008

	Note	2024	2023
Rupees			
13.1.1 Aging of Diminishing Musharaka financing installments receivable			
Classification			
Considered good		5,207,720	7,590,286
Provision against classified portfolio:			
Other asset especially mentioned (OAEM)		2,145,894	1,690,911
Substandard		284,319	84,319
Doubtful		948,896	448,896
Loss		31,577,512	25,891,882
		34,956,621	28,116,008
		40,164,341	35,706,294
14. ADVANCES AND PREPAYMENTS			
Advances	14.1	234,490	4,917,458
Prepayments	14.1	3,864,506	4,557,743
Advance against diminishing musharaka financing		1,456,248,589	1,244,311,441
		1,460,347,585	1,253,786,642

14.1 These includes amount transferred from HMM on the effective date of amalgamation amounts to Rs. Nil (2023: Rs. 2.25) million.

	Note	2024	2023
-----Rupees-----			
15. OTHER RECEIVABLES			
Unsecured - considered good			
Profit receivable on modaraba deposit account	15.1	7,721,942	9,038,515
Profit receivable on sukuk bonds		11,952,317	11,756,771
Other receivables		2,319,202	3,580,074
		21,993,461	24,375,360

15.1 These includes amount transferred from HMM on the effective date of amalgamation amounts to Rs. Nil (2023: Rs. 0.6) million.

	Note	2024	2023
-----Rupees-----			
16. CASH AND BANK BALANCES			
Stamps in hand		1,138,600	556,500
At banks in:			
Current accounts			
State Bank of Pakistan		441,259	964,282
With other banks		87,994,016	99,161,845
Profit bearing accounts			
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party	16.1	176,002,183	87,425,790
		265,576,058	188,108,417

16.1 The profit on these modaraba deposit accounts ranges between 17.50% to 20.00% (2023: 12.75% to 18.00%) per annum.

16.2 The amount transferred from HMM on the effective date of amalgamation amounting to Rs. Nil (2023: Rs. 74) million.

16.3 All bank accounts are maintained within Pakistan.

17. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2024	2023
-----Number of certificates-----	
106,980,500	213,961,000
3,850,000	7,700,000
110,830,500	221,661,000

Certificates of Rs. 10 (2023: Rs.5) each issued for cash
 Certificates of Rs. 10 (2023: Rs. 5) each issued as bonus certificates

2024	2023
-----Rupees-----	
1,069,805,000	1,069,805,000
38,500,000	38,500,000
1,108,305,000	1,108,305,000

17.1 During the year, the Modaraba has consolidated its certificates by increasing the face value of certificate from Rs. 5 to Rs. 10 each which results in reducing the number of certificates of the Modaraba.

17.2 Reconciliation between issue, subscribed and paid up certificates at the beginning and end of the year is as follows:

2024	2023		2024	2023
-----Number of certificates-----			-----Rupees-----	
213,961,000	193,900,000	Opening Certificates	1,069,805,000	969,500,000
-	20,061,000	Certificates issued during the year	-	100,305,000
(106,980,500)	-	Certificates consolidated	-	-
106,980,500	213,961,000		1,069,805,000	1,069,805,000

	Note	2024	2023
		-----Rupees-----	
18. RESERVES			
Capital reserves			
Premium on issuance of certificates		378,000,000	378,000,000
Amalgamation Reserve		233,003,899	233,003,899
Statutory reserves		1,284,362,639	1,284,362,639
		1,895,366,538	1,895,366,538
Revenue reserves			
General		1,830,000,000	1,340,000,000
Unappropriated profit		240,755,792	264,204,662
		2,070,755,792	1,604,204,662
		3,966,122,330	3,499,571,200
19. SURPLUS ON REVALUATION OF INVESTMENTS			
Market value of investments		163,110,000	121,265,000
Less: Cost of investments		(114,503,905)	(114,503,905)
Deferred tax impact		(14,102,728)	(845,137)
	19.1	34,503,367	5,915,958
Surplus on revaluation at beginning of the year - net of tax		5,915,958	9,495,741
Surplus transferred to unappropriated profit during the year - net of tax		-	(3,496,751)
Surplus on revaluation classified at other comprehensive income during the year - net of tax		28,587,409	(83,032)
		28,587,409	(3,579,783)
		34,503,367	5,915,958

19.1 Surplus on revaluation of investments is presented under a separate head below equity as 'surplus on revaluation of investments' in accordance with the requirements of Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017.

	Note	2024	2023
-----Rupees-----			
20. LIABILITY AGAINST RIGHT OF USE ASSETS			
Balance as at beginning of the year		22,424,627	10,264,700
Additions during the year		4,615,657	19,548,614
Deletions during the year		-	(2,828,582)
Finance cost for the year	28	4,188,567	2,640,899
Payments made during the year		(7,135,375)	(7,201,004)
Balance as at end of the year	20.1	24,093,476	22,424,627
Less: Current maturity		(7,969,360)	(2,769,105)
		16,124,116	19,655,522

20.1 The Modaraba has entered into lease agreements in respect of its various rented offices. These were initially measured at the present value of lease payments, discounted using the Modaraba's incremental borrowing rate that ranges from 13.97% to 22.61% per annum. The lease liabilities are subsequently being measured at amortised cost using the effective interest rate method.

20.2 Details of Minimum Lease Payments

Not Later than one year
 Later than one year but not later than five years
 Later than five years

2024	
Minimum Lease Payments	Present Value of Minimum Lease Payment
7,969,360	4,120,266
10,777,033	8,256,224
14,802,850	11,716,986
33,549,243	24,093,476
2023	
Minimum Lease Payments	Present Value of Minimum Lease Payment
6,161,270	2,769,105
25,623,025	18,136,971
1,719,666	1,518,551
33,503,961	22,424,627

	Note	2024	2023
-----Rupees-----			
21. CERTIFICATES OF INVESTMENT (MUSHARAKA)			
Unsecured Certificates of Investment (musharaka)	21.1 & 21.2	16,188,522,739	13,708,381,051
21.1 Movement in Certificates of Investment (musharaka)			
As at beginning of the year		13,708,381,051	11,262,599,835
Add: Issued during the year	21.1.1	64,253,599,294	54,192,510,001
		77,961,980,345	65,455,109,836
Less: Encashment during the year		(61,773,457,606)	(51,746,728,785)
As at end of the year		16,188,522,739	13,708,381,051

21.1.1 The rollover amount of Rs. 24,949,854,434 (2023: Rs. 26,838,661,035) has been excluded from the certificate issued during the year.

21.2 The estimated share of profit paid / payable on the above unsecured certificates of investments (musharaka) ranges between 18.00% to 22.45% (2023: 12.30% to 19.80%) per annum having maturity from 3 months to 1 year.

	Note	2024	2023
22. TRADE AND OTHER PAYABLES			
-----Rupees-----			
Accrued liabilities	22.2	317,580,402	205,411,824
Adjustable against financing contracts	22.3	293,044,354	293,044,354
Advance against sale of diminishing musharaka units		21,143,546	48,612,086
Diminishing musharaka customer contribution		13,708,723	5,031,152
Workers' Welfare Fund	22.4	62,020,858	46,228,277
Management fee payable	22.5	137,733,353	88,302,836
Sales tax on management fee payable	22.6	61,866,945	43,961,609
Sales tax on management fee payable to previous management company	22.7	37,950,679	37,950,679
Gratuity payable	22.8	8,039,088	-
		953,087,948	768,542,817

22.1 These includes amount transferred from HMM on the effective date of amalgamation amounts to Rs. Nil (2023: Rs. 37) million.

22.2 This includes charity payable amounting to Rs. 11.749 (2023: Rs. 3.703) million. The reconciliation is as follows:

	2024	2023
-----Rupees-----		
Balance as at beginning of the year	3,702,622	2,535,793
Addition during the year	12,316,180	6,892,907
Transfers from HMM	-	1,841,922
Paid to recognized charitable organizations	(4,268,842)	(7,568,000)
Balance as at end of the year	11,749,960	3,702,622

22.3 This relates to withholding tax deposited pertaining to lease financing vehicles. The amounts are adjustable against lease financing contracts upon receipt of refunds from tax authorities.

22.4 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 was passed by the Government of Sindh as a result of which every Industrial Establishment (this definition also includes the Commercial Establishment including the Financial Institutions and FHM too) located in the province of Sindh, the total income of which in any accounting year after December 31, 2013 is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two (2%) percent of such income.

In financial year 2019-2020, the Modaraba received a notice vide letter no. SRB/AC-37/2019-20/63 dated August 19, 2019, wherein, the Sindh Revenue Board (SRB) advised the Modaraba demanding all its income falling due under the SWWF Act. The Modaraba filed a Constitution Petition in September 13, 2019 at Honorable Sindh High Court on the ground that the Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces but the management understands that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to the province of Sindh, no SWWF liability to Sind Revenue Board (SRB) can be paid out on the entire income of FHM which essentially includes the income of other provinces as well. The Honorable Sindh High Court through its order dated

March 16, 2020 restrained the SRB from levy of SWWF under the SWWF Act and lastly ordered to deposit the amount as stated in these orders. However, the management as a matter of abundant caution recognized a provision in respect of Workers' Welfare Fund on a daily basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In financial year 2019-2020, the Honorable Sindh High Court issued an order dated March 16, 2020 in respect of the above case requiring all the Petitioners in different other petitions including the Modarabas/FHM to pay the SWWF levy amount to 'Nazir' of the Honorable Sindh High Court or the SRB. Accordingly, the Modaraba has made total payments of Rs.24,867,604 including payment of Rs.5,751,303 made during the financial year 2019-2020, to SRB based on proportionate income of the Province of Sindh and based on the advice of its legal advisor, retained the remaining provision until the Boards in other provinces are constituted under their respective provincial laws; the same are notified and such respective provinces raise demand for the payment of such amounts to the Modaraba relating to the income of their respective province.

22.5 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The fee for the year ended June 30, 2024 has been recognized at 10% of profit for the year. (June 30, 2023: 10%).

22.6 Sindh sales tax levied by Sindh Government on remuneration of Modaraba Management Company has been charged at the rate of 13% (June 30, 2023:13%).

22.7 Pursuant to Order of Sindh Revenue Board (SRB), the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 13% per annum.

A show cause notice was issued wherein sales tax was demanded under the provision of Sindh Sales Tax on Service Act, 2011. This notice was challenged by the Appellant before Assistant Commissioner in which Assistant Commissioner maintained that the Appellant was liable to pay Sales Tax. Management is of the view that the management fee is a profit sharing rather than a fixed fee against rendering of management services by the management company up to the 10% of Modarabas profit as provided in the Modaraba Ordinance, in case of loss in modaraba venture the management company is not entitled to claim any remuneration. Habib Management (Private) Limited has filed a reference appeal before High Court of Sindh in which stay has been granted against the order of Appellate Tribunal of Sindh Revenue Board. As the case is still pending, the final outcome cannot be determined.

22.8 Staff retirement benefits - Defined benefit plan

a. General description

As mentioned in note 4.10(a), the Modaraba operates an approved funded gratuity scheme for all of its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2024 using the Projected Unit Credit Method.

b. Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2024	2023
	Number	
Gratuity fund	86	70

c. Principal actuarial assumptions

i) The actuarial valuations were carried out as at 30 June 2024 using the following significant assumptions:

	2024	2023
	-----Per annum-----	
Discount rate	14.75%	15.75%
Expected rate of salary increase	14.75%	15.75%

"i) "Moderate" age-wise withdrawal rates for the employees of the Company were assumed. The same rates were used during the last valuation."

"ii) The rates assumed were based on the State Life Insurance Corporation of Pakistan SLIC (2001-05) Ultimate mortality tables. For the valuation, SLIC with 1-year setback with respect to mortality as recommended by the PSOA in its Guidance. The rates are death rates per thousand per annum at each age. The same rates were used during the last valuation"

	Note	2024	2023
		-----Rupees-----	
d. Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation		47,776,687	41,499,124
Fair value of plan assets		(47,776,687)	(41,499,124)
Net defined liability / (assets)		-	-
e. Movement in defined benefit obligation			
Obligation at the beginning of the year		41,499,124	34,566,200
Current service cost	26.1	3,722,508	3,090,750
Interest cost		6,719,558	4,791,037
Benefits paid by the Modaraba		(2,542,314)	(2,663,980)
Re-measurement (gain) / loss		(1,622,189)	1,715,117
Obligation at the end of the year		47,776,687	41,499,124
f. Movement in fair value of plan assets			
Fair value at the beginning of the year		41,499,124	34,566,200
Interest income on plan assets		6,719,558	4,791,037
Contribution by the Modaraba		8,039,055	3,662,956
Benefits paid by the Modaraba		(2,542,314)	(2,663,980)
Re-measurement (loss) / gain		(5,938,736)	1,142,911
Fair value at the end of the year		47,776,687	41,499,124
g. Movement in payable under defined benefit scheme			
As at beginning of the year		-	-
Charge for the year	26.1	3,722,508	3,090,750
Contribution by the Modaraba - net		(8,039,055)	(3,662,956)
Re-measurement loss recognized in OCI during the year		4,316,547	572,206
As at end of the year		-	-

		2024	2023
	Note	-----Rupees-----	
h. Cost recognized in profit and loss			
Current service cost	26.1	3,722,508	3,090,750
Net interest on defined benefit asset / liability		-	-
		3,722,508	3,090,750
i. Re-measurements recognized in OCI during the year			
Gain on obligation		4,316,547	572,206
Less: Deferred tax		(2,331,336)	407,490
Total re-measurements recognized in OCI		1,985,211	979,696
j. Components of plan assets			
Cash and cash equivalents - net		25,101,118	19,439,606
Non-Government Debt Securities		22,675,569	22,059,518
		47,776,687	41,499,124
k.	Non-Government debt securities are subject to credit risk and interest rate risk. These risks are regularly monitored by Trustees of the employee funds.		

		2024	2023
		-----Rupees-----	
l. Sensitivity analysis			
0.5% increase in discount rate		45,678,321	39,605,981
0.5% decrease in discount rate		50,018,928	43,524,265
0.5% increase in expected rate of salary increase		50,117,705	43,609,140
0.5% decrease in expected rate of salary increase		45,569,831	39,512,423
m.	Expected charge for the next financial year ending June 30, 2025 Rs. 4,671,798 (2024: Rs. 3,722,508).		

		2024	2023
		-----Rupees-----	
n. Maturity profile			
The weighted average duration of the obligation (in years)		9.07	9.43
o. Funding Policy			

The Modaraba endeavors to ensure that liability under employee benefit scheme is covered by the fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the fund.

- p. Following are the significant risks associated with the staff retirement benefit schemes. These may include:

Asset volatility	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.
Changes in bond yields	The risk of investment underperforming and being not sufficient to meet the liabilities.
Life expectancy / Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.
Final salary risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

- 22.9** Investments out of the funds of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2024	2023
-----Rupees-----			
23. RUNNING MUSHARAKA			
Meezan Bank Limited	23.1	495,011,031	246,570,074
Faysal Bank Limited	23.2	999,535,523	499,097,252
Habib Bank Limited	23.3	300,000,000	-
MCB Islamic Bank Limited	23.4	369,839,934	-
Dubai Islamic Bank Pakistan Limited	23.5	1,000,000,000	-
		3,164,386,488	745,667,326

- 23.1** Facility for Running Musharaka is obtained from Meezan Bank Limited up to Rs. 1,000 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 1,429 million.
- 23.2** Facility for Running Musharaka is obtained from Faysal Bank Limited up to Rs. 1,500 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter of hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 2,143 million.
- 23.3** Facility for Running Musharaka is obtained from Habib Bank Limited up to Rs. 500 million during the year. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter charge on all Modaraba's present and future movable/immovable financing assets for Rs. 715 million.
- 23.4** Facility for Running Musharaka is obtained from MCB Islamic Bank Limited up to Rs. 500 million during the year. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter of hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 715 million.
- 23.5** Facility for Running Musharaka is obtained from Dubai Islamic Bank Pakistan Limited up to Rs. 1,000 million during the year. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter of hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 1,430 million.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

The Modaraba received a letter from Sindh Revenue Board (SRB) dated August 09, 2018, wherein, it is mentioned that the Assistant Commissioner (Unit-12) of the SRB came to know through scrutiny of the financial statements of the Modaraba for the fiscal year years 2012-2017 that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions aggregates to Rs.916.393 million which is outstanding.

In view of this, the Modaraba was advised to submit certain financial records to SRB to ascertain the actual tax liability. Such letters were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honourable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the Honourable High Court of Sindh (the Court) stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the Court and the merits of the matter involved, no provision for any sales tax liability on rentals of lease financing is required to be maintained in the financial statements for the year ended June 30, 2023.

24.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 1,043 (2023: Rs.615) million.

	Note	2024	2023
-----Rupees-----			
25. INCOME FROM LEASE FINANCING			
Lease financing installments	25.1	-	85,501,345
Less: Depreciation on lease financing assets	5.1	-	(46,977,746)
		-	38,523,599
25.1	This comprises of principal and profit components.		
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	26.1	149,212,832	125,079,698
Printing, stationery and advertising		7,375,370	6,955,672
Travelling and conveyance		1,987,036	2,519,603
Insurance / takaful charges		671,793	1,869,151
Utilities		8,824,194	8,844,436
Postage		948,687	907,891
Newspapers and periodicals		20,530	22,370
Repairs and maintenance		6,317,070	6,170,956
Telecommunication		1,368,595	1,231,383
Fees and subscriptions		11,158,452	7,620,080
Legal and professional charges		21,598,921	9,745,331
Depreciation on fixed assets in own use	6.1	11,399,489	13,365,700
Depreciation expense on lease assets	6.2	6,269,427	5,876,087
Amortization on intangible assets	7.1	649,320	60,833

	Note	2024	2023
Rupees			
Auditors' remuneration	26.2	4,450,248	5,273,532
Certificate registrar expenses		3,493,101	3,245,584
Vehicle running expenses		6,565,282	5,352,834
Office expense		8,612,733	6,272,075
Staff training and workshop		442,104	334,125
Vault Rent expense		378,337	597,488
Information technology expenses		6,798,779	5,901,179
Miscellaneous		1,706,062	1,353,854
		260,248,362	218,599,862

26.1 Salaries, allowances and other benefits

The aggregate amount charged in the financial statements for remuneration to officers and other employees of the Modaraba is as follows:

Note	2024			2023			
	Officers*	Other employees	Total	Officers*	Other employees	Total	
Rupees							
Salaries		21,184,572	30,208,140	51,392,712	13,637,724	32,845,782	46,483,506
Bonus		10,518,743	14,152,924	24,671,667	4,825,269	9,196,487	14,021,756
House rent		2,523,600	5,616,982	8,140,582	1,555,200	5,297,091	6,852,291
Other allowances		18,660,948	34,545,332	53,206,280	12,328,423	35,115,014	47,443,437
Insurance		871,006	2,608,497	3,479,503	663,418	2,452,351	3,115,769
Gratuity fund	22.8(h)	1,767,181	1,955,327	3,722,508	1,602,971	1,487,779	3,090,750
Provident fund	26.1.3	2,120,616	2,478,964	4,599,580	1,313,340	2,758,849	4,072,189
		57,646,666	91,566,166	149,212,832	35,926,345	89,153,353	125,079,698
Number of employees		10	100	110	5	93	98

26.1.1 Certain officers are also provided with self maintained cars by the Modaraba.

26.1.2 No remuneration paid to the directors of the Modaraba Management Company during the year (2023: Nil).

26.1.3 This includes contribution to staff provident fund amounting to Rs. 4.599 (2023: Rs.4.072) million.

* These represent officers as prescribed under the Companies Act, 2017.

	2024	2023
Rupees		
26.2 Auditors' remuneration:		
Audit fee	1,491,000	1,491,000
Special audit	1,330,000	1,330,000
Fee for half yearly review and code of corporate governance	408,000	408,000
Statutory certifications and other services	-	500,000
Agreed upon procedures	374,600	636,900
Out of pocket expenses	4,120,600	4,882,900
Sales tax	329,648	390,632
	4,450,248	5,273,532

	Note	2024	2023
-----Rupees-----			
27. OTHER INCOME			
Income from financial assets			
Dividend on listed securities (shares)		12,258,200	5,750,000
Gain on sale of listed securities - net		2,792	-
Profit on modaraba's deposit accounts		90,805,287	93,867,106
Profit on Redemption Reserve Funds (RRF)		25,837,175	17,624,933
Profit on GOP Ijara sukuks bonds		61,068,750	44,847,740
Profit on sukuk bonds		19,271,366	15,101,330
Gain on termination of lease contract		-	2,547,681
Dividend from mutual funds		24,147,643	4,555,302
Miscellaneous income		32,870,753	28,269,145
Income from non financial assets			
Gain on transfer of lease financing assets	27.1	-	61,453,054
Gain on sale of owned fixed assets - net		481,294	376,149
		266,743,260	274,392,440

27.1 This includes gain on conversion of lease financing assets (ijarah) of net book value Rs. Nil (2023: Rs. 345) million having cost of Rs. Nil (2023: Rs. 1,249) million accumulated depreciation of Rs. Nil (2023: Rs. 904) million to diminishing musharaka financing amounting to Rs. Nil (2023: Rs. 59.98) million.

	Note	2024	2023
-----Rupees-----			
28. FINANCIAL CHARGES			
Profit on certificates of investment (musharaka)		3,200,467,722	2,163,775,711
Profit on Running Musharaka Financing		299,048,220	120,619,299
Financial charges on liability against right of use assets	20	4,188,567	2,640,899
Bank charges		1,638,306	1,211,215
		3,505,342,815	2,288,247,124
29. TAXATION			
Current		569,266,124	386,287,601
Deferred		(62,202,525)	(135,130,449)
		507,063,599	251,157,152
29.1 Relationship between accounting and tax expense			
Accounting profit		1,197,260,940	770,787,947
Tax at the applicable rate of 29%		347,205,673	223,033,659
Super tax		154,639,087	76,908,159
Final tax regime and income subject to lower tax rate		5,867,673	16,833,628
Permanent differences		(33,480,993)	(58,043,625)
Others		32,832,160	1,899,149
Rate change difference		-	(9,473,818)
		507,063,599	251,157,152

30. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

30.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the year by the weighted average number of certificates outstanding during the year as follows:

	Note	2024	2023
-----Rupees-----			
Profit for the year		690,197,341	519,630,795
Weighted average number of certificates outstanding during the year		110,830,500	110,830,500
Earnings per certificate	30.1.1	6.23	Restated 4.68

30.1.1 During the year, the Modaraba entered into certificate consolidation transaction whereby face value of the certificates of the Modaraba has been changed from Rs. 5/- each to Rs. 10/- each. Consequently, the effect of change in face value of certificates has been retrospectively adjusted under IAS 33 "Earnings per share".

30.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

	Note	2024	2023
-----Rupees-----			
31. CASH AND CASH EQUIVALENT			
Cash and bank balances	16	265,576,058	188,108,417
Investment in Redemption Reserve Fund (RRF)	12	83,947,550	359,940,477
Running Musharaka	23	(3,164,386,488)	(745,667,326)
		(2,814,862,880)	(197,618,432)

31.1 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASHFLOWS ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Modaraba's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Modaraba's statement of cash flows as cash flows from financing activities.

	2023	Financing cash inflows	Financing cash outflows	Non cash changes	2024
-----Rupees-----					
Certificate of Musharaka	13,708,381,051	64,253,599,294	(61,773,457,606)	-	16,188,522,739
Lease liabilities	22,424,627	4,615,657	(7,135,375)	4,188,567	24,093,476
Unclaimed dividend	51,479,860	221,661,000	(220,004,911)	-	53,135,949
	13,782,285,538	64,479,875,951	(62,000,597,892)	4,188,567	16,265,752,164

	2022	Financing cash inflows	Financing cash outflows	Non cash changes	2023
	-----Rupees-----				
Certificate of Musharaka	11,262,599,835	54,192,510,001	(51,746,728,785)	-	13,708,381,051
Lease liabilities	10,264,700	16,720,032	(7,201,004)	2,640,899	22,424,627
Unclaimed dividend	48,880,060	383,305,556	(380,705,756)	-	51,479,860
	11,321,744,595	54,592,535,589	(52,134,635,545)	2,640,899	13,782,285,538

32. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the Management Company (Habib Metropolitan Modaraba Management Company (Private) Limited), Habib Metropolitan Bank Limited, Habib Metropolitan Financial Services Limited, Habib Metro Exchange Services Limited, First Habib Modaraba Employee Contributory Provident Fund, First Habib Modaraba Staff Gratuity Fund and key management personnel (which are employed by the management company) under the terms of their employment. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			2024	2023
			-----Rupees-----	
Relationship of Related Parties				
Transactions during the year				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	90,805,287	100,940,935
		Bank charges	972,897	852,541
		Utility charges	8,082,484	3,062,108
		Financial charges	1,088,934,921	644,162,813
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	137,733,353	88,671,738
		Sale tax on management fee	17,905,336	11,527,326
		Management fee paid	88,302,836	59,860,823
		Dividend paid	22,166,100	21,510,000
Relationship of Related Parties				
Balances held				
Related party	Related party relationship	Nature of balances		
Staff Retirement Benefit Fund	Associate	Gratuity fund	3,722,508	3,090,750
		Contribution made	2,542,314	3,662,956
Provident Fund	Associate	Contribution made	4,599,580	4,072,189
Habib Metropolitan Bank Limited	Holding Company	Bank balances	199,691,532	160,387,545
		Certificates of investment (musharaka)	5,500,000,000	4,700,000,000
		Redemption Reserve Fund (RRF)	6,041,859	8,183,720
		Financial charges payable	140,892,466	85,712,740
		Utility charges payable	6,092,926	3,062,108
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	137,733,353	88,302,836
		Sale tax on management fee payable	61,866,945	43,961,609

			2024	2023
			Rupees	
Relationship of Related Parties				
Balances held				
Related party	Related party relationship	Nature of balances		
Staff Retirement Benefit Fund	Associate	Gratuity fund	3,722,508	3,090,750
		Contribution made	2,542,314	3,662,956
Provident Fund	Associate	Contribution made	4,599,580	4,072,189
Habib Metropolitan Bank Limited	Holding Company	Bank balances	199,691,532	160,387,545
		Certificates of investment (musharaka)	5,500,000,000	4,700,000,000
		Redemption Reserve Fund (RRF)	6,041,859	8,183,720
		Financial charges payable	140,892,466	85,712,740
		Utility charges payable	6,092,926	3,062,108
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	137,733,353	88,302,836
		Sale tax on management fee payable	61,866,945	43,961,609

32.1 No remuneration in kind has been paid by the Modaraba to the Directors and Key Management Personnel of Modaraba Management Company. (5.11(c))

32.2 The Modaraba carries out transactions with related parties at commercial terms and conditions as per the Modaraba's policy.

33. CAPITAL MANAGEMENT

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of management company monitors the return on capital, which the Modaraba defines as profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to Ordinary Certificate Holders.

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at reporting date Modaraba has running musharaka facility, Certificate of Musharaka and has sufficient surplus funds to manage the affairs of the Modaraba effectively. Further, the Modaraba has very positive current ratio of 3.866:1 (2023: 3.177:1).

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. The Modaraba is not subject to externally exposed capital requirement. The gearing ratio of the Modaraba at year end is as follows:

	2024	2023
	Rupees	
Debts	19,352,909,227	14,454,048,377
Bank balances	(265,576,058)	(188,108,417)
Net debt	19,618,485,285	14,642,156,794
Equity	5,074,427,330	4,607,876,200
Net debt to equity ratio	3.866:1	3.177:1

34. FINANCIAL INSTRUMENTS

34.1 Risk management policies

The Modaraba's objective in managing risks is the creation and protection of Certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in lease financing assets, diminishing musharaka, diversified portfolio of listed securities, collective investment schemes (mutual funds), Ijarah GOP Sukuk bonds and Islamic investments instruments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk.

34.2 Credit Risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Modaraba by failing to discharge its obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements. The modaraba has reassessed its portfolio as at June 30, 2024 and none of its customers require further downgrading on subjective basis.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2024 is the carrying amount of the financial assets as set out below:

	2024	2023
	Rupees	
Diminishing musharaka financing	23,669,347,534	17,981,784,131
Diminishing musharaka financing installments	5,207,720	7,590,286
Investment in sukuk bonds	353,780,160	353,780,160
Investment in mutual funds	149,213,636	103,871,927
Long term deposits	1,465,300	852,800
Bank balances	347,943,749	186,587,634
Other receivables	21,993,461	24,375,360
	24,548,951,560	18,658,842,298

Credit risk ratings

Credit risk rating of the banks and their respective balances are given below:

Banks	Short term	Long term	Agency	2024	2023
				Rupees	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	199,691,532	160,387,545
Soneri Bank Limited	A1+	AA-	PACRA	217,083	112,692
Al Baraka (Pakistan) Limited	A-1	A+	JCR-MS	111,552	110,640
BankIslami Pakistan Limited	AA-	A1	PACRA	244,632	244,632
Meezan Bank Limited	A-1+	AAA	JCR-MS	146,670,068	24,846,208
Bank Al-Habib Limited	A1+	AAA	PACRA	74,520	72,171
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-MS	15,745	15,745
Habib Bank Limited	A-1+	AAA	JCR-MS	918,616	798,000
				347,943,748	186,587,634

Concentration of Credit Risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are detailed in note 38 to the financial statements.

Impaired Assets

Refer note 4.3 to the financial statements for details on impairment of financial assets.

34.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the case of Modaraba, the liquidity level of Modaraba remained on satisfactory level during the year and Modaraba did not face any difficulty or problem for generation of liquidity.

Note 36 to the financial statements summarizes the maturity profile of the Modaraba's financial instruments.

Mitigating / managing the risk

Modaraba's policy is to invest the majority of its assets in investments that includes Redemption Reserve Funds and Mutual Funds that are having short-term maturities. Only a limited proportion of its investments are of long-term in nature.

34.4 Market Risk

a Market Price Risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Exposure

The Modaraba is exposed to changes in the fair values of investments as a result of changes in prices of securities.

As at June 30, 2024, the fair value of equity and debt securities exposed to price risk was as follows:

Particulars	Average Cost	Fair Value	Average Cost	Fair Value
	2024	2024	2023	2023
	Rupees			
Shares of listed companies	34,503,905	83,110,000	34,503,905	41,265,000
Sukuk	353,780,160	353,780,160	353,780,160	353,780,160
	388,284,065	436,890,160	388,284,065	395,045,160

Risk Management

The Modaraba's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by Investment Committee.

The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by Stock Exchange and MUFAP which is set as per the trading trend and volumes in the security.

b Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Risk exposure

The Modaraba has diminishing musharaka financing portfolio and certificate of musharaka. The majority of diminishing musharaka financing portfolio and certificate of musharaka is linked with KIBOR rate as a bench mark. The Modaraba reviews KIBOR on diminishing musharaka financing portfolio and certificate of musharaka on quarterly / six monthly basis.

As at June 30, 2024, the profile of the Modaraba's variable value financial instruments were as follows:

Variable rate instruments	2024	2023
	Rupees	
Assets		
Sukuk Bonds	80,000,000	80,000,000
GOP Ijarah sukuk bonds	273,780,160	273,780,160
Diminishing musharaka financing	24,545,422,571	18,549,421,878
	24,899,202,731	18,903,202,038

	2024	2023
	Rupees	
Liabilities		
Certificate of Investment	(16,188,522,739)	(13,708,381,051)
Running Musharaka	(3,164,386,488)	(745,667,326)
	(19,352,909,227)	(14,454,048,377)
	5,546,293,504	4,449,153,661

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in profit rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in profit rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Asset / liability class (Having variable profit rates)	(Increase / Decrease) (+/-)	Changes in profit / (loss)	
		Rupees	
Assets			
Sukuk Bonds	100 basis points	800,000	800,000
GOP Ijarah sukuk bonds	100 basis points	2,737,802	2,737,802
Diminishing musharaka financing	100 basis points	245,454,226	185,494,219
Liability			
Certificate of Investment (Musharaka)	100 basis points	(161,885,227)	(137,083,811)
Running Musharaka	100 basis points	(31,643,865)	(7,456,673)

Above sensitivities are calculated on the assumption that all factors remain constant except profit rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

Risk Management / Mitigation

The Modaraba monitors the profit rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Modaraba's policy requires the Modaraba management to manage this risk by measuring the mismatch of the profit rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed profit securities.

The average effective duration of the Modaraba's portfolio is a measure of the sensitivity of the fair value of the Modaraba's variable profit securities to changes in market profit rates.

The Modaraba's policy refrains from holding profit bearing instruments that induce the average effective duration of the variable profit portfolio to pass the benchmark of the average duration.

34.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2024							
	Carrying amount			Fair value				
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees							
Financial assets measured at fair value (note 35.2)								
Shares of listed company	83,110,000	-	-	83,110,000	83,110,000	-	-	83,110,000
Sukuk Bonds	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhama Islamic Money Market Fund)	-	122,981,368	-	122,981,368	-	122,981,368	-	122,981,368
Investment in NBP Funds (Islamic Saving Funds)	-	26,232,268	-	26,232,268	-	26,232,268	-	26,232,268
	<u>163,110,000</u>	<u>149,213,636</u>	<u>-</u>	<u>312,323,636</u>	<u>83,110,000</u>	<u>229,213,636</u>	<u>-</u>	<u>312,323,636</u>
Financial assets not measured at fair value (note 35.2)								
Redemption Reserve Funds (RRF)	-	-	83,947,550	83,947,550				
Investment in GOP Ijarah sukuk	-	-	273,780,160	273,780,160				
Diminishing musharaka financing	-	-	23,669,347,534	23,669,347,534				
Long term deposits	-	-	1,465,300	1,465,300				
Diminishing musharaka financing installments receivables	-	-	5,207,720	5,207,720				
Advances	-	-	234,490	234,490				
Other receivables	-	-	21,993,461	21,993,461				
Cash and bank balances	-	-	265,576,058	265,576,058				
	<u>-</u>	<u>-</u>	<u>24,237,604,723</u>	<u>24,237,604,723</u>				

During the year ended June 30, 2024, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

	2024		
	At fair value	Other financial liabilities	Total
	Rupees		
Financial liabilities			
Certificates of investment (musharaka)	-	16,188,522,739	16,188,522,739
Unearned lease financing and diminishing musharaka installments	-	24,961,381	24,961,381
Advance lease financing and diminishing musharaka installments	-	25,020,110	25,020,110
Trade and other payables	-	791,249,466	791,249,466
Profit payable on certificates of investment (musharaka)	-	488,241,779	488,241,779
Unclaimed profit distributions	-	53,135,949	53,135,949
	<u>-</u>	<u>17,571,131,424</u>	<u>17,571,131,424</u>

	2023							
	Carrying amount			Fair value				
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees							
Financial assets measured at fair value								
Shares of listed company	41,265,000	-	-	41,265,000	41,265,000	-	-	41,265,000
Sukuk bonds	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhama Islamic Money Market Fund)	-	103,871,927	-	103,871,927	-	103,871,927	-	103,871,927
	<u>121,265,000</u>	<u>103,871,927</u>	<u>-</u>	<u>225,136,927</u>	<u>41,265,000</u>	<u>183,871,927</u>	<u>-</u>	<u>225,136,927</u>
Financial assets not measured at fair value								
Redemption Reserve Funds (RRF)	-	-	359,940,477	359,940,477				
Investment in GOP Ijarah sukuk	-	-	273,780,160	273,780,160				
Diminishing musharaka financing	-	-	17,981,784,131	17,981,784,131				
Long term deposits	-	-	852,800	852,800				
Diminishing musharaka financing installments receivables	-	-	7,590,286	7,590,286				
Advances	-	-	4,917,458	4,917,458				
Other receivables	-	-	24,375,360	24,375,360				
Cash and bank balances	-	-	186,587,634	186,587,634				
	<u>-</u>	<u>-</u>	<u>18,839,828,306</u>	<u>18,839,828,306</u>				

During the year ended June 30, 2023, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

	2023		
	At fair value	Other financial liabilities	Total
	Rupees		
Financial liabilities			
Security deposits against lease financing assets	-	13,708,381,051	13,708,381,051
Certificates of investment (musharaka)	-	38,359,710	38,359,710
Unearned lease financing and diminishing musharaka installments	-	15,572,861	15,572,861
Trade and other payables	-	640,402,252	640,402,252
Profit payable on certificates of investment (musharaka)	-	362,344,841	362,344,841
Unclaimed profit distributions	-	51,479,860	51,479,860
	<u>-</u>	<u>14,816,540,575</u>	<u>14,816,540,575</u>

35.1 Valuation techniques used in determination of fair values within level 2 and level 3

Non-Government debt securities	Sukuks are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Units of mutual funds	The fair values of units of mutual funds are determined based on their net asset values as published at the close of each business day.

35.2 The Modaraba has not disclosed the fair values for these financial assets, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

36. MATURITIES OF ASSETS AND LIABILITIES

Liquidity risk is the risk that the Modaraba will be unable to meet its net funding requirements. To guard against this risk, the Modaraba has adequate funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of working capital.

		2024									
		Total	Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Over 10 year
		Rupees									
Assets											
Diminishing musharaka financing Investments	23,669,347,534	663,638,648	1,349,569,327	2,007,604,849	3,592,311,834	6,725,658,160	4,967,500,614	4,343,775,131	19,288,971	-	-
Diminishing musharaka financing installments receivable	670,051,346	-	-	233,161,186	-	273,780,160	-	-	-	-	163,110,000
Advances, deposits and prepayments	5,207,720	5,207,720	-	-	-	-	-	-	-	-	-
Other receivables	1,461,812,885	32,112,738	42,810,131	69,478,600	139,249,927	318,775,802	365,162,881	494,222,806	-	-	-
Cash and bank balances	21,993,461	21,993,461	-	-	-	-	-	-	-	-	-
	265,576,058	265,576,058	-	-	-	-	-	-	-	-	-
	26,093,989,004	988,528,625	1,392,379,458	2,310,244,635	3,731,561,761	7,318,214,122	5,332,663,495	4,837,997,937	19,288,971	163,110,000	
Liabilities											
Liability against right of use assets	24,093,476	1,128,547	735,370	1,276,142	980,207	2,364,789	2,254,697	3,636,738	11,716,986	-	-
Certificates of investment (musharaka)	16,188,522,739	158,974,697	2,644,789,621	7,893,621,453	5,491,136,968	-	-	-	-	-	-
Unearned diminishing musharaka installments	24,961,381	-	-	-	24,961,381	-	-	-	-	-	-
Advance diminishing musharaka installments	25,020,110	-	-	-	25,020,110	-	-	-	-	-	-
Trade and other payables	953,087,947	693,316,579	125,987,632	157,965,242	355,363,122	-	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	488,241,779	488,241,779	-	-	-	-	-	-	-	-	-
Running Musharaka	3,164,386,488	3,164,386,488	-	-	-	-	-	-	-	-	-
Unclaimed profit distributions	53,135,949	53,135,949	-	-	-	-	-	-	-	-	-
	20,921,449,869	4,559,184,039	2,771,512,623	8,052,862,837	5,897,461,788	2,364,789	2,254,697	3,636,738	11,716,986	-	

		2023									
		Total	Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Over 10 year
		Rupees									
Assets											
Diminishing musharaka financing Investments	17,981,784,131	506,121,898	1,015,739,278	1,496,707,249	2,924,057,790	5,206,878,901	3,709,460,084	3,103,389,117	19,429,814	-	-
Diminishing musharaka financing installments receivable	858,857,564	-	-	463,812,404	-	273,780,160	-	-	-	-	121,265,000
Advances, deposits and prepayments	7,590,286	7,590,286	-	-	-	-	-	-	-	-	-
Other receivables	1,254,639,442	45,389,998	46,109,693	66,295,851	131,897,843	284,947,839	301,078,874	378,919,344	-	-	-
Cash and bank balances	24,375,360	12,618,589	-	11,756,771	-	-	-	-	-	-	-
	188,108,417	188,108,417	-	-	-	-	-	-	-	-	-
	20,315,355,200	759,829,188	1,061,848,971	2,038,572,275	3,055,955,633	5,765,606,900	4,010,538,958	3,482,308,461	19,429,814	121,265,000	
Liabilities											
Liability against right of use assets	22,424,626	372,532	19,345	29,871	3,452,695	3,166,899	4,231,291	9,633,425	1,518,568	-	-
Certificates of investment (musharaka)	13,708,381,051	203,181,485	6,930,389,829	6,542,494,018	32,315,719	-	-	-	-	-	-
Unearned diminishing musharaka installments	38,359,710	-	-	-	38,359,710	-	-	-	-	-	-
Advance diminishing musharaka installments	15,572,861	-	-	-	15,572,861	-	-	-	-	-	-
Trade and other payables	981,833,656	514,762,201	-	89,871,805	377,199,650	-	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	362,344,840	362,344,840	-	-	-	-	-	-	-	-	-
Running Musharaka	745,667,326	745,667,326	-	-	-	-	-	-	-	-	-
Unclaimed profit distributions	51,479,860	51,479,860	-	-	-	-	-	-	-	-	-
	15,926,063,931	1,877,808,244	6,930,409,174	6,632,395,694	466,900,635	3,166,899	4,231,291	9,633,425	1,518,568	-	

37. SEGMENT BY CLASS OF BUSINESS OF FINANCING ASSETS

	2024		2023	
	Rupees	%	Rupees	%
Auto and allied	451,292,966	1.84	458,139,319	2.47
Cable and electric goods	988,970,582	4.03	678,605,594	3.66
Cargo, courier and logistic services	778,155,868	3.17	647,335,999	3.49
Cement	128,991,781	0.53	163,218,075	0.88
Chemical	2,180,365,198	8.88	1,320,604,028	7.12
Construction	355,161,078	1.45	280,679,165	1.51
Education	261,357,439	1.06	274,718,398	1.48
Fertilizer	300,587,551	1.22	176,219,654	0.95
Financial institutions	128,573,393	0.52	142,493,976	0.77
Food and allied	2,405,710,862	9.80	2,405,643,195	12.97
Fuel, power and energy	245,235,428	1.00	97,259,809	0.52
Glass and ceramics	29,484,359	0.12	67,768,923	0.37
Health care	547,323,046	2.23	288,033,857	1.55
Individuals	2,563,654,796	10.44	1,724,417,955	9.30
Information technology	1,176,197,912	4.79	870,789,643	4.69
Leather and tanneries	38,617,029	0.16	22,441,959	0.12
Oil and gas exploration	1,101,686,446	4.49	55,097,979	0.30
Paper and board	350,504,584	1.43	180,144,054	0.97
Pharmaceutical	4,104,526,272	16.72	2,798,130,401	15.08
Refinery, lubricant, oil and gas marketing	80,553,835	0.33	78,911,932	0.43
Services	2,786,933,671	11.35	3,030,708,177	16.34
Steel and engineering	330,735,878	1.35	468,958,857	2.53
Sugar and allied	1,034,286,201	4.21	627,725,323	3.38
Textile	2,101,693,975	8.56	1,479,348,969	7.98
Others	74,822,421	0.30	212,026,637	1.14
	24,545,422,571	100.00	18,549,421,878	100.00

37.1 The Modaraba's operations are restricted to Pakistan only.

38. 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 has established procedures to manage credit exposure including credit approvals, credit limits and obtaining collaterals.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other considerations. Concentration of credit risk indicates the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

The Modaraba manages concentration of credit risk exposure through diversification of portfolio of its customers to avoid undue concentration of risk with specific industry, sector, or group as follows:

	2024			2023		
	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables
	Rupees					
Segment by class of business						
Auto and allied	-	451,292,966	299,537	20,907,200	458,139,319	1,375,155
Cable and electric goods	54,965,493	988,970,582	-	18,897,700	678,605,594	352,621
Cargo, courier and logistic services	46,528,342	778,155,868	4,273,712	84,054,800	647,335,999	3,143,076
Cement	-	128,991,781	-	4,049,200	163,218,075	124,051
Chemical	240,192,336	2,180,365,198	854,113	111,769,200	1,320,604,028	1,685,280
Construction	-	355,161,078	297,469	46,371,250	280,679,165	594,044
Education	25,161,300	261,357,439	-	-	274,718,398	92,408
Fertilizer	5,628,700	300,587,551	140,383	-	176,219,654	44,553
Financial institutions	13,384,800	128,573,393	-	1,727,100	142,493,976	18,698
Food and allied	108,867,400	2,405,710,862	20,694,836	82,617,100	2,405,643,195	3,753,516
Fuel, power and energy	12,304,800	245,235,428	248,478	-	97,259,809	79,452
Glass and ceramics	-	29,484,359	1,419,917	-	67,768,923	1,125,480
Health care	31,491,341	547,323,046	211,799	14,453,950	288,033,857	686,187
Individuals	134,867,842	2,563,654,796	5,907,867	56,948,670	1,724,417,955	9,553,012
Information technology	85,813,600	1,176,197,912	212,954	16,701,400	870,789,643	314,453
Leather and tanneries	-	38,617,029	-	12,450,600	22,441,959	100,144
Oil and gas exploration	-	1,101,686,446	-	3,646,800	55,097,979	1,166
Paper and board	26,656,900	350,504,584	651,488	4,481,100	180,144,054	1,480,375
Pharmaceutical	230,129,456	4,104,526,272	1,481,229	359,235,865	2,798,130,401	2,178,672
Refinery, lubricant, oil and gas marketing	2,436,300	80,553,835	-	-	78,911,932	7,802
Services	377,998,135	2,786,933,671	820,431	106,623,691	3,030,708,177	3,432,124
Steel and engineering	7,064,000	330,735,878	-	64,174,571	468,958,857	502,845
Sugar and allied	25,038,502	1,034,286,201	1,087,649	100,093,100	627,725,323	86,440
Textile	27,719,342	2,101,693,975	814,330	142,662,144	1,479,348,969	4,324,117
Others	5,564,296	74,822,421	748,149	2,774,000	212,026,637	650,623
	1,461,812,885	24,545,422,571	40,164,341	1,254,639,441	18,549,421,878	35,706,294

39. SEGMENT INFORMATION

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision maker. The Chief Executive Officer of the management company has been identified as the Chief Operating Officer decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for Modaraba's entire product portfolio and consider business to have a two operating segments. The Modaraba's assets allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on basis of two operating segments.

The internal reporting provided to the chief executive officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba's is domiciled in Pakistan. All of the Modaraba's income is from the investments in entities incorporated in Pakistan.

	Lease financing assets		Diminishing musharaka financing		Total	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Rupees						
Segment revenues and profits						
Revenue - net of depreciation, where applicable	-	38,523,599	5,184,636,965	3,396,946,547	5,184,636,965	3,435,470,146
Cost of revenue	-	-	(3,505,342,815)	(2,288,247,124)	(3,505,342,815)	(2,288,247,124)
Reportable segment profit	-	38,523,599	1,679,294,150	1,108,699,423	1,679,294,150	1,147,223,022
Segment assets and liabilities						
Reportable segment assets						
Diminishing musharaka financing	-	-	15,862,875,979	12,102,544,307	15,862,875,979	12,102,544,307
Current portion of diminishing musharaka financing	-	-	7,806,471,555	5,879,239,824	7,806,471,555	5,879,239,824
Diminishing musharaka financing installments receivable	-	-	5,207,720	7,590,286	5,207,720	7,590,286
	-	-	23,674,555,254	17,989,374,417	23,674,555,254	17,989,374,417
Reportable segment liabilities						
Certificates of investment (musharaka)	-	-	16,188,522,739	13,708,381,051	16,188,522,739	13,708,381,051
Unearned diminishing musharaka installments	-	-	24,961,381	38,359,710	24,961,381	38,359,710
Advance diminishing musharaka installments	-	-	25,020,110	15,572,861	25,020,110	15,572,861
Adjustable against financing contracts	-	-	293,044,354	293,044,354	293,044,354	293,044,354
Advance against sale of diminishing musharaka	-	-	21,143,546	48,612,086	21,143,546	48,612,086
Diminishing musharaka customer contribution	-	-	13,708,723	5,031,152	13,708,723	5,031,152
	-	-	16,566,400,853	14,109,001,214	16,566,400,853	14,109,001,214

	2024	2023
Rupees		
Revenue classified in segment reported	5,184,636,965	3,435,470,146
Profit		
Profit classified in segment reported	1,679,294,150	1,147,223,022
Provision in respect of diminishing musharaka	(308,455,522)	(316,298,223)
Administrative expenses	(260,248,362)	(218,599,862)
Other income	266,743,260	274,392,440
Modaraba Management Company's remuneration	(137,733,353)	(88,671,738)
Sales tax on Modaraba Management Company's remuneration	(17,905,336)	(11,527,326)
Provision for Sindh Workers' Welfare Fund	(24,433,897)	(15,730,366)
	1,197,260,940	770,787,947
Assets		
Assets classified in segment reported	23,674,555,254	17,989,374,417
Assets in own use	85,056,329	54,442,474
Intangible assets	9,626,317	81,143
Long term deposits	1,465,300	852,800
Investments	670,051,346	858,857,564
Advances and prepayments	1,460,347,585	1,253,786,642
Other receivables	21,993,461	24,375,360
Cash and bank balances	265,576,058	188,108,417
	26,188,671,650	20,369,878,817
Liabilities		
Liability classified in segment reported	16,566,400,853	14,109,001,214
Trade and other payables	625,191,324	421,855,225
Profit payable on certificates of investment (musharaka)	488,241,779	362,344,841
Unclaimed profit distribution	53,135,949	51,479,860
	17,732,969,905	14,944,681,140

40. FINANCIAL INSTRUMENTS BY CATEGORY

	2024						Total
	Profit bearing			Non-profit bearing			
	Maturity up to one year	Maturity after one year up to five years	Sub-total	Maturity up to one year	Maturity after one year and up to five years	Sub-total	
Rupees							
Financial assets							
Cash and bank balances	-	-	-	-	-	-	-
Other receivables	-	-	-	21,993,461	-	21,993,461	21,993,461
Investments	80,000,000	-	80,000,000	83,110,000	-	83,110,000	163,110,000
Diminishing musharaka financing installments receivable	5,207,720	-	5,207,720	-	-	-	5,207,720
Long term deposits	-	-	-	-	1,465,300	1,465,300	1,465,300
Advances and prepayments	1,456,248,589	-	1,456,248,589	8,781,964	-	8,781,964	1,465,030,553
Diminishing musharaka financing	7,806,471,555	12,102,544,307	19,909,015,862	-	-	-	19,909,015,862
	9,347,927,864	12,102,544,307	21,450,472,171	113,885,425	1,465,300	115,350,725	21,565,822,896
Financial liabilities							
Certificates of investment (musharaka)	16,188,522,739	-	16,188,522,739	-	-	-	16,188,522,739
Unearned diminishing musharaka installments	24,961,381	-	24,961,381	-	-	-	24,961,381
Advance diminishing musharaka installments	25,020,110	-	25,020,110	-	-	-	25,020,110
Trade and other payables	-	-	-	791,249,466	-	791,249,466	791,249,466
Profit payable on certificates of investment (musharaka)	-	-	-	488,241,779	-	488,241,779	488,241,779
Running Musharaka	3,164,386,488	-	3,164,386,488	-	-	-	3,164,386,488
Unclaimed profit distribution	-	-	-	53,135,949	-	53,135,949	53,135,949
	19,402,890,718	-	19,402,890,718	1,332,627,194	-	1,332,627,194	20,735,517,912

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

	2023						Total
	Profit bearing			Non-profit bearing			
	Maturity up to one year	Maturity after one year up to five years	Sub-total	Maturity up to one year	Maturity after one year and up to five years	Sub-total	
Rupees							
Financial assets							
Other receivables	-	-	-	24,375,360	-	24,375,360	24,375,360
Investments	80,000,000	-	80,000,000	41,265,000	-	41,265,000	121,265,000
Diminishing musharaka financing installments receivable	7,590,286	-	7,590,286	-	-	-	7,590,286
Long term deposits	-	-	-	-	852,800	852,800	852,800
Advances and prepayments	1,244,311,441	-	1,244,311,441	9,475,201	-	9,475,201	1,253,786,642
Diminishing musharaka financing	5,879,239,824	12,102,544,307	17,981,784,131	-	-	-	17,981,784,131
	7,211,141,551	12,102,544,307	19,313,685,858	75,115,561	852,800	75,968,361	19,389,654,219
Financial liabilities							
Certificates of investment (musharaka)	13,708,381,051	-	13,708,381,051	-	-	-	13,708,381,051
Unearned diminishing musharaka installments	38,359,710	-	38,359,710	-	-	-	38,359,710
Advance diminishing musharaka installments	15,572,861	-	15,572,861	-	-	-	15,572,861
Trade and other payables	-	-	-	640,402,252	-	640,402,252	640,402,252
Profit payable on certificates of investment (musharaka)	-	-	-	362,344,841	-	362,344,841	362,344,841
Running Musharaka	745,667,326	-	745,667,326	-	-	-	745,667,326
Unclaimed profit distribution	-	-	-	51,479,860	-	51,479,860	51,479,860
	14,507,980,948	-	14,507,980,948	1,054,226,953	-	1,054,226,953	15,562,207,901

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

	Note	2024	2023
-----Rupees-----			
41. CASH GENERATED FROM OPERATIONS			
Profit before tax		1,197,260,940	770,787,947
Adjustment for:			
Gain on disposal of assets:			
Lease financing assets	27	-	(61,453,054)
Assets in own use	27	(481,294)	(376,149)
Gain on Termination of lease contract	27	-	(2,547,681)
Depreciation on fixed assets:			
Lease financing assets	25	-	46,977,746
Assets in own use	26	11,399,489	13,365,700
Right of use Assets	26	6,269,427	5,876,087
Amortization of intangible assets	26	649,320	60,833
Provision and write-off in respect of diminishing musharaka	8.3.1	308,455,522	316,298,223
Provision for gratuity	22.8(h)	3,722,508	3,090,750
Dividend income	29	(12,258,200)	(5,750,000)
Financial charges		3,503,704,509	2,287,035,909
Movement in working capital	41.1	(163,404,162)	1,427,507,545
		4,855,318,059	4,800,873,856
41.1 Movement in working capital			
(Decrease) / Increase in current assets:			
Diminishing Musharaka financing installments receivable		(306,072,956)	(321,550,433)
Advances and prepayments		(206,560,943)	1,472,076,456
Income tax refundable		-	89,470,329
Other receivables		2,381,899	1,222,141
		(510,252,000)	1,241,218,493
(Decrease) / increase in current liabilities:			
Advance diminishing musharaka installments		9,447,249	4,461,763
Unearned diminishing musharaka installments		(13,398,329)	(41,604,949)
Trade and other payables		350,798,918	223,432,240
		346,847,838	186,289,054
		(163,404,162)	1,427,507,547
42. PROFIT DISTRIBUTION AND APPROPRIATION			

Subsequent to the period ended June 30, 2024, the Board of Directors of the Modaraba Management Company has declared a final distribution of Rs. 2.10 per certificate, amounting to total profit distribution of Rs. 232.74 million (2023: Re.1 per certificate, amounting to total profit distribution of Rs. 221.66 million) in its meeting held on August 08, 2024.

	2024	2023
-----Number-----		
43. NUMBER OF EMPLOYEES		
Total number of employees at end of the year	86	81
Average number of employees for the year	84	79

44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatement during the year except as disclosed below:

Reclassified from	Reclassified to	-----Rupees-----
Investments - Current assets	Investments - Non-current assets	395,045,160

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 08, 2024 by the Board of Directors of the Modaraba Management Company. (BCR 5.18)

46. GENERAL

Figures have been rounded off to the nearest rupee.

**For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Director