

First Habib Modaraba

(An Islamic Financial Institution)



ANNUAL REPORT 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



38 years of successful business legacy

Based on sustainability and resilience

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.

First Habib Modaraba (FHM) is one the leading Modaraba within Modaraba and NBFIs sector. Being subsidiary of sound and reputable bank, i.e., Habib Metropolitan Bank Limited., FHM operates as one of the most respected financial brands within the Non-Banking Islamic Financial sector, holds a strong and diversified footing in Corporate, SME, and Consumer segments.

With continuous journey of success, we have gone through with numerous obstacles and up and down of businesses. However, like the several challenges of the past, we have successfully managed to reinforce FHM's in advancing with untiring focus while staying firm to our beliefs.

While safeguarding our long term sustainability, our ability to withstand and prosper in these uncertain and difficult operating environment shows FHM's resilience and steadfast approach.

In our pursuit of progress, we have remained firm in protecting our core values, ensuring that it remains intact in whatever circumstances. Our constant resilience in adversity is a testament of unwavering commitment towards our values supported by resilient business model and strong balance sheet.

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.

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.

27

**Organizational
Overview &
External
Environment**

43

**Strategy and
Resource
Allocation**

55

**Risks &
Opportunities**

63

**Sustainability
& Corporate Social
Responsibility
(CSR)**

79

**Corporate
Governance**

125

**Analysis of
Financial
Information**

143



Business Model

145



**IT Governance &
Cyber Security**

149



Future Outlook

155



**Stakeholders
Relationship &
Engagement**

159



**Striving for Excellence
in Corporate Reporting**

175



**Disclosure of
Financial
Statements**

CREDIT RATINGS - BY PACRA



FHM has been maintaining AA+ category rating since last 15 years

Corporate Information

MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

BOARD OF DIRECTORS

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

LEGAL ADVISOR

Mohsin Tayebaly & Company

Ahmed & Qazi Advocates & Legal Consultants

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

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

EY Ford Rhodes

Chartered Accountants

COMPANY SECRETARY

Ms. Aeraj Abeer

SHARIAH ADVISOR

Mufti Faisal Ahmed

BANKERS

Habib Metropolitan Bank Limited (Islamic Banking)

Meezan Bank Limited

Al Baraka Bank Pakistan Limited

Bankislami Pakistan Limited

Dubai Islamic Bank Pakistan Limited

Soneri Bank Limited (Islamic Banking)

Habib Bank Limited (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

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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, 2022, to June 30, 2023, and provides a comprehensive overview of First Habib Modaraba.

External Assurance

To ensure impartiality and objectivity as required by regulatory bodies, independent external auditors from EY Ford Rhodes have carefully examined the First Habib Modaraba 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 vide email fhm@habibmodaraba.com

Our Strength

We believe that our strength is surrounded with our core values with solid foundation of the institution. This strength has been tested from time to time in extreme challenging business scenarios. In the recent example of Pandemic in which how relentlessly our team members stood up and discharge their responsibilities.

Our purpose as an organization is to promote quality growth while ensuring superior customer experience and sustainable business practices. Through prudent business actions and proficient stewardship of liquidity, one of our core strengths, we were able to curtail the detrimental impact of the fund and suitably maintained our growth momentum.

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.

Our strengths and key differentiating factors will continue to drive us forward in our journey of continuous success and maintaining position of leading Modaraba within the sector. Sound financial position with high standards of Corporate Governance and better return to our investors every year are the key strengths of our successful business journey of more than 3 decades.

FHM has completed successful business operation of 38 years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan.



About First Habib Modaraba

First Habib Modaraba (FHM) a subsidiary of Habib Metropolitan Bank, Limited, established in 1985, and has completed 38 years of successful business operation. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBFIs 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 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 NBFIs and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC. Furthermore, since last 15 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 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 Blessing Allah (SWT) and hard dedicate 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.

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.

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.1,397 billion with branch network of over 500 as at December 31, 2022 throughout the country.



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.

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, 2023, on the overall performance of the Board of Directors and effectiveness of the role played by the Board in achieving Modaraba's strategic objectives.

The Board is enriched with appropriate mix of skills, diversity and core competencies with great commitment for strong corporate governance and to follow best business practices. Throughout the year, while exercising its powers under the law the Board has performed its duties diligently and has managed the affairs of the FHM in an effective and efficient manners.

In FY 2022-23, the FHM faced a number of challenges, including the ongoing economic & political uncertainties, low business sentiments together with dwindling foreign exchange reserves, high cost of doing business and curb on imports have resulted in a slow moving business activities at large level.

However, I am glade that despite off difficult operating and business environment, the performance of FHM showed immense resilience. Overall performance of FHM has remained satisfactory. Balance sheet size grew by around 20% and remarkable growth has been made in profitability as well. The both segments i.e., size of balance sheet and profitability remained highest since the inception of FHM. I sincerely believe that all success and achievements are due to Blessing Allah (SWT) and hard and dedicate 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.

FHM has completed successful business operation of 38 years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan. Being subsidiary of sound and reputable bank, i.e., Habib Metro Bank Limited, FHM operates as one of the most respected financial brands within the Non-Banking Islamic Financial sector, holds a strong and diversified footing in Corporate, SME, and Consumer segments.

It is also great source of satisfaction that constant commitment by team of FHM for corporate excellence have not only kept FHM as leading Modaraba within the sector but also earned recognition at national and international level such as best performance award, corporate excellence award, best corporate report award and SAFA award including credit rating of AA+ for long term which has been maintaining by the FHM since last consecutive 14 years.

Again in current year, our economy and businesses are passing through with difficult time due to continuous high inflation, exorbitant lending rates, currency devaluation, increasing energy prices and high cost of doing businesses. It is expected that like last year, the FY2023-24 will be a challenging year for overall economy and businesses. However, I am confident that team of FHM will come up with their best of abilities and capabilities for steady and prudent business growth of institutions and will continue to add value for Modaraba Certificate Holders like in past years of challenging business environment. Our agility and flexibility, which have been improved in the past year, will be able to grab the opportunities as they arise and ensure we are able to leverage the anticipated eventual economic recovery.

In conclusion, I would like to extend my sincere thanks to the board, executives and employees for their extraordinary efforts over the year. I would also like to thank each and every member of the Board for their guidance, valuable input and giving their precious time for Board meetings.

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 FY2022-23. I also place my sincere appreciation to our Certificate Holders, business partners and all other valued stakeholders for their belief and the confidence place 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.

Syed Rasheed Akhter
Chairman

Dated: September 13, 2023

چیمبر مین جائزہ رپورٹ

محترم مضاربہ سرٹیفکیٹ ہولڈرز،

مجھے 30 جون 2023 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 اسٹریٹجک مفادات کی تکمیل کیلئے اٹھائے وہ اپنے قابل قدر سرٹیفکیٹ ہولڈرز کو رپورٹ پیش کرتے ہوئے خوشی ہو رہی ہے۔

بورڈ کو مضبوط کارپوریٹ گورننس اور بہترین کاروباری طریقوں پر عمل کرنے کے لیے بہترین عزم کے ساتھ مہارتوں، مختلف سوچ اور بنیادی صلاحیتوں کے مناسب امتزاج سے مالا مال ہے۔ سال بھر میں، قانون کے تحت اپنے اختیارات کا استعمال کرتے ہوئے بورڈ نے اپنی ذمہ داریاں پوری تندی سے نبھائی ہیں اور ایف ایچ ایم کے معاملات کو پُر اثر اور موثر انداز میں چلایا ہے۔

مالی سال 2022-23 میں، ایف ایچ ایم کو کئی چیلنجوں کا سامنا کرنا پڑا، جن میں جاری اقتصادی اور سیاسی غیر یقینی صورتحال، کم ہوتے ہوئے زر مبادلہ کے ذخائر کے ساتھ کم ہوتے ہوئے کاروباری مزاج، کاروبار کرنے کی زیادہ لاگت اور بڑی سطح پر درآمدات پر پابندیوں کے نتیجے میں کاروباری سرگرمیاں سست روی کا شکار ہوئیں۔

تاہم، مجھے خوشی ہے کہ کٹھن آپریٹنگ اور کاروباری ماحول کے باوجود، ایف ایچ ایم کی کارکردگی نے بہت زیادہ مضبوطی دکھائی۔ ایف ایچ ایم کی مجموعی کارکردگی تسلی بخش رہی ہے۔ بیلنس شیٹ کے سائز میں تقریباً 20 فیصد اضافہ ہوا ہے اور منافع میں بھی قابل ذکر اضافہ ہوا ہے۔ دونوں سیکشنس یعنی بیلنس شیٹ کا سائز اور منافع ایف ایچ ایم کے آغاز سے سب سے زیادہ رہا۔ میں خلوص دل سے یقین رکھتا ہوں کہ تمام کامیابیاں اور کامرانیاں اللہ سبحانہ تعالیٰ کی برکت اور تنظیم کے تمام سطحوں پر بہترین ٹیم ورک کے ذریعے عمل کے تمام ارکان کی محنت اور لگن کی وجہ سے ہیں۔ ایف ایچ ایم کا ہر عملہ ممبر تسلی بخش نتائج اور ترقی میں تسلسل برقرار رکھنے پر زبردست تعریف کا مستحق ہے۔

ایف ایچ ایم نے 38 سال کا کامیاب کاروباری آپریشن مکمل کیا ہے اور پاکستان کے NBFI اور مضاربہ سیکٹر میں معروف مضاربہ کے طور پر اپنی پوزیشن کو برقرار رکھنے کی ہماری دیرینہ خواہش کو برقرار رکھا ہے۔ اچھے اور معروف بینک، یعنی حبیب میٹرو بینک لمیٹڈ کا ذیلی ادارہ ہونے کے ناطے، ایف ایچ ایم غیر بینکنگ اسلامی مالیاتی شعبے کے اندر سب سے زیادہ معزز مالیاتی برانڈز میں سے ایک کے طور پر کام کرتا ہے، کارپوریٹ، ایس ایم ای، اور صارفین کے سیکشنس میں ایک مضبوط اور متنوع قدم رکھتا ہے۔

یہ بات بھی اطمینان کا باعث ہے کہ کارپوریٹ ایکسی لینس کے لیے ایف ایچ ایم کی ٹیم کی مسلسل عزم نے نہ صرف ایف ایچ ایم کو سیکٹر کے اندر ایک سرکردہ مضاربہ کے طور پر برقرار رکھا ہے بلکہ قومی اور بین الاقوامی سطح پر بھی پہچان حاصل کی ہے جیسے کہ بہترین کارکردگی کا ایوارڈ، کارپوریٹ ایکسی لینس ایوارڈ، بہترین کارپوریٹ رپورٹ ایوارڈ اور SAFA ایوارڈ بشمول طویل مدت کے لیے AA+ کی کریڈٹ ریٹنگ جو ایف ایچ ایم کی طرف سے مسلسل 14 سالوں سے برقرار ہے۔

رواں سال میں ایک بار پھر، ہماری معیشت اور کاروبار مسلسل بلند افراط زر، قرضے کی حد سے زیادہ شرح، کرنسی کی قدر میں کمی، توانائی کی بڑھتی ہوئی قیمتوں اور کاروبار کرنے کی ناند قیمت کی وجہ سے مشکل وقت سے گزر رہے ہیں۔ توقع ہے کہ گزشتہ سال کی طرح مالی سال 2023-24 مجموعی معیشت اور کاروبار کے لیے ایک چیلنجنگ سال ہو گا۔ تاہم، مجھے یقین ہے کہ ایف ایچ ایم کی ٹیم اداروں کی مستحکم اور دانشمندانہ کاروباری ترقی کے لیے اپنی بہترین قابلیتوں اور صلاحیتوں کے ساتھ سامنے آئے گی اور گزشتہ سالوں کی طرح چیلنجنگ کاروباری ماحول میں مضاربہ سرٹیفکیٹ ہولڈرز کے لیے قدر میں اضافہ جاری رکھے گی۔ ہماری چستی اور لچک، جس میں پچھلے سالوں میں بہتری آئی ہے، مواقع پیدا ہوتے ہی ان سے فائدہ اٹھاسکے گی اور اس بات کو یقینی بنائے گی کہ ہم متوقع معاشی بحالی کا فائدہ اٹھاسکیں گے۔

آخر میں، میں سال بھر کی غیر معمولی کوششوں کے لیے بورڈ، ایگزیکٹوز اور ملازمین کا تہہ دل سے شکریہ ادا کرنا چاہوں گا۔ میں بورڈ کے ہر ایک ممبر کا ان کی رہنمائی، قیمتی ان پٹ اور بورڈ کے اجلاسوں کے لیے اپنا قیمتی وقت دینے کے لیے بھی شکریہ ادا کرنا چاہوں گا۔

میں اپنے چیف ایگزیکٹو آفیسر، سینئر ایگزیکٹوز اور ایف ایچ ایم کے دیگر تمام سٹاف ممبران کی غیر معمولی کارکردگی اور مالی سال 2022-23 کے بہترین نتائج پیدا کرنے کے لیے ان کی محنت، لگن اور منہج کوششوں کی بھی تعریف کرنا چاہتا ہوں۔ میں اپنے سرٹیفکیٹ ہولڈرز، کاروباری شراکت داروں اور دیگر تمام قابل قدر اسٹیک ہولڈرز کو ان کے اعتقاد اور ہماری تنظیم میں اعتماد کے لیے اپنی خلصانہ تعریف بھی کرتا ہوں۔ میں اس موقع پر مسلسل رہنمائی اور ہماری مدد کی پر مضاربہ کے رجسٹرار، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایکسچینج، اور دیگر متعلقہ ریگولیٹری اداروں کا شکریہ ادا کرتا ہوں۔

سید رشید اختر

چیمبر مین

تاریخ: ۱۳ ستمبر ۲۰۲۳

CEO's Message

Alhamdulillah, FHM has completed successful business operation of 38 years and have maintained longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan.

As we look back FY2022-23, the year proved one the most difficult year for the economy. The year was marked by several headwinds for the businesses such as high inflation, weakening of Pak rupees, unprecedented increase in policy rates of SBP, these all factors exerted pressure on the cost of doing businesses and slow down economic activities. However, despite of these challenges, overall performance of FHM has remained satisfactory during the year under review. 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.

Our balance sheet size grew by around 20% and reached to Rs.20.0 billion mark which the highest since the inception of FHM. Remarkable growth has been made in profitability which increased by around 57%. I have no hesitance to say that despite of very difficult and challenging business environment, the team of FHM has perform remarkably well and each and every team member deserves great appreciations.

Our purpose as an organization is to promote quality growth while ensuring superior customer experience and sustainable business practices. Through prudent business actions and proficient stewardship of liquidity, one of our core strengths, we were able to curtail the critical impact and suitably maintained our growth momentum in prudent manner.

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. Alhamdulillah, our journey of continues success has immense satisfaction for our stakeholders and investors. I would like to thank each and every 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.

I would like to thank the Chairman and the Board 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.



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 service including compliance of all regulatory and Shariah requirements.

Muhammad Shoaib Ibrahim
Managing Director and CEO

CORE VALUES



Awards & Recognition

"Great achievement always require great sacrifice"

Hellen Keller

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 NBF and Modaraba Association, FPCCI, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC.

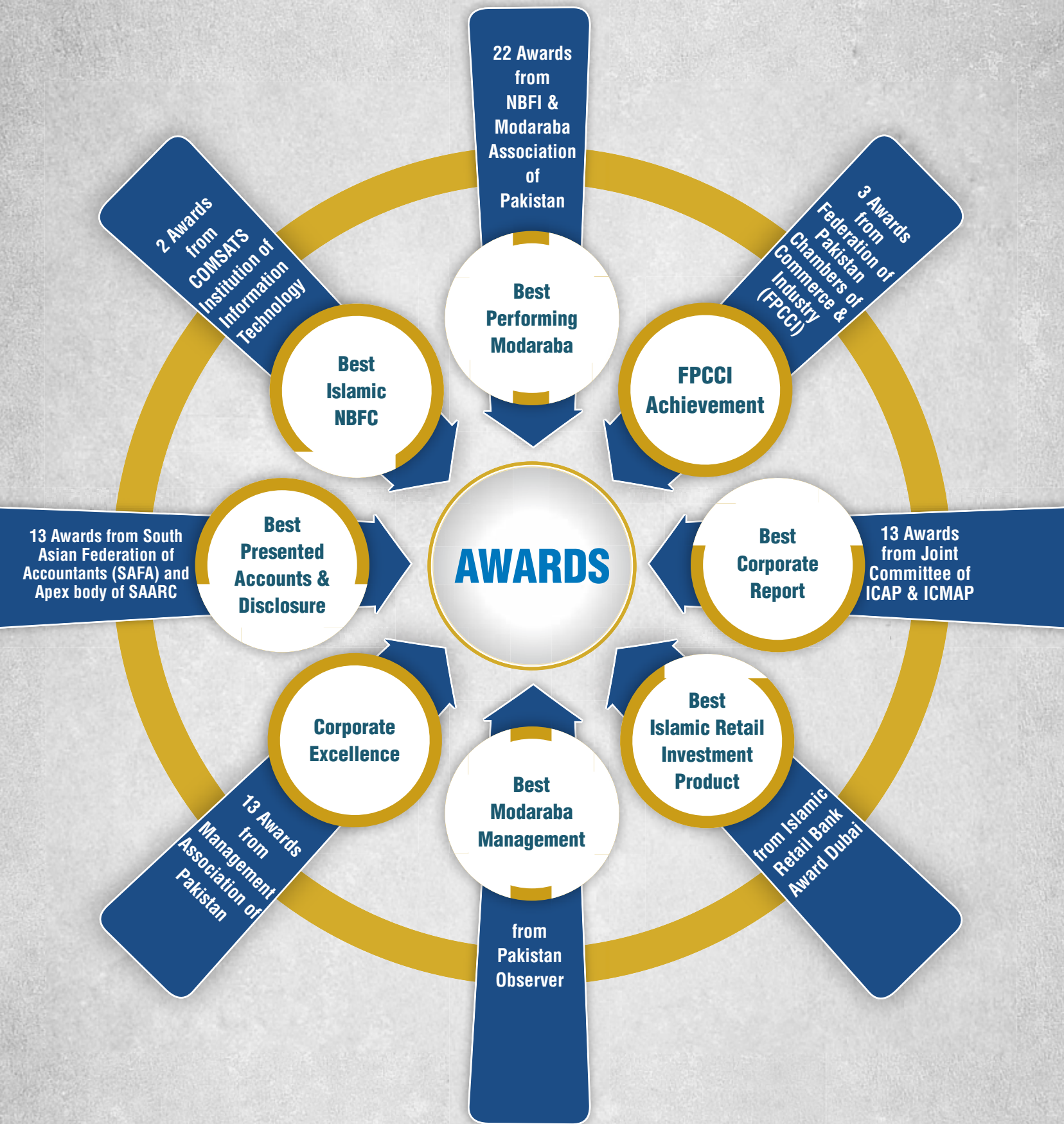
Recognition through award and accolades are not only a great standing or a mark of distinction but it also support to encourage and motivate all team member to make further efforts and drive higher for even bigger accomplishments as individual or as an organization.

Awards received during the year 2022-23



ICAP and ICMAP	FHM has received “Best Corporate Report (BCR) 2021” under the category of NBFIs and Modaraba
The Management Association of Pakistan (MAP)	Corporate Excellence awarded to First Habib Modaraba (FHM) under the “Financial Category”.
South Asian Federation of Accountants (SAFA)	FHM received “Certificate of Merit” from South Asian Federation of Accountants (SAFA) for overall category of Financial Services Sector.
NBFI & Modaraba Association of Pakistan	Received Best Performing Award (2nd Position) from NBFI & Modaraba Association of Pakistan

Updated Position of Awards & Achievements



Our Pledge

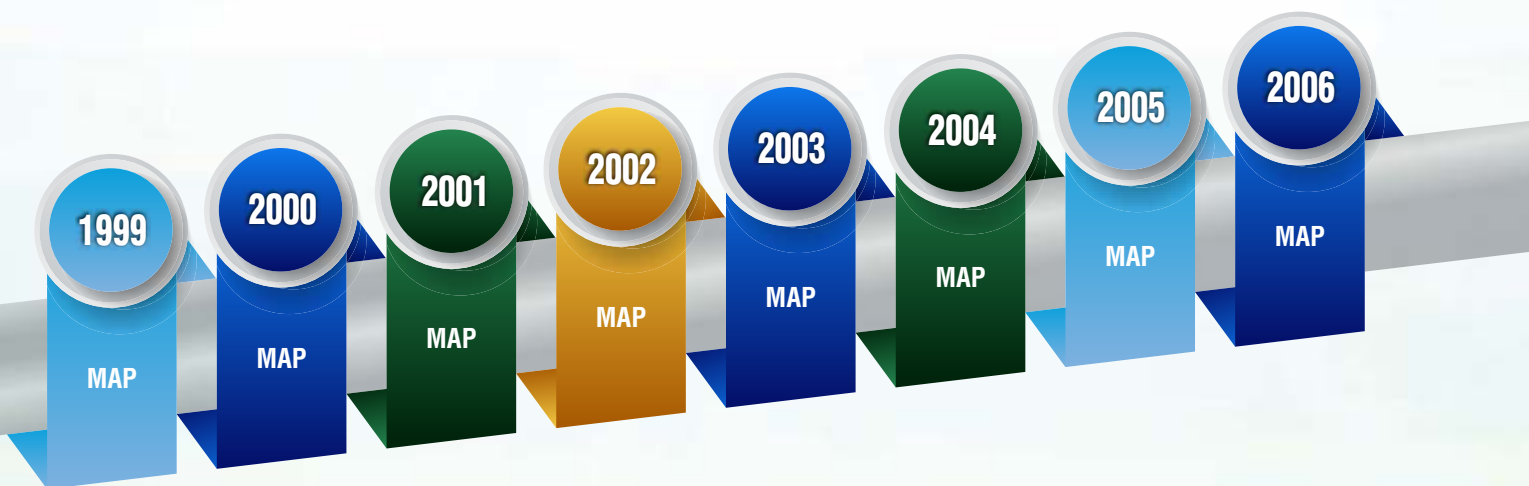
Being responsible corporate entity, we see business, society and the environment as one. Since inception, we have focused our efforts to create shared value and foster an environment that Cultivates Growth for community at large.

We see ourselves at the core of Pakistan's socio-economic progress, be it through our Shariah compliant financial products that are used by prospective customers which positively impact the communities around us and beyond.

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.

Modaraba concept is based on Shirkat. It is a kind of partnership wherein one party provides financing to other for the purpose of carrying business and sharing profits earned through mixture of investment and expertise which is truly based on sharing and equality.

FHM Awards Calendar





MAP
NBFI
MAPP
ICAP
SAFA
BOY
FPCCI
OBSERVER
IRBA

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
 IRBA Cambridge

A Year in Highlights

Key achievements of 2022-23

↑ **16%**

Equity

↑ **20%**

Balance Sheet
Footing

↑ **21%**

Financing Assets

↑ **22%**

Certificate of Investment
(Musharaka)

↑ **56%**

Profits Before
Tax

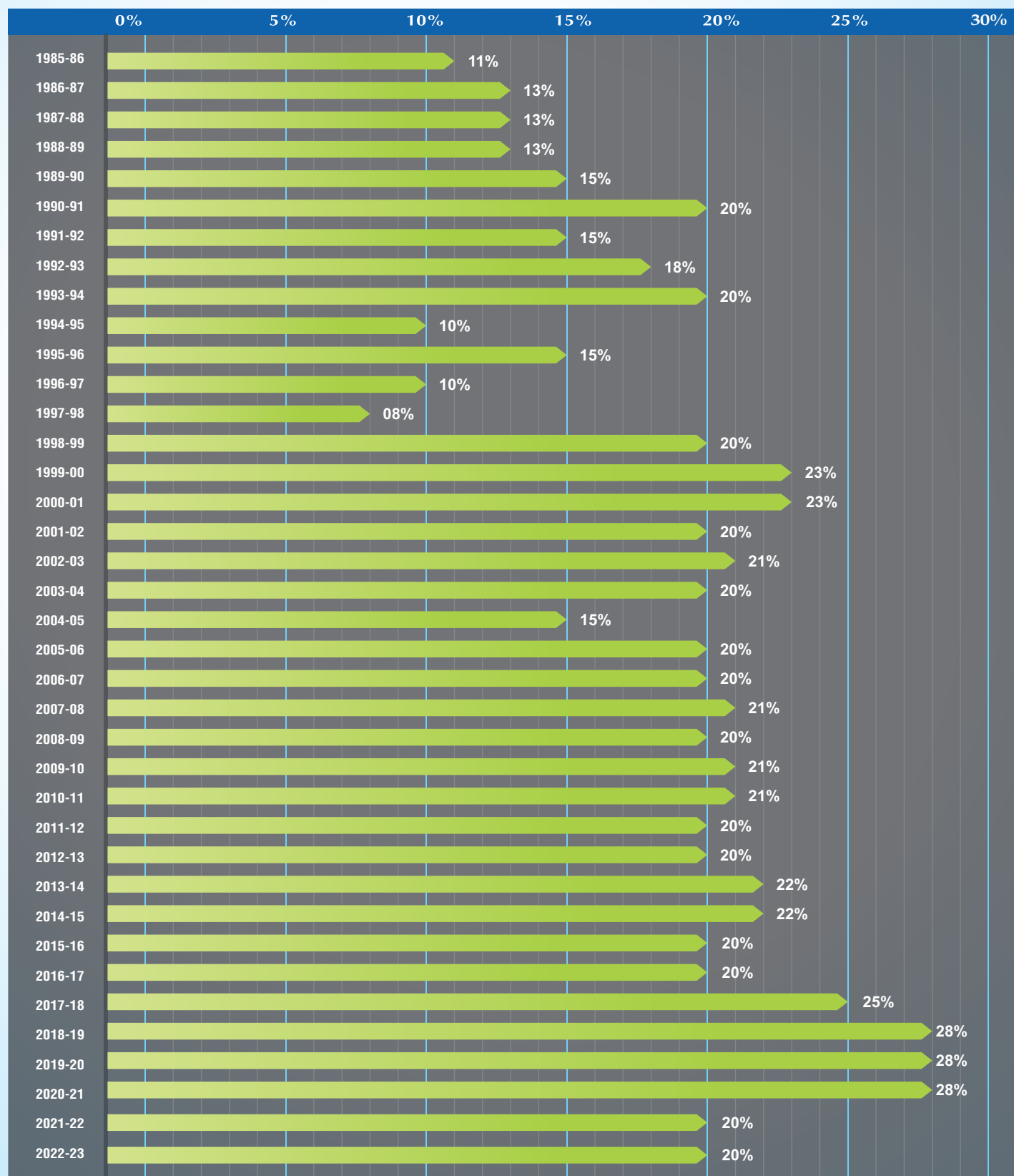
↑ **36%**

Profits After
Tax

- All time high financing asset size of Rs.19.79 billion since business operations.
- First time Balance Sheet footing reached to Rs.20.5 billion mark.
- Certificate of Investment (Musharakah) reached to Rs.13.70 billion, again highest in any year since business operations.

Delivering 38 Years of unbroken dividend payout history
Average Dividend Payment 18.92% per annum

DIVIDEND %



FIRST HABIB MODARABA NEVER SKIPPED DIVIDEND SINCE INCEPTION

Focused Strategy

We regard the creation and sharing of holistic value with all our stakeholders as the key to our definition of real success

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.

At FHM, while remaining within our corporate objective, we continuously raise our bar for quality growth and best performance through following focused business strategies for current year.

- To carry out all business transactions in line with approved mode of Shariah principles of Islamic finance.
- To promote good corporate governance and follow best business practices.
- Carefully move forward with our existing and new business engagements for assets booking and financing.
- Enhancing of outreach and penetration towards quality assets building within sound and stable customer base.
- Strengthen tools of risk management, appraisals & evaluation of credit proposals.
- Further strengthen risk assessment and internal control parameters.
- Further strengthen compliance culture particularly regulatory and AML/CFT related compliances.
- Enhance capacity building and improve professional grooming of our team members.
- Leveraging the tool of technology for operational efficiency and delivering of quality service.



Organizational Overview & External Environment

Product Detail	28
Geographical Presence	30
Vision and Mission	12
Code of Business Conduct and Ethics	31
Strategic Corporate Objectives	32
Corporate Culture	32
Group Structure	33
Organizational Structure	34
Position within the Value Chain	35
Significant Factors Affecting External Environment And The Management's Response	36
The legitimate needs, interests of key stakeholders and industry trends	37
SWOT Analysis	38
Competitive Landscape and Market Positioning	39
Legislative and regulatory environment in which the organization operates	40
The political environment where the organization operates	41
Major and Significant Events	42

Principle Business activities of the Modaraba

The principle business activities of the 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.



Auto Consumer

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.

Product Detail



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.



Musharaka

Musharaka is a joint enterprise or partnership structure with profit/loss sharing implications that is used in Islamic finance instead of interest-bearing loans. Musharakah allows each party involved in a business to share in the profits and risks.



Certificate of Investment (COI). (Musharaka)

Certificate of Investment (Musharaka) Scheme has been formulated under the parameters laid down by the Securities and Exchange Commission of Pakistan in its "Guidelines for issuance of above certificate"

FHM's COIs has combination of reliance, security, shariah compliant income accompanying with a rewarding ROI to its COM 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.

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 boost 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

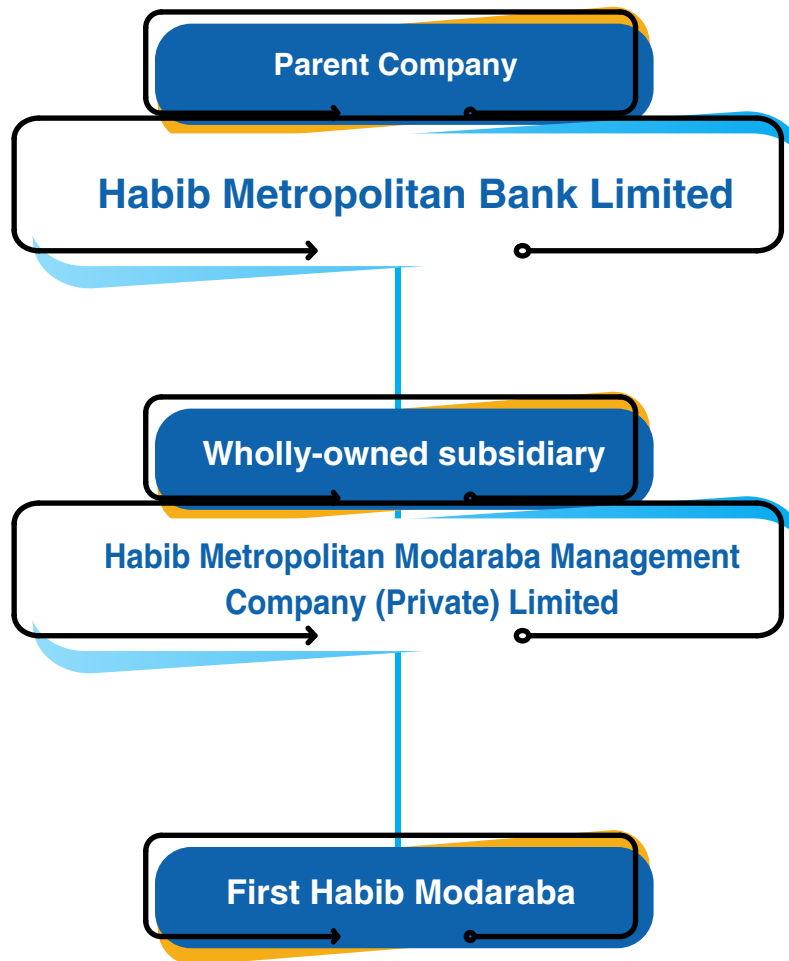
Corporate Culture

- 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.

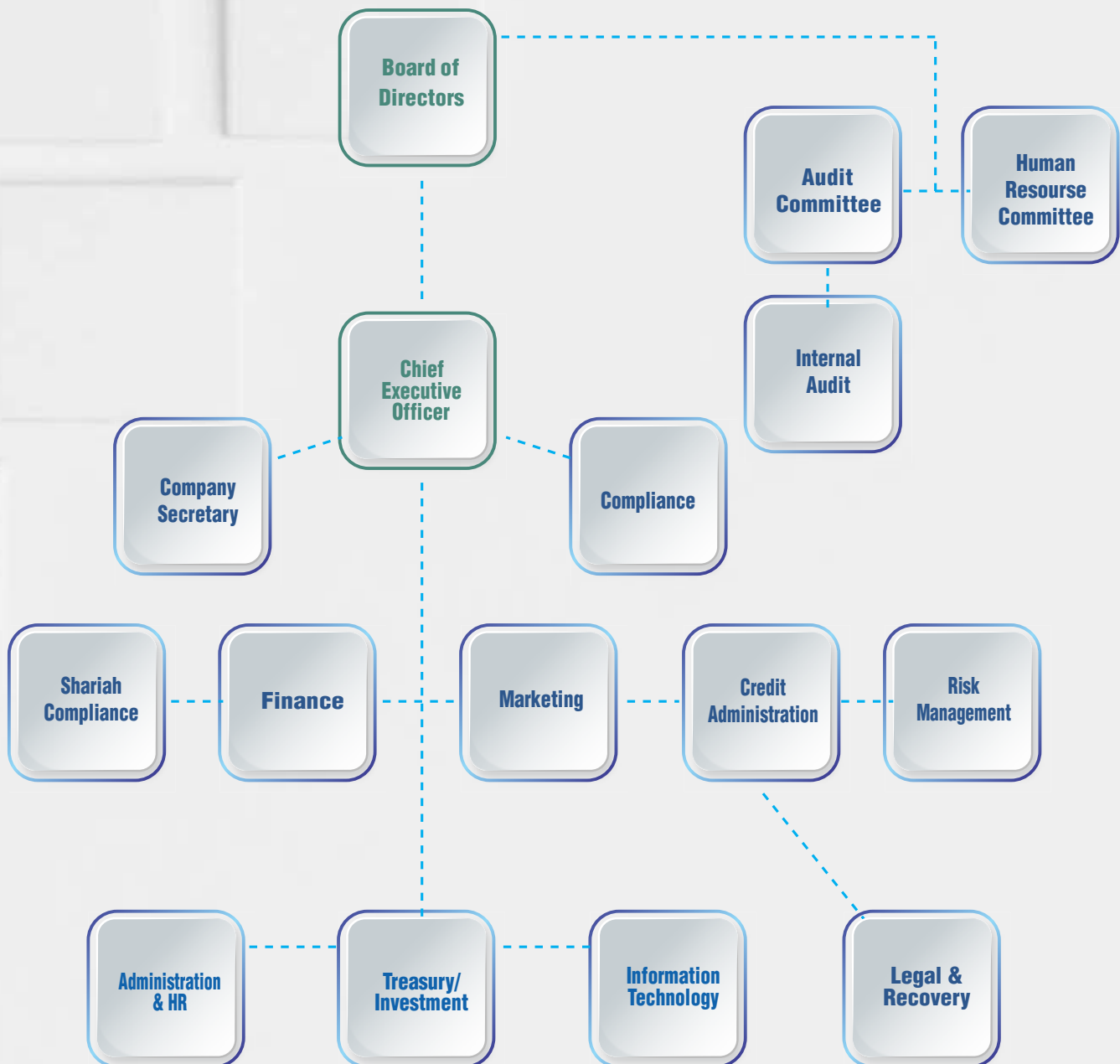


Group Structure

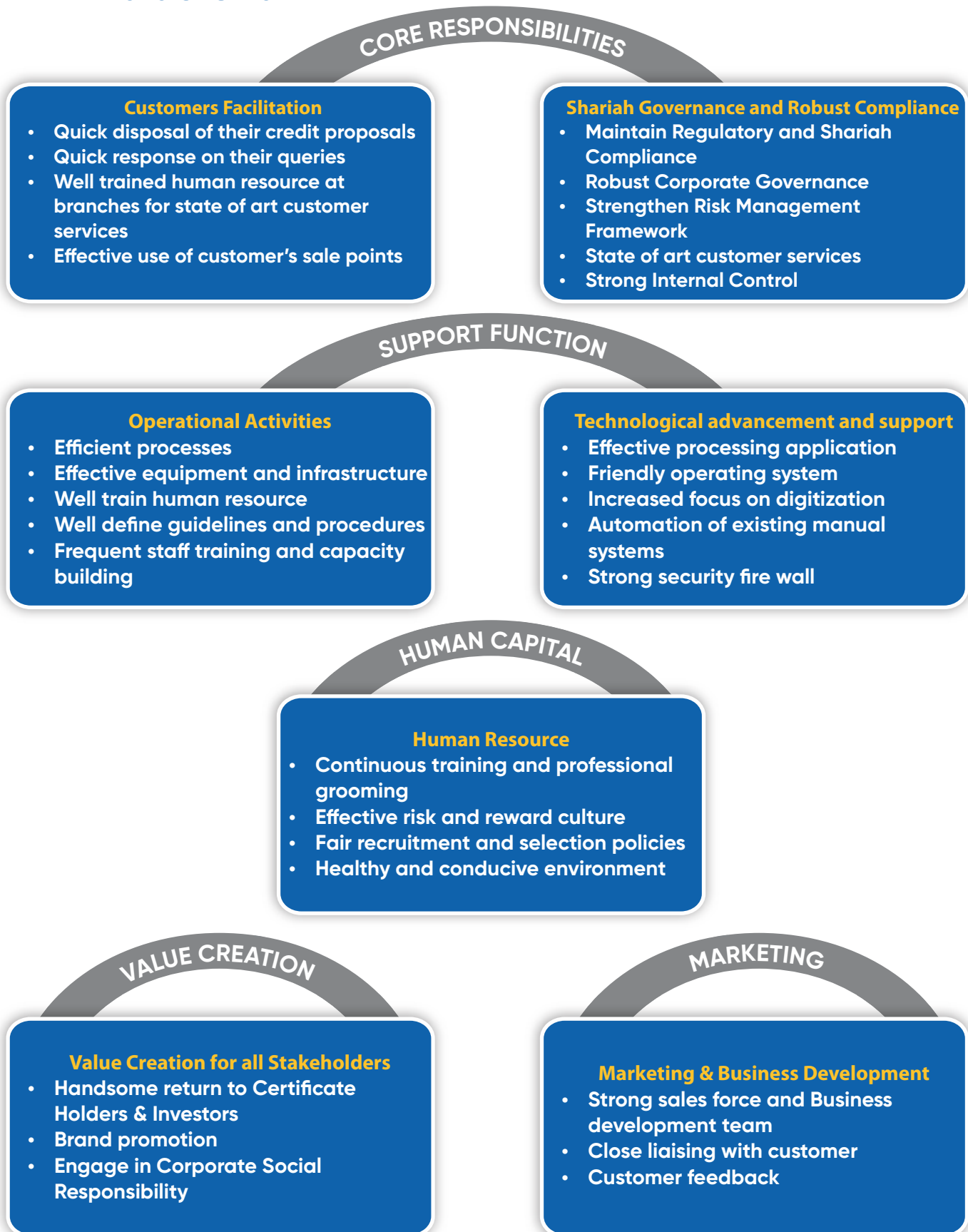
First Habib Modaraba is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in Shariah compliant mode of financing and investment. The group comprises of Habib Metropolitan Bank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



Organizational Structure



FHM Value Chain



Significant Factors affecting External Environment and the Management's Response

External Factors	Description	Management's Response
Political	Political instability may have adverse impact on economy and businesses.	FY 2022-23 witnessed political instability at great level in Pakistan. During this trouble time for economy and businesses, the management of FHM remained well focused on changes occurred in political front and realigned their business strategies according to prevailing environment.
Economic	<ul style="list-style-type: none"> • High Inflation • Increased in SBP policy rate • High cost of doing business • Weakening of Pak Rupees 	<p>Presently, economy of Pakistan is passing through with High Inflation, High lending rates and weakening of Pak Rupees. In order to cope up with above challenges, following business strategies have been aligned to avoid its impact on businesses.</p> <ul style="list-style-type: none"> • Keep financing portfolio on floating rate linked with KIBOR bench mark • Avoid financing to such vulnerable sector which may expose to high cost of imported raw materials due weakening of PKR. • Support customer those are struggling with high cost of doing business and rescheduled their repayment schedule.
Taxation	Withdrawal of tax exemption for Modaraba sector	FY 2022-23 is 2nd year taxation since the withdrawal of tax exemption on Modaraba sector. In last two years of taxation period, FHM has not only managed its tax impact on income, but also enhance after tax profit through enhancement size of financing portfolio.
Technological	Technical obsolescence in financial ERP models. Continuous development and update of Information Technology infrastructures for better service to customers	The management is always pay special emphasis on the adoption of latest technology to improve its processes and operations. FHM continuously invests in the modern hardware and software for system up-gradation and MIS.
Legal	Various laws and regulations applicable on the Modaraba i.e., statutory, corporate, legal, taxation, and listing regulation.	The Modaraba is adhered with all the regulations and statutory obligations. Compliance department is make sure sound and robust compliance culture within the organization at all levels. Corporate and Legal advisors are on retainer ship basis for legal support.
Environmental	Laws and regulations regarding environmental stability and sustainable development. Requirements regarding treatment of waste water and carbon emissions.	<p>The Company adheres to all applicable laws and regulations and voluntarily takes initiatives to create long-term value for community and environment.</p> <p>It is our corporate objective to consume minimum natural resources and create low emission and waste.</p>

The effect of seasonality on business in terms of production and sales

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. 156 and Strategy & Resource Allocation at page No. 44

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



Strengths

- Well respected and reputable Modaraba within Non-Banking Islamic Financial Sector
- Strong financial position and profitability
- Sound capital 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
- Professional and Committed Human Capital

S

- Highest credit rating within Modaraba sector
- Existence in major cities of the country
- Prudent and Sustainable Business Policies

Weaknesses

W

- High cost of funds
- Concentration on few big cities
- Limited products of resource mobilization

O

Opportunities

- Growing Islamic finance market within the country
- Huge potential in Shariah based financing within the SME sector
- Support of entire network of Habib Metro Bank for assets financing on long term basis
- Avenues for digital based lending through technological advancement

T

Threats

- High Inflation
- Increasing trend in policy rate
- Loosing value of Pak rupees with USD
- Supply chain disruption
- Political instability
- Growing competition with other financial institution
- Growing cost of doing business

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 15 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 21 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 service.

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 such as: Karachi, Lahore, Islamabad, Multan, Hyderabad and Haripur/Hattar. This vast network of FHM is providing Islamic Financial Services to prospective corporate and consumer clients.

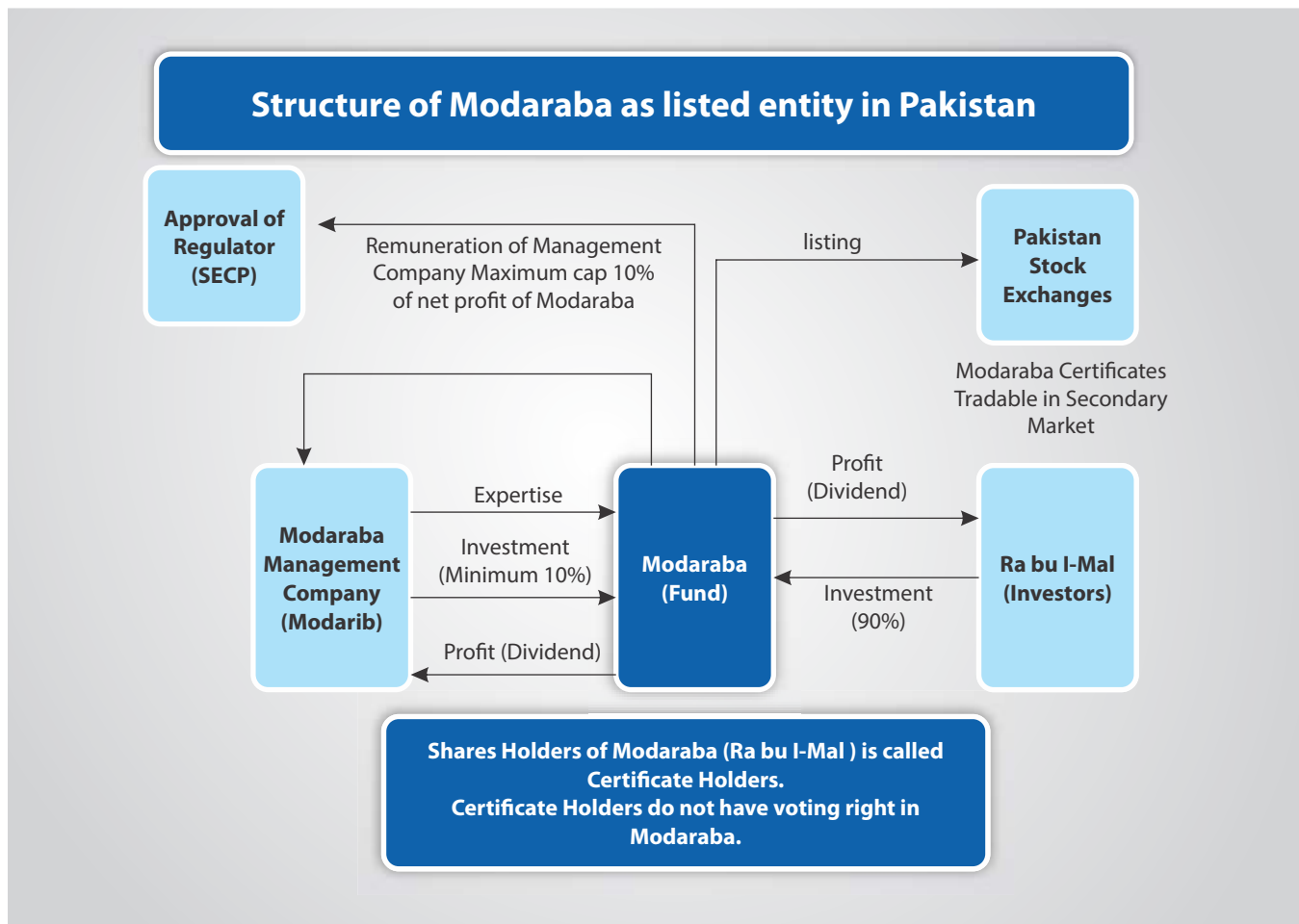


Legislative and regulatory environment in which the organization operates

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 26 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.,



The political environment & ability of organization to implement its strategy

Political stability and controlled law & order situation is a pre-requisite for any economic development and enhance for investors' confidence and encourage business activities. In contrary, the political instability negatively impacts the economy, dilutes business activities and significantly impact overall country's growth.

If we assess political environment of Pakistan of past years, on several occasion, politics of Pakistan gone through with distress situation due to political instability. The year under review i.e., FY2022-23 was one of the most difficult year after showing good recovery in last year i.e. in FY2021-22. Throughout the year, the economy remained affected by political instability which had largely impacted economy and slow down business activities. Due to above challenges, the GDP growth rate was restricted to a meager of 0.3% as compared to 6.1% in previous year. The above political unrest had completely changed economic scenario which created unexpected distress and challenges within economy and businesses.

Due to adverse business environment with abrupt economic diversities and challenges, we could not achieve our business budgeted targets set at the beginning of the year. However, overall performance of FHM has remained satisfactory. Our balance sheet size grew by around 20% and reached to Rs.20.0 billion mark which the highest since the inception of FHM. Remarkable growth has been made in profitability as compared to profitability of previous year.

In present business circumstances we will cautiously move forward and will be more careful in our existing and new business engagements for new assets financing. Simultaneously, we will also undertake the necessary technological innovation and process improvements required to stay ahead in changing market dynamics. Continuous focus will be made on strengthening of risk management tools, optimizing operating efficiencies and maintain highest level of corporate governance and compliance culture for sustainable growth and building long-term value for our valued Modaraba Certificate Holders.

In nutshell keeping in view of political environment, the management of FHM remained well focused on changes occurred in political front and realigned their business strategies according in order remained solvent and make sustainable business growth.



History of Major Events July 2022 - June 2023

QUARTER 01

- First Habib Modaraba has received 2nd Position "Best Performing Modaraba Award" from NBFIs and Modaraba Association of Pakistan. The award ceremony held on July 14, 2022.
- The joint Committee of the Institute of Chartered Accountant of Pakistan (ICAP) and Institute of Cost & Management Accountant Pakistan (ICMAP) has awarded "Merit Certificate" in "Best Corporate Report Award to First Habib Modaraba (FHM) on annual report of 2021 within the category of NBFIs and Modaraba Sector on September 27, 2022.
- PACRA maintains rating on September 25, 2022.
- BOD meeting for June 2022 held on September 06, 2022.

QUARTER 02

- BOD meeting for quarter ended September 30, 2022 held on October 27, 2022.
- Annual review meeting held on 25 October 2022.
- On 03rd October, 2022, 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.
- Credit of final cash dividend on October 31, 2022.

QUARTER 03

- First Habib Modaraba has received Certificate of Merit for the "Best Presented Annual Report Awards 2021" 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 Nepal on 18 December 2022.
- Honourable Sindh High court has approved the merger of Habib Metro Modaraba with and into First Habib Modaraba on February 07, 2023.
- BOD meeting for half year ended Dec 31, 2022 held on February 22, 2023.

QUARTER 04

- Financial Books of FHM and Habib Metro Modaraba were amalgamated on March 10, 2023.
- New certificates of FHM were allotted to the certificate holders of HMM as per the approved swap ratio of 0.6687 on April 03, 2023.
- HMM is suspended from CDC eligible securities.
- HMM is delisted from PSX on April 19, 2023.
- BOD meeting for quarter ended March 31, 2023 was held on April 27, 2023.

Significant Events

Habib Metro Modaraba has been amalgamated with First Habib Modaraba after the scheme of Arrangement and swap ratio was sanctioned by the Honourable Sindh High Court. All assets/ liabilities and financial books have been merged on March 10, 2023.

Strategy and Resource Allocation

Strategic Objective and Strategies in Place.	44
Resource Allocation Plan.	45
Key resources and capabilities of the company	46
Value created by the business using these resources and capabilities.	46
Factors effecting the Company strategy and resource allocation	47
Key Performance Indicators	48
Sustainability Strategy	50
Board's Statement on Significant plans and decisions	51
Information about defaults in payment of any debt	51
Board Strategy To Overcome Liquidity Problem	52
Management Objectives, Strategies and Significant Changes	53

Strategy & Resource Allocation

Strategy and 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

- Re-align business strategies in accordance with prevailing economic environment
- 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

Medium Term

- Fintech support and enhancement of digital base.
- Technological advancement
- New product development
- Capacity building and professional grooming of staff members.
- Carry out all business transactions in line with approved mode of Shariah principles of Islamic finance.

Long Term

- 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 38th 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.

Our businesses of FY2022-23 have faced challenges due to extremely difficult business economic environment. we could not achieve our business budgeted targets set at the beginning of the year. However, overall performance of FHM has remained satisfactory with growth of balance sheet size by around 20%.

In such difficult operating environment, FHM has maintained its growth momentum and well positioned for sustainable growth and creation of long term value for our Certificate Holders. For FY 2023-24, our focus will remain to further strengthen our market share within Islamic Financial Services Industry of Pakistan. Furthermore, as business strategy, we shall further enhance our domestic presence, continue to deliver unmatched services to our customers and add sound entities within financing portfolio. For resource mobilization, we keep on concentrating generation of low cost funds on short and long term basis funds in order to further enhance our financing and investment 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. In this regard, we are continuously providing best health facilities to staff by engaging the top renown insurance companies of Pakistan. FHM has team of professionals in their 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 effective quarterly 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. We encourage and recognize our staff

performance both quarterly and annually so that the element of motivation and morale of staff will remain the same.

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 Company.

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

First Habib Modaraba (FHM) has completed 38 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
- 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

- 38 years of successful journey of business operation
- Strong branch within Modaraba and Non-Bank Financial sector
- Established brand name across the country
- 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
- Quality assets financing portfolio

Value created by the business

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.

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

Our technology investment strategy focuses on identifying and adopting new technologies that align with our overall strategy and business goals. We continuously evaluate and invest in new technologies that have the potential to improve our operations, drive growth, and provide a better customer experience.

We recognize the importance of environmental, social and governance (ESG) considerations and are committed to addressing ESG challenges. We have implemented paperless environment that help not only saving the trees and making the air clean and implementing digitalization of documents that reduce carbon copies and provide much easier access to information on click . We have also taken steps to promote social responsibility, including engaging in community outreach and volunteer programs, and supporting diversity and donation initiatives. We believe that incorporating ESG considerations into our strategy is essential for building a sustainable business and meeting the expectations of our customers.

We prioritize innovation and continuously look for ways to improve our operations and provide better value to our customers. One of our most significant innovation initiatives is the development of our centralized auto-processing system. This system includes several modules, including an auto-rental recovery module, auto-reconciliation module, auto-insurance process module, and auto-assets delivery module. We have also implemented different workflow

Factors make the significant impact on Company strategy and resource allocation

Technological Changes

Impact on Strategy: Rapid advancement in technology will impact on Market. FHM strategy include adaptation of advancement in technology to counter the competitive threats.

Allocation of Resources: FHM management are very passionate to invest in new technology, talented human resource to achieve company strategic goal.

ESG Reporting and Challenges

Impact on Strategy: ESG Reporting and Challenges helps the company to improve market perception and reputation. To address the ESG challenges may improve Governance and Corporate culture.

Allocation of Resources: Investment in ESG reporting tool may require more disclosure requirement which build trust with stakeholder.

Initiative to promote and enable innovation

Impact on Strategy: Without innovation it is not possible for companies to counter the competition. To promote innovation FHM management take various steps which include develop a culture of innovation within the organization.

Allocation of Resources

FHM always be believe in investment in resource efficient technologies and providing training to its staff to bridge the skill gap for efficient and effective style of work.

Key Performance Indicators

Alhamdulillah, FHM has completed successful business operation of 38th 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.

Our businesses of FY2022-23 have faced challenges due to extremely difficult business economic environment. we could not achieve our business budgeted targets set at the beginning of the year. However, overall performance of FHM has remained satisfactory with growth of balance sheet size by around 20%.

The key performance indicators during year 2022-23 were as follows:

- 20% growth in Balance Sheet size
- 21% growth in total financing assets
- 56% growth in profitability
- 22% growth in Certificate of Investment (Musharaka)

Strategic Objectives	Strategies to Meet Objectives	KPIs	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 criterial	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	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 Meet Objectives	KPIs	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 15 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 20% 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 2022-23

- Explore digital based lending space through technological advancement
- Enhance our domestic presence
- To deliver unmatched services to our customers
- To add sound entities within financing portfolio
- To concentrate generation of low cost funds on short and long term basis funds in order to further enhance our financing and investment portfolio.
- Re-align business strategies in accordance with prevailing economic environment
- Explore new markets for quality assets booking
- Modernize our operational process through accelerating our technological advancement.
- Invest in our human resource for their professional grooming and to boost their creativity & innovation culture.

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.

Board's Statement

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

Significant Plans and Decisions

The FY2022-23 was one of the most difficult year for Pakistan's economy after showing good recovery in previous year. However, 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.

For FY 2023-24, our focus will remain to further strengthen our market share within Islamic Financial Services Industry of Pakistan. Furthermore, as business strategy, we shall further enhance our domestic presence, continue to deliver unmatched services to our customers and add sound entities within financing portfolio. Following new cities have planned for engagement with sound customers for assets financing.

- Sialkot
- Gujranwala
- Gujrat
- Bahawalpur
- Rahim Yar Khan

Keeping in view of present business circumstances we will cautiously move forward and will be more careful in our existing and new business engagements for new assets financing.

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

- Explore digital based lending space through technological advancement
- Minimize cost of doing business
- New investment in IT infrastructure
- Explore new avenues low cost funds

Besides above, there are no further significant plan for FY2023-24.

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 financial obligations of any Bank/FI and certificate of investment (Musharakah) and always be paid when fall due.

Board Strategy To Overcome Liquidity Problem

The balance sheet size of FHM surpassed Rs 20.00 billion mark and has reached a milestone of Rs.20.54 billion, and we are proud to see our deposits touching Rs.13.71 billion. The Assets Liability Management Committee (ALCO) plays a crucial role in formulating and managing the overall liquidity position within FHM. Our governance structure ensures that we can provide continuous support for business requirements and have backup funds available to avoid any unexpected liquidity issues.

Thanks to our sound credit rating and good reputation in financial and non-financial markets, we generally do not encounter any liquidity management issues at FHM. However, we always strive to maintain reasonable liquidity within the system, as was demonstrated during the challenging period of FY2021-22.

The Modaraba's Asset and Liability Committee (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 concerns within our system, ensuring ample liquidity is available across our network for any sudden or unplanned withdrawals.

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. One of the core functions of the ALCO committee is generating low-cost funds for liability books while strategically placing funds in sound earning assets.

Our treasury department has recently added reputable corporate entities and mutual funds 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.



Significant changes in objectives and strategies

There is no major departure from our core objectives and business strategies.

However, there is slight change in our business strategies as compare to previous year. This change has been made keeping in view of prevailing economic challenges, business opportunities and expected economic growth.

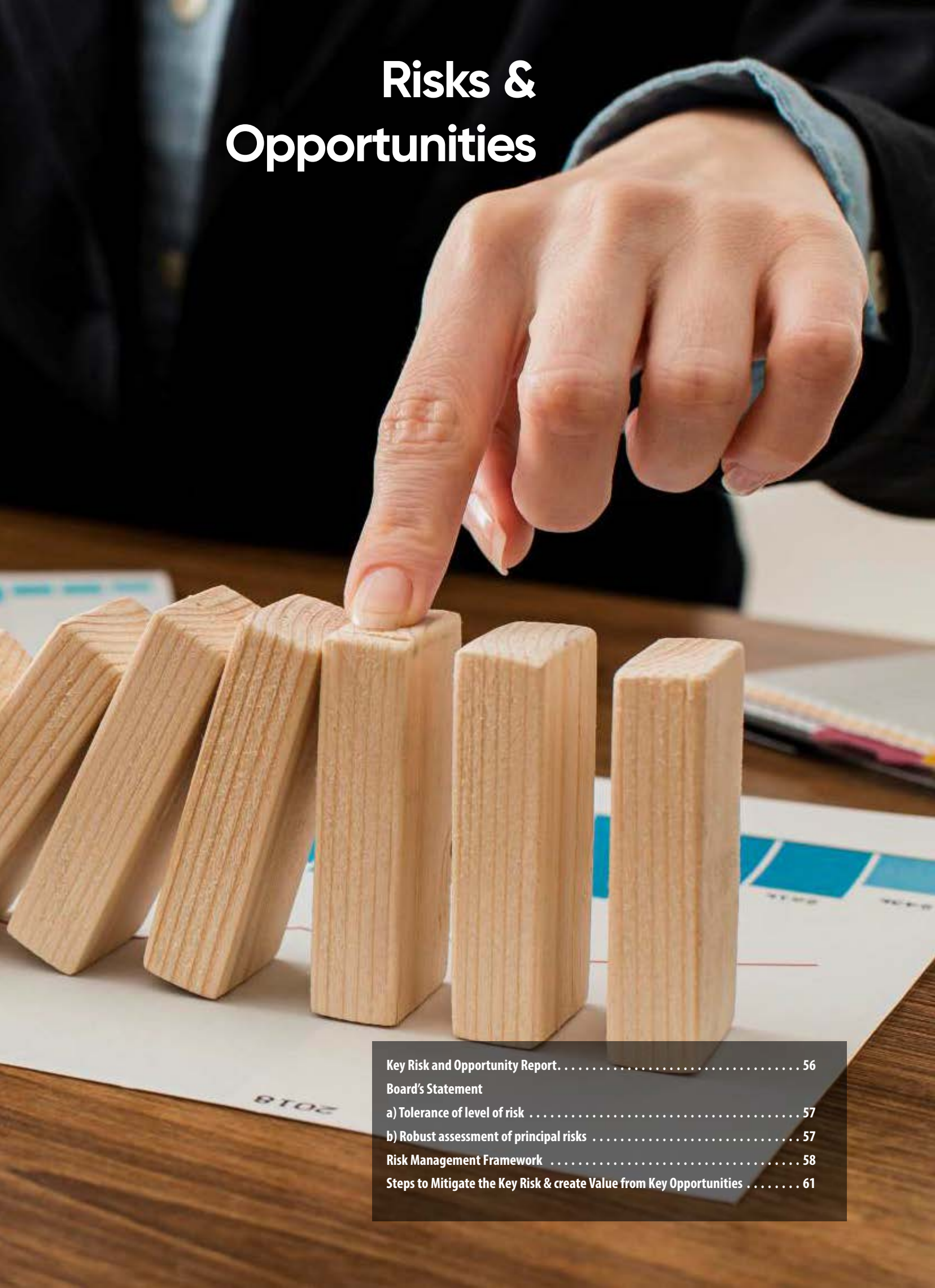
Keeping in view of above scenario we have devised following business and operational strategy for FY2023-24.

- To further strengthen our market share within Islamic Financial Service Industry in Pakistan.
- To further enhance our domestic presence and add sound entities within financing portfolio.
- Careful watch leveraging position of customer and cash flow generation capacity in present difficult environment.
- Concentrate on small and medium size customer for horizontal growth.
- Explore the possibilities of introducing new Shariah compliant products such as Morabaha, Istisna and mortgage financing.
- Focus on financing of quality assets including motor vehicles within sound customer segments.
- Explore new avenues of low cost resource mobilization through COIs and other Islamic instruments.
- Reduce cost of doing business through support of technology
- Enhance technological advancement and broaden digital space for enhancement of operational efficiencies through virtual engagements of staff members.
- To enhance operational capacity of staff members through different segments of training programs.
- Engage in various CSR related activities for community support.

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.



Risks & Opportunities



Key Risk and Opportunity Report.....	56
Board's Statement	
a) Tolerance of level of risk	57
b) Robust assessment of principal risks	57
Risk Management Framework	58
Steps to Mitigate the Key Risk & create Value from Key Opportunities	61

Key Risk and Opportunity Report

Type of Risk	Explanation	Strategies to Mitigate the Risk	Likelihood	Magnitude of risk
Operational Risk	Any event(s) which caused to create interruption in continuation of the business operation i.e. System failure, employee error and fraud, inadequate process and procedures etc.	FHM has an independent control function to systematically monitor operational failures and ensure that company policies and procedures are in place to mitigate operational risk. The internal control department periodically reviews operational risk and recommends improvements to reduce it.	Likely	Low to Medium
Credit Risk	Possibility that the borrower/counterparty will not meet its financial obligations as per agreed terms.	Modaraba has a robust credit scoring system and credit assessment methodology that uses to manage the credit portfolio along with regular assessment of the existing customers financial performance.	Likely	Medium to High
Liquidity Risk	Liquidity risk is about potential inability of FHM to meet its financial obligations as they fall due.	FHM Assets Liability Committee (ALCO) meets regularly to manage the liquidity position and ensure the availability of corresponding funds to fulfill its financial obligation.	Likely	Low to Medium
Market Risk	Risk associated with fluctuations in interest rates, credit spreads, and commodity prices	Wide-ranging structure about monitoring of Market situation are in place to ensure FHM does not exceed its risk tolerance for market risk. Periodic repricing gap analysis are discussed ensuring earning asset mix in accordance with interest rate expectations.	Likely	Medium to High
Regulatory & Compliance Risk	Risk of non-compliance with regulatory requirements, which leads to penalties from the regulator.	A robust compliance and internal control system designed to monitor compliance with regulatory requirements, changes in rules and regulations, in particular AML CFT regulations.	Likely	Medium
Reputational Risk	Reputational risk is the risk of damage to an organization's image resulting in financial loss and damage of shareholder value.	To prevent and mitigate reputational risk, implements strong customer experience management, an optimized management structure, increased social and employee satisfaction, and a strong compliance culture.	Rare	Low to Medium
Shariah non-compliance Risk	Non-compliance of shariah rules & regulations which may attract Charity of income.	Strong adherence of shariah rules & regulations and constant educating staff on shariah rules and regulations and compliance requirements	Not likely	Low
Legal Risk	Legal risk is the risk of loss due to incomplete transaction documentation from FHM or any other event caused by lack of knowledge or operational errors.	Implementation of Documentation in line with legal examined documents and executed through pre- defined mechanism and system controls.	Not likely	Low
Technology Risk	Technological Risk is a risk arises due to technological failure which disrupt the business operation.	Ensure security of systems, servers & networks through automatic updates of effective firewalls and regularly updating of software to the latest versions.	Likely	Medium

Board's Statement

a) Tolerance of level of risk

The Risk management governance starts with the board and is mingled with a robust management structure, advanced information & risk-rating system along with well-developed risk governance policies.

FHM Board ensures the assessment of principle risk faced by FHM and level of tolerance by providing guidance to the management in the following manner:

- **Risk Acceptance Criteria** – Clearly defined risk assessment criteria with level of tolerance and risk appetite.
- **Risk Identification and Assessment** – identification of principle risks faced by the FHM through strong inter-department communication link on risk factors and a culture of collaboration in decision-making among the revenue and non-revenue generating functions to develop appropriate risk mitigating tools.
- **Risk Monitoring** – Taking regular feedback from management about the controls regarding risk factors FHM may face and its mitigating techniques and tools.
- **Residual Risk** – Monitoring risk appetite threshold and its residual impact on FHM and efforts made by the management.

b) Robust assessment of principal risks

FHM Board of Director is always being careful about managing the organization Risk to uphold the highest standards of governance and transparency. As a board member we are committed to ensure that Modaraba should operate with resilience and prudence, to safeguard the interest of stakeholders. We actively monitoring the risk the Modaraba may face and ensure to make necessary adjustment in strategies and operation to counter said risks.

FHM risk strategy, policies and procedures are continuously updated on proactive basis. BOD review financing facilities above certain threshold, recovery position, cases under litigation, sources of liquidity and market risk in quarterly board meeting. Further, BOD also confirm and ensure that the management have taken necessary steps to develop organization wide risk management culture through appropriate risk awareness programs and its mitigation tools at all levels of the organization.

In the competitive environment we need to address our technological advancement to facilitate the customer which include capacity planning, hardware review, and Disaster recovery site for smooth function of operation. On the other hand, political and economic challenges to counter such innovation, and rapidly evolving technologies are also required to be continuously monitored and assessed by the management and placed before the Board of Directors along with their impact to FHM strategic short term and long term plans to sustain in competitive environment for their review & guidance.

There are various internal and external risk FHM may face which appended below:

Due to Economic Factors

RISK	Source	Impact
Credit Risk	External	Medium to High
Market Risk	External	Medium to High
Liquidity Risk	Internal/External	Low to Medium
Capital Adequacy Risk	Internal	Low

Due to Other Factors

RISK	Source	Impact
Shariah Non Compliance	Internal	Low
Reputational Risk	Internal/External	Low to Medium
Technological Risk	Internal/External	Medium
Operational	Internal/External	Low to Medium
Regulatory Risk	External	Medium
Environment, Social and Governance(ESG) Risk	Internal	Low

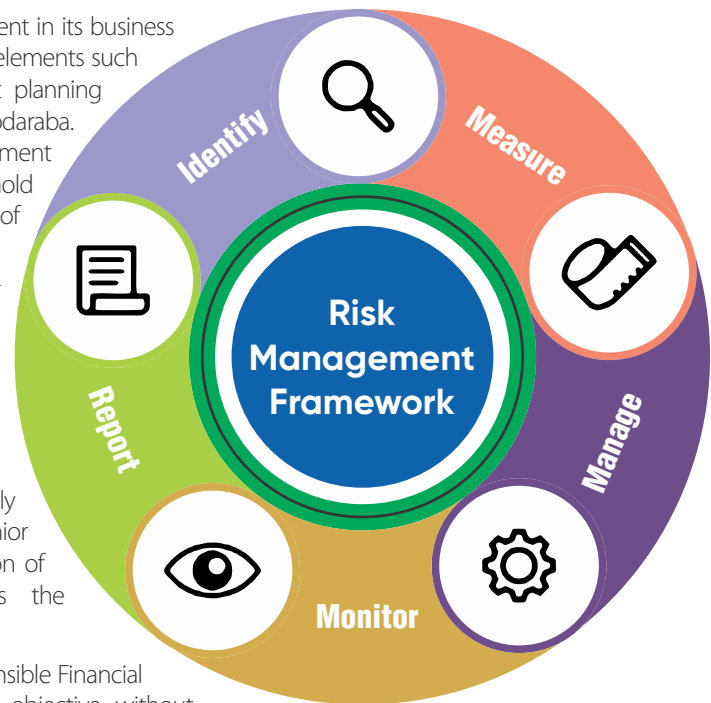
Risk Management Framework

Financial institutions are exposed to various risk which are inherent in its business model. A risk management framework is a combination of key elements such as risk management, risk organization and risk management planning implemented to identify and manage significant risks in the Modaraba. At FHM, we have a robust and wide-ranging Risk Management Framework to secure the interests of our stakeholders, uphold Shariah compliance, and ensure the long-term sustainability of our operations.

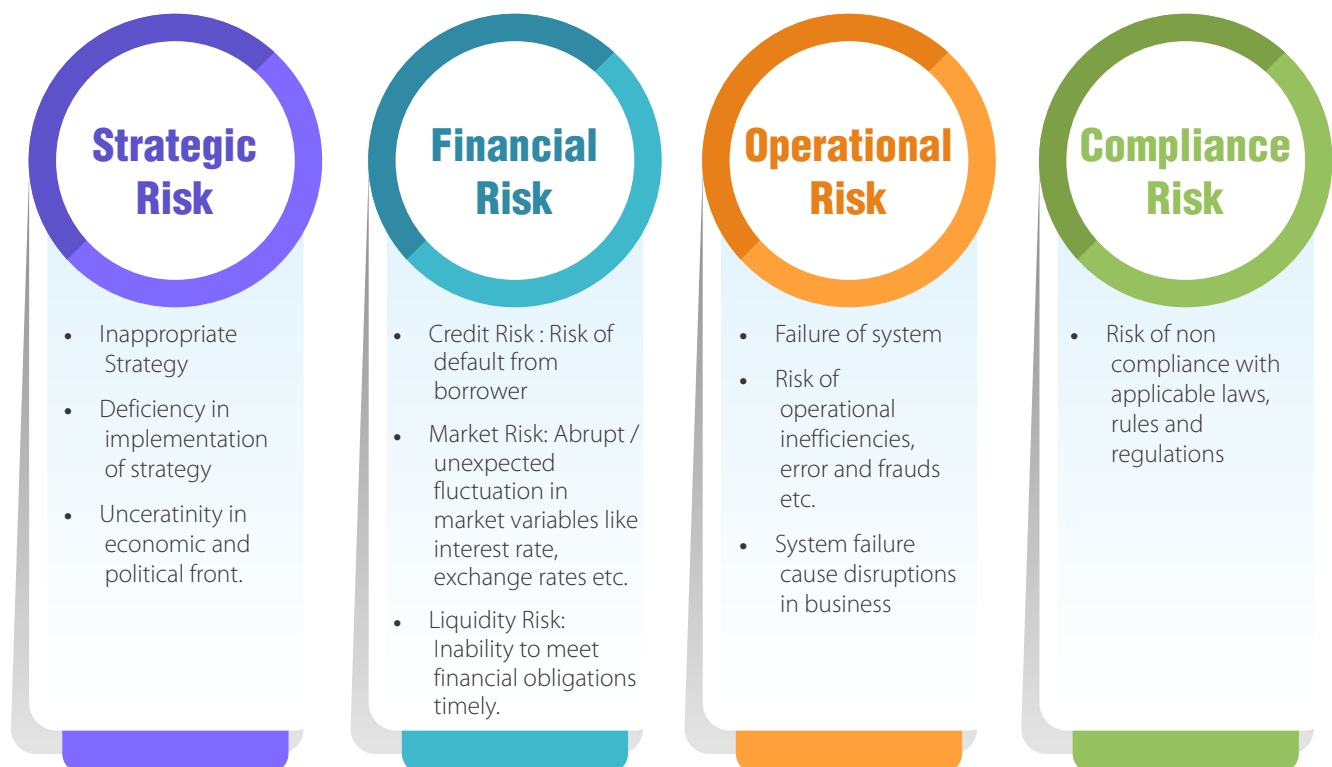
The governance of risk management starts with the board of directors and BOD set risk appetite within overall risk capacity of the FHM which is linked with strong management structure, information system and robust policies and procedures. In the light of Board directives, the Modaraba takes strategic initiative within the limit of overall risk appetite.

Modaraba has cohesive Risk Management Framework to timely identify, assess, manage and mitigate risks. Modaraba senior management is responsible for monitoring and implementation of controls, while effective Internal Control system assess the effectiveness of controls continuously.

Our robust risk management framework set us apart as a responsible Financial service provider which enable us to execute our strategic objective without compromising the risk. The risk management framework based on governance model and strengthened by a strong risk culture exist at all levels. Risk Management Framework is being managed and monitored in coordination with Board, management, compliance, internal control and business side.



Basic Type of Risks



Strategic Risk

Strategic risk the FHM may face are uncertainties involved with Political and economic factors, improper strategy and deficiency in implementation of strategies which may lead to dilute market positioning.

To mitigate said risk the FHM business unit regularly survey the market, cohesive planning, hands-on interaction with regulators on policy matters discussion, KPI monitoring at all levels, give attention to customer voice.

Objective	Sustainable Growth
Opportunity	Market Share Maximization

Credit Risk

The main business segment of the financial institution is extending credit which carries inherent risk of default.

Uncertainties on economic factors affect financial health of borrowers, and in order to mitigate the same Modaraba has policy to avoid concertation risk and diversify its portfolio in promising business segment.

Modaraba has very strong management system of credit granting process with the combination of robust policies and procedures with strong risk management tools. This process includes rigorous credit assessment process to evaluate the creditworthiness of borrower. Modaraba has system based basic assessment tools to analyze the financial health and cash flow of the customer, credit scoring system.

Regularly review and monitoring the credit quality of financing portfolio and identify early warning signals and take appropriate actions to mitigate the risk.

Objective	Infection Free Portfolio
Opportunity	Sustainable Growth

Market Risk

Market risk also known as systematic risk or price risk, is the risk that the value of Modaraba's investment portfolio will decrease due to uncertainties and adverse movement in market variable such as policy rate, exchange rates, equity prices or commodity prices.

To mitigate said risk ALCO regularly review through combination of quantitative analysis, risk assessment tools, and effective risk management strategies in order to protect Modaraba's investment portfolio across different assets classes, sectors. Diversification will reduce the impact of adverse market movement in any single area.

Objective	Hedge adverse market movements
Opportunity	Sustainable Financial Performance

Liquidity Risk

Liquidity risk management is multifaceted process that involves proactive planning, monitoring, and risk mitigation strategies to ensure an organization ability to meet its short term financial obligation. Uncertainties associated with interest rate, rupee devaluation and allied market factors create risk for liquidity management.

FHM treasury function closely monitor market situation and manage FHM liquidity position accordingly. Treasury function ensure the timely retiring financial obligation when due and also continuously engage with fund providers and negotiate appropriate terms.

Objective	Minimize risk of default
Opportunity	Smooth access to financial resources

Operational Risk

Operational risk is the risk of loss due to inadequate internal process, system, people, or uncertainties associated with external event.

Modaraba has implemented strong internal control and standard operating procedure, Business Continuity Plan and Disaster Recovery Plan to mitigate operational risks. Senior management continuously monitor KRIs, and regularly review and update the control mechanism in accordance with changing environment, investment in advance technology and cybersecurity to protect the data breach, frauds and cyberattack.

Objective	Control operational lapses
Opportunity	Sustainable growth

Technological Risk

Technology risk encompasses the possibility of disruption, financial setbacks, and harm to reputation, stemming from operational failures, cyberattacks, and data breaches. Uncertainties involved are rapid technological changes, cyber security threats, supply chain disruptions.

To counter these risks, Modaraba has instilled a cybersecurity-conscious culture, promoting awareness and implementing robust measures such as encryption of data and multifactor authentication.

Our commitment to technological advancement drives us to identify and integrate cutting-edge solutions that align with our strategic vision. Through prudent investments and proactive risk management, we uphold our dedication to delivering secure and reliable services. At FHM, our proactive approach to technology risk ensures that we remain agile and well-prepared for the challenges and opportunities of the digital era.

Objective	Protect data from external threat
Opportunity	Stakeholder confidence building

Shariah Governance Risk

Shariah Governance risk refers to Non-compliance of Shariah laws and regulations. Uncertainties involved are movement of investment portfolio which may lead to script change as non-compliant and income may attract charity.

To mitigate this risk, Modaraba has a Shariah advisor having appropriate academic qualification regarding Islamic jurisprudence along with practical experience to Islamic Financial services industry, who continuously provide guidance and oversight to ensure Shariah compliance.

Objective	Ensure Shariah compliant business
Opportunity	Tap demand of Shariah compliant financial solutions

Legal and Regulatory Compliance Risk

Risk refers to possible violation of applicable laws, regulations and directives issued from Government and regulatory authorities. Uncertainties involved are global and local political changes which may lead to modification in relevant laws and regulations.

FHM has strong compliance and Internal control function which continuously monitors the changes in applicable laws, rules and regulations. Senior management of FHM remain in collaboration with regulators regularly.

Objective	Ensure sustainable business
Opportunity	Enhance reputation

Specific Steps to Mitigate the Key Risk and create Value from Key Opportunities

Specific Steps to Mitigate the Key Risk and create Value from Key Opportunities

An Organization initially identify their strategies to treat risk by developing a treatment plan. The objective of the risk treatment plan is to reduce the probability of occurrence of the risk (preventive action) and/or to reduce the impact of the risk (mitigation action). The other objective of the treatment plan is to increase the likelihood of the opportunity occurring and/or to increase its benefits. Depending on the nature of the risk or opportunity, a response strategy is defined for the specific event.



The critical attribute of strategic planning is to mitigate the key risks and capitalizing the key opportunities. The FHM management follow the structured process which includes identification of strategic objectives, strategies, policies and procedures, specific achievable targets and key performance indicators (KPIs) to monitor the action plan.

Following are the specific strategies of FHM:

RISK AND OPPORTUNITY IDENTIFICATION

- Modaraba has comprehensive assessment process, which includes Market Research and SWOT analysis of the Modaraba, regulatory shifts, technological advancement, and competitive pressure.
- Concentrate on most significant critical part of the risk and opportunities based on assessment of their impact and likelihood on Modaraba business.

STRATEGIC OBJECTIVES

- Alignment of strategic objectives with Modaraba vision and mission and to address the identified risk and opportunities.

STRATEGIES

- Modaraba management keep close eyes on changing requirements of business environment to develop and align strategies for addressing the critical risk and opportunities of the Modaraba, which is specific, actionable and time-bound to address critical risk and opportunities.

PLAN

- To address critical risk and opportunities Modaraba has time bound plan for each strategy which is the crucial part which includes, task, responsible individual or team to complete the task with allocated resources.
- Modaraba management are very sensitive to prepare objectively achievable task to address key risk and opportunities.

POLICIES AND PROCEDURES

- To support the plan, Modaraba management regularly updating their policies and procedure in line with strategies and risk mitigation tools.

TARGETS AND KEY PERFORMANCE INDICATORS (KPIs)

- To achieve the strategic objective Modaraba has measureable, specific, relevant and time bound targets and Key performance indicators (KPIs) to monitor the progress to achieve the strategic objectives.

- Resources are allocated in accordance with requirement to achieve the targets in line with strategic objectives.

CONTEGENCY PLANANING

- Frequent changes in the working environment taking place globally in, and in order to coup with such changes the organization should have contingency plan to counter the changing environment.
- Modaraba management has regular strategy meeting to discuss the new business avenues, regulatory changes, and technological advancement to counter the impact of said changes on the Modaraba.

On the basis of above Modaraba has structured methodology to manage risks and taking benefits from opportunities available in various counters for long term success and sustainability.

Specific Steps taken by FHM:

- FHM management strived to focus on efficient credit risk management through system supported tools of effective credit appraisal, controlled credit documentation, targeted recovery management & monitoring and enhance its footprint to potential business locations with leverage its strengths.
- FHM management ensure effective liquidity management through smooth collection of financing repayment processes, mobilization of COM receipts and active funding lines from top Islamic Banks and Windows.
- FHM conceits itself in maintaining firm legal and regulatory compliance within the Non-Banking financial services industry. FHM management maintain effective communication with regulators and peer group in order to move in line with compliant and pro-business practices.
- Taking in account climate risk, FHM management is committed to encourage paperless environment through digital movement of correspondences and communication
- Middle class is expected to further contribute towards the growth in upcoming years and would create demand for financing in line with their desire to uphold their living standards. Leveraging on the rising needs and standards of the Middle class, FHM management plans to increase its existence at potential cities and cater to the needs of these people, particularly through quick and affordable financing solutions.
- In line of increasing Fintech solutions and digitalization FHM endure to focus on technological progress while maintaining a proper check-in and cost-benefit analysis of all possible substitutes.



Sustainability & Corporate Social Responsibility

Board's Statement

- a) Adoption of Best Practices for Corporate Social Responsibility (CSR) 64
- b) FHM's Strategic Objectives on Environmental, Social and Governance. 64

Chairman's Overview on Sustainability 65

Statement on Sustainability and
Corporate Social Responsibility (CSR) 70

Compliance of the Corporate Social Responsibility
(Voluntary) Guidelines, 2013. 72

Employee Engagement Activities For 2022-23 74

Certifications for best sustainability and CSR practices 77

Board's Statement

a) Adoption of Best Practices for Corporate Social Responsibility (CSR)

First Habib Modaraba believes in conducting business in a manner that is ethical, sharia compliant and contributes to its stakeholders, environment and society in a positive manner. FHM is implementing sustainable business practices that fully meet the expectations that the society has from responsible corporate citizens. FHM consciousness of its responsibility towards society and stakeholders is also expressed in its Vision and Mission statements. Our focus on CSR include our participation in charity and donations, social welfare in terms of health and education as well as transparency.

b) 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 company goals toward 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

Chairman's Statement on Sustainability

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 and wealth, high levels of inflation, large macroeconomic budgetary imbalances, exorbitant debt-servicing burdens, inadequate and aging public utilities and 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.

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 well being 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

Definitions of Islamic Finance range from the very narrow i.e. interest free banking to the very broad sense i.e. entire financial operations. A useful definition is the following: Islamic financial institutions are those that are based, in their objectives and operations, on Shariah principles.

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 Sharia 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)

Translating holistic understanding of 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 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 38 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



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-Mal", whereas the other party who puts its management skills for the Modaraba is called the "Modarib" (working partner)

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.

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

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 38 years with average pay out of around 18.92%. This is due to sincere commitment of FHM towards well being 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 twenty six years 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 responsibility is primarily about conducting our business in transparent and ethical way that not only enhances value for all stakeholders but also by giving support to events that enhance the well being 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

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 38th years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan. According to published results of 31st March, 2023 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

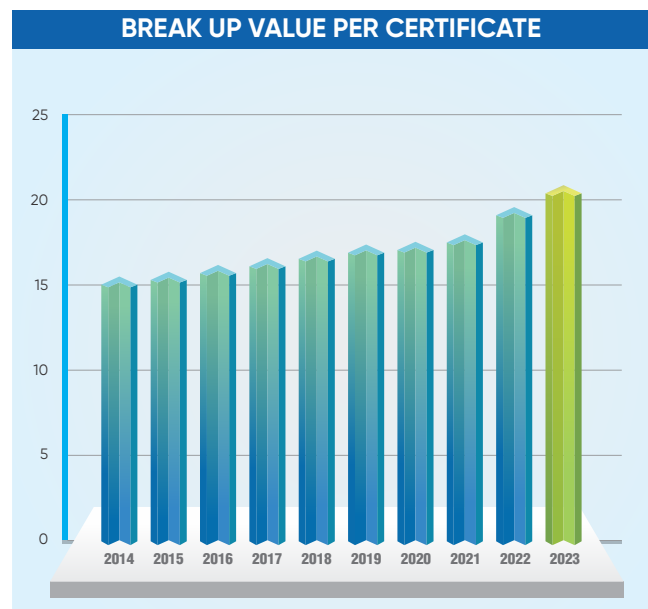
Journey of continuous improvement always remain a corporate motto and main driving force for progress within the FHM. With initial equity of Rs.25.0 million at the time inception, the same has reached to Rs.4.600 billion as on 30th June, 2023. At present breakup value per certificate is around Rs.21/- of face value of Rs.5/- each.

Profitable Venture since Inception

By the grace of God, 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 and stock dividend every year since 38 years of business operations without any fail. The average distribution of the dividends is around 18.92% and an average distribution of last 15 years is around 20%.



Shariah compliant profit distribution

Almost 5,395 Modaraba Certificates receive handsome amount of 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 14 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 above 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.

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 investor and customer.
- 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.

Corporate Social Responsibility

As 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.

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

FHM team visited TCF



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

Corporate social responsibility (CSR) is a self-regulating business model that helps a company 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, a company 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,



FHM team visited Muhammadi Blood Bank



they need to implement and commit to a program of social responsibility activities.

The nature of CSR has evolved, it is now more than simply giving to charity; it has become an integral part of how organizations run their business and focus on consumers' perceptions of company governance, the company's

Activities

One of the recent CSR activities performed by FHM was to provide educational support to children through The Citizens Foundation (TCF), it is a non-profit organization based in Pakistan that` quality education to underprivileged children in the country. TCF was founded in



positive influence on society, and how it treats its employees as per the guild lines of SECP First Habib Modaraba, implements all the requirements for CSR



1995. The organization's mission is to remove barriers to education and to provide equal opportunities for all children, regardless of their socioeconomic background.



Annual Conference

Annual Conference was successfully done by FHM throughout the network. 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.



Employee Engagement Activities For 2022-23

The employee engagement activities of FHM were not only limited to CSR Activities but Human Resource department had introduced many other segments for their staff and some of the segments are those which had never happened before. These segments include many awareness sessions, celebrations, recognitions and other outdoor recreational activities.

Fhm Cricket Tournament

HR & Administration department of First Habib Modaraba arranged Inter departmental cricket tournament on December 2, 2022 in Karachi. Three Teams were participated in the event. Winning team was awarded with trophy as well as cash prizes in all the performance categories.



Breast Cancer Awareness Session

FHM conducted the "Breast Cancer Awareness Session: on October 27, 2022 in collaboration with Pink Ribbon Pakistan. We would like to pay our heartiest thanks to our CEO Mr. Shoaib Ibrahim for encouraging us to organize such a wonderful session, also our Chief Guest Dr. Irum Saba for participating and sharing her views for this session. Also Dr. Sidra Hussain for organizing such an interactive session. Also all the female staff of First Habib Modaraba who participated physically & virtually.



Women's Day Celebration 2022.

First Habib Modaraba celebrated and wishes all the female staff for their bright future & We thank to everyone who participated in our Women's Day event, and thank you to all the amazing women who inspire us every day. Our special thanks to our honorable director Dr. Irum Saba for her participation as a guest speaker & her quality time with all of us. Thanks to all of our FHM female staff across Pakistan for their active participation especially our ex female staff for their video messages and contributing their valuable views about FHM.



Eid Gift Distribution

FHM recognizes that Eid is a special time for our employees, and we want to make sure that they feel celebrated and valued. The Eid gifts distribution practice across Pakistan is just a small way to appreciate our employees for their hard work and dedication.



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:

WHISTLE BLOWER MECHANISM:

The Board has developed the Whistle Blower 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.

EMPLOYEE HEALTH FACILITIES:

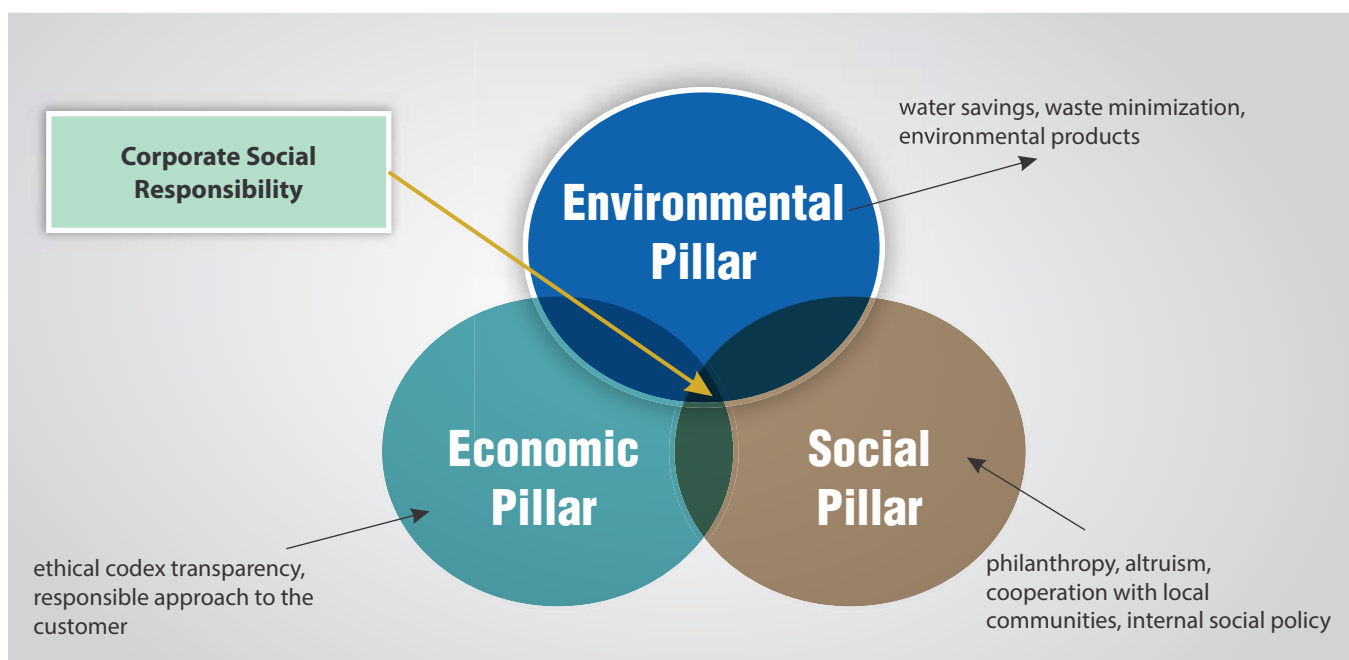
FHM provided some health facility in alliance with a well-known Insurance company where better cost of medical tests and advices from physician were offered to the employees at all levels.

OPPORTUNITY FOR YOUNG TALENT HUNTING:

As a responsible corporate citizen, Modaraba continued to provide MTO Programs and internships experience to students from various academic institutions. This year, the number of interns increased from the previous years which in addition to willingness of the Modaraba to provide opportunity to young talent to help them learn in a professional environment.

ONBOARDING MORE CHARITABLE INSTITUTIONS:

FHM has really concerned about the situation of increase in inflation & poverty in the society. Therefore, we have introduced more charitable institutions than last year to facilitate through monetary benefits to the society.





Governance

Chairman's Review Report	14
CEO Message	16
Directors' Report	80
Economic Review	81
Business Review of FHM	82
Business Outlook & Future Strategy	82
Independent Director	94
Performance Evaluation of the Board	93
Performance Evaluation of the CEO	94
Independent Director	94
Use of external search consultancy	94
Board's policy on diversity	94
Directors' Profile	95
Management Team	97
Role of Chairman and Chief Executive Officer	98
How The Board Operates	99
Decisions taken by the Management	99
External oversight of various functions	99
Related Parties Policy	99
Board's Performance Evaluation by External Consultant	100
Internal Control	101
Human Resource Management	102
Social and Environmental Responsibility	103
Investors' Grievance Policy	104
Whistle Blowing Policy	105
Policy for safety of records of the company	106
Board Review Statement on Business Continuity Plan or Disaster Recovery Plan	107
Business Continuity Plan (BCP)	108
Disaster Recovery Plan (DRP)	108
Disclosure of Beneficial ownership	109
Statement Of Compliance	110
COCG Review Report to the Certificate Holders	112
Categories of Certificate Holders	113
Pattern of Certificate Holding	114
Notice of Annual Review Meeting	115
Certificate Holders Information	116
Audit Committee - Terms of Reference	117
HR Committee - Terms of Reference	119
Report of the Audit Committee	120
Proceedings of Annual Review Meeting	122
Board disclosure on Enterprise Resource Planning (ERP)	123
Our Corporate Approach	124

Directors' Report



On behalf of the Board of Directors, we are pleased to present the audited accounts of the Modaraba for the year ended June 30, 2023.

(Rupees)

Profit before management fee	886,717,377
Profit before taxation	770,787,947
Net profit for the year	519,630,795

Appropriations

Net profit for the year	519,630,795
Add: Unappropriated profit brought forward	342,056,812
Surplus transferred to unappropriated profit	3,496,751
Profit available for appropriation	865,184,358

Profit distribution @ 20%	221,661,000
General Reserve	600,000,000
	821,661,000
Unappropriated profit carried forward	43,523,358

Earnings per certificate	2.34
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DIVIDEND

The board of directors has pleased to declare cash dividend of 20% i.e. Re.1/- per certificate of Rs.5/- each for the year ended 30th June, 2023.

Economic Review

FY 2022-23 was one of the most difficult year after showing good recovery in the previous year. Throughout the year, the economy remained affected by political instability, catastrophic unprecedented floods, and other external factors such as high cost of commodity and regional conflicts. GDP growth rate is restricted to a meager of 0.3% as compared to 6.1% in previous year.

The businesses remained under considerable stress due to rising inflation, significant, increase in policy rates and weakening of Pak rupees. Despite trying hard, the governments could not manage to address the key structural problems in the economy via reforms. Being an import-led economy, this consumption-led growth continued to create a drain on forex reserves. Unfortunately, the agenda of moving towards sustainable macroeconomic stabilization through rationalization on expenditure side, revenue optimization, removing unproductive subsidies, and scaling down the budgetary deficit, remained unfulfilled.

The government and the State Bank of Pakistan (SBP) in coordination with other stakeholder, took drastic steps to reduce imports. However, they could not manage to increase in exports and other foreign currencies inflows. Tight control over supplies via imports and the high cost of business due to SBP's policy rates have had a very adverse impact on the business cycle and slow down business activities at large levels. Besides, persistent political instability and economic disordered particularly the sharp rupee devaluation forced foreign investors to stay away. The rupee-dollar exchange rate volatility is the biggest factor discouraging foreign investors from investing in Pakistan despite off having offer of good returns.

Due to curb on import, the trade deficit had reduced during FY2022-23, which has supported well to reduce current account deficit. However, significant decline in exports and remittances have been noticed during same year. Both exports and imports reduced in the period under review. However, imports fell more than exports, which has reduced the trade deficit and supported well for dwindling forex reserve.

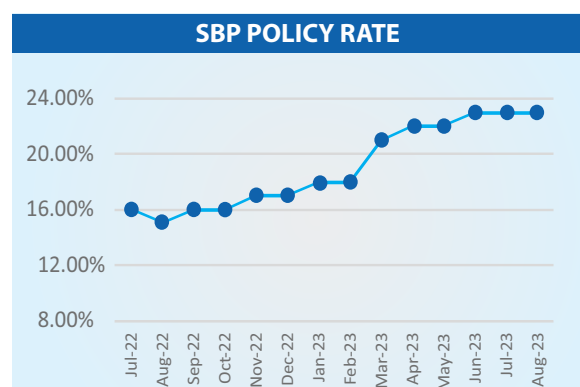
Inflation continued its rising trend reaching a historic high in May 2023. However, as a result of improvement in food prices on month-on-month basis, inflation slight reduced in the month of August, 2023, but again due to further surge in petroleum products, it is expected that inflation will further rise. In order to control inflation, the Monetary Policy Committee (MPC) of the SBP increased the Policy Rate to 22%. The last increase of 100bps was announced in an emergent meeting in June, 2023. The constantly high level of inflation has significantly pushed the cost of doing business that is fast losing its competitive advantage in the international market.

Recently, International Monetary Fund (IMF) approved new \$3-billion



Stand-By Arrangement (SBA) for Pakistan. The said SBA will support to address domestic and external imbalances and also boost confidence of other foreign donors. The said arrangement will also support the ailing economy positions and allow to overcome prevailing challenges and expected to give better fiscal space to upcoming government.

Going forward, it is expected that business environment will remain challenging because of unprecedented political instability and economic challenges. The country has been grappling with the foreign exchange reserves crisis since Q3FY22 which is the major cause of slowdown in economic activity across the country. Due to a high share of external debt in the total public debt, the government's fiscal position remains vulnerable in the face of high current account deficits, low foreign exchange reserves and a weakening and Pak rupees. Domestically, rising utilities costs, higher financing costs, higher employment costs, and additional taxation have tremendously increased input costs for manufacturing and have resultantly reduced purchasing powers of consumers. These challenges are expected to persist well through the current FY and will hamper ability of businesses to remain agile.



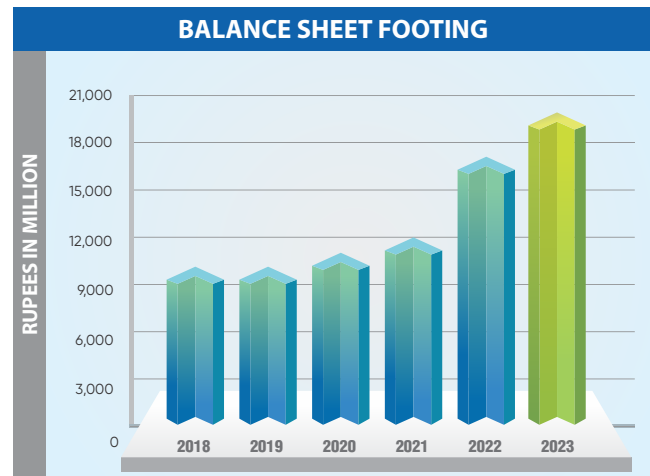
Business Review of FHM

Due to adverse business environment with abrupt economic diversities and challenges, in general business climate remained disappointed throughout the year. However, overall performance of FHM has remained satisfactory. Our balance sheet size grew by around 20% and reached to Rs.20,500 billion mark which is the highest since the inception of FHM. Remarkable growth has been made in profitability which increased by around 57%. Our disbursement targets slightly missed as we disbursed Rs.10.087 billion during the year as compared to disbursement of Rs.11.146 billion of last year. Alhamdulillah, FHM has completed successful business operation of 38 years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFi and Modaraba sector of Pakistan.

Here I must say that, despite of very difficult and challenging business environment, the team of FHM has done well in terms of new and repeat business engagement including excellent management of receivables of monthly installments. Each and every team member particularly our business development and recovery team deserves great appreciations for delivering satisfactory results in tough economic conditions. In March, 2023, our team also successfully completed merger process of Habib Metro Modaraba (HMM) with FHM and assets and liabilities have been amalgamated with FHM.

The macroeconomic imbalances have created distress within economy and businesses during the year and it was critical to maintain the growth by adhering careful and judicious approach. Our financing operations was centered with vigilance and adaptability. While maintaining cautious approach in assets booking, our business development team continuous to add new customers and also explored new markets for future expansions. With the blend of growth and goals along with focus approach, we maintained our longstanding drive towards maintaining our position as leading Modaraba within Modaraba and NBFi sector.

At present, Pakistan's economy is confronted with a severe economic crisis characterized by high levels of inflation, low economic activity, low foreign reserves, a depreciating currency, and enormous fiscal imbalances. Keeping in view prevailing economic challenges, we expect further slow moving business activities till the setup of new government after general election. The current situation is also impacting timely repayment of borrowed facilities by the businesses. We are continuously facing re-pricing risks under rising lending rate scenario and rising cost of doing businesses which have squeezed cash generation ability of customers. Keeping in view of present business



circumstances we are cautiously moving forward in order to make sure sustainability and pass through with difficult time.

Business Outlook & Future Strategy

Alhamdulillah, FHM has completed successful business operation of 38 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.



Our businesses of FY2022-23 have faced challenges due to extremely difficult business economic environment. However, in such difficult operating environment, FHM has maintained its growth momentum and well positioned for sustainable growth and creation of long term value for our Certificate Holders. For FY 2023-24, our focus will remain to further strengthen our market share within Islamic Financial Services Industry of Pakistan. Furthermore, as business strategy, we shall further enhance our domestic presence, continue to deliver unmatched services to our customers and add sound entities within financing portfolio. For resource mobilization, we keep on concentrating generation of low cost funds on short and long term basis funds in order to further enhance our financing and investment portfolio.

In response to evolving business dynamics, we are also modernizing our operational process through accelerating our technological and digital based journey of transformation including leveraging our core competencies. We are well focused in investing in our human resource for their professional grooming and to boost their creativity & innovation culture.

For current year, we foresee that the said economic unrest may be continued till set up of new government. The financial sector outlook remains challenging due to risk of re-pricing and non-performing loan under rising lending rate scenario and high cost of doing business.

As we look forward, we also believe that there is massive opportunity for small and medium credit facilities under Shariah compliant mode of financing. Addressing these opportunities, we plan to develop our operational processes further to support high volume businesses with greater efficiency, increase our geographic presence across the country for assets financing.

Keeping in view of present business circumstances we will cautiously move forward and will be more careful in our existing and new business engagements for new assets financing. Simultaneously, we will also undertake the necessary technological innovation and process improvements required to stay ahead in changing market dynamics. Continuous focus will be made on strengthening of risk management tools, optimizing operating efficiencies and maintain highest level of corporate governance and compliance culture for sustainable growth and building long-term value for our valued Modaraba Certificate Holders.

Shariah Compliance and Audit Mechanism

A fundamental requirement of an Islamic financial institution is that its whole business practices and operations are based on Shariah rules and principles. Islamic finance derives its value proposition from the application of Shariah principle in financial transactions that provide for different risks and return profile.

Adhering to the Shariah principles, Islamic financial system encourages risk - sharing, promotes entrepreneurship, discourages speculative behavior and emphasizes the sanctity of contracts.

Adherence to Shariah principles under such distinct contract preserves the validity and sanctity of any Islamic financial transactions. As such, FHM is committed to upholding these principles via strict observance of the Shariah Governance Framework.

Alhamdulillah, the management of First Habib Modaraba continuously focuses on Shariah governance and compliance culture under guidance and supervision of our worthy Shariah advisor. However, continuous efforts have been made for its further improvement.

We feel that Shariah governance is our utmost responsibility and our team is fully committed as their prime objective for its perfection and flawless processes.

A complete Shariah Audit report of the Shariah Advisor for the year ended June 30, 2023 is also attached with the annual report.

Corporate Social Responsibility

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.

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.

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 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).

Performance Evaluation

The Modaraba has engaged the Pakistan Institute of Corporate Governance (PICG) as an Independent External Evaluator, for performing evaluation of the Board. The process has been completed 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 company 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.

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.

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.

Pattern of Certificate Holding

A Statement showing pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2023 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 annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2023 except for those disclosed in the financial statements.

Provident Fund and Gratuity

The Modaraba maintains retirement benefits plans for its employees. These funds are mainly invested in profit bearing accounts maintained with Islamic branches of bank. The bank balance and investment value of staff retirement benefits fund based on unaudited accounts as at December 31, 2022 are as follows;

- Provident Fund Rs. 36.72 Million
- Gratuity Fund Rs. 36.89 Million

Composition of the Board

The composition of the Board of Directors of the Company as on June 30, 2023 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
Syed Rasheed Akhtar	4	4	1
Mr. Muhammad Shoaib Ibrahim	4	NA	NA
Mr. Mohammad Shams Izhar	4	4	1
Mr. Saeed uddin Khan	4	4	1
Mr. Usman Nurul Abedin	4	NA	NA
Ms. Irum Saba	4	NA	NA

Auditors

Present auditor M/s. EY Ford Rhodes, Chartered Accountants, are being eligible to offer themselves for reappointment as auditors for the financial year ending June 30, 2024, 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 First Habib Modaraba.

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
Chief Executive Officer

Syed Rasheed Akhtar
Chairman

Karachi: September 13, 2023

آڈیٹرز

موجودہ آڈیٹرز میسرز ای وائی فورڈ روڈز، چارٹرڈ اکاؤنٹنٹس اہل ہوتے ہوئے اپنے آپ ۳۰ جون ۲۰۲۲ کو ختم ہونے والے سال کے لیے مضاربہ کے بیرونی آڈیٹرز کے طور پر خود کو پیش کرتا ہے۔ تاہم ان کی تقرری رجسٹرار مضاربہ آفس سے منظوری سے مشروط ہوگی۔

اظہار تشکر

بورڈ شکر گزار ہے کہ جو تعاون اور مدد اُسے سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP)، رجسٹرار 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۔

سید رشید اختر
ڈائریکٹر

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: تاریخ: ۱۳ ستمبر ۲۰۲۳

- 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 ۲۰۲۳ تک کسی بھی قسم کے حکومتی فیکسز، ڈیوٹیز، لیویز اور دیگر چارجز وغیرہ قابل ادا نہیں ہیں سوائے جو کہ رپورٹ میں فراہم کئے گئے ہیں۔

پروویڈنٹ فنڈ اور گریجویٹ

مضاربہ اپنے ملازمین کے لیے ریٹائرمنٹ فوائد کے منصوبوں کو برقرار رکھتا ہے۔ یہ فنڈز بنیادی طور پر بینک کی اسلامی شاخوں میں رکھے گئے منافع والے کھاتوں میں لگائے جاتے ہیں۔ ۳۱ دسمبر ۲۰۲۲ تک غیر آڈٹ شدہ کھاتوں پر مبنی عملے کی ریٹائرمنٹ سینٹیفکس فنڈ کا بینک بیلنس اور سرمایہ کاری کی قیمت درج ذیل ہے۔

- پروویڈنٹ فنڈ ۳۶،۷۲۳ ملین روپے
- گریجویٹ فنڈ ۳۶،۸۸۸ ملین روپے

بورڈ کی تشکیل

۳۰ جون ۲۰۲۳ء 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

۲. متعلقہ زمروں / کمیٹیز 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
سید رشید اختر	۴	۴	۱
جناب محمد شعیب ابراہیم	۴	NA	NA
جناب محمد شمس ازہر	۴	۴	۱
جناب سعید الدین خان	۴	۴	۱
جناب عثمان نورا العابدین	۴	NA	NA
محترمہ ارم صبا	۴	NA	NA

پاکستان سے باہر بورڈ میٹنگ

اس سال کے دوران، بورڈ میں تمام بورڈ میٹنگز کا انتظام کراچی میں منیجمنٹ 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۔

فارن 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 منیجمنٹ کمپنی کے بورڈ میں کوئی غیر ملکی ڈائریکٹر موجود نہیں ہے۔

سرٹیفکیٹ ہولڈرز کا نمونہ / پیٹرن

۳۰ جون ۲۰۲۳ کو مضاربہ کے سرٹیفکیٹ ہولڈنگ کا پیٹرن اور اضافی معلومات کا اسٹیٹمنٹ 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 منیجمنٹ کی طرف سے تیار کی جائے گی، وہ مکمل طور پر اپنی چیزوں شفافیت رکھے گی، جو کہ آپریشن کے نتائج، کیش فلو 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 منیجمنٹ کی یہ کوشش رہے گی کہ وہ فچ 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 تجربے 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 میٹرل 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۔

اس طرح کے الگ معاہدے کے تحت شرعی اصولوں کی پابندی کسی بھی اسلامی مالیاتی لین دین کی درستگی اور تقدس 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 پرعزم 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 پرعزم 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۔

کارپوریٹ سماجی ذمہ داری

اسی مناسبت سے ہم نے اس عزم کو پورا کرنے اور کمیونٹی کو بااختیار بنانے اور ذمہ دارانہ ماحولیاتی انتظام کو پائیدار طریقے سے بڑھانے کے لئے اپنے کارپوریٹ سماجی ذمہ داری (سی ایس آر) اقدامات کو ہم آہنگ کیا ہے۔

ہماری کاروباری حکمت عملی مضبوط اخلاقی بنیاد اور پائیدار کاروبار کے تصور پر مبنی ہے تاکہ ہمارے اسٹیک ہولڈرز کے لئے زیادہ سے زیادہ قدر پیدا کی جاسکے۔ اس ہی یقین کو ہمارا پائیدار ماڈل ہمارے لوگوں، تنظیم اور دنیا میں منوائے گا۔

ایف ایچ ایم سماجی طور پر ذمہ دار کارپوریٹ ادارہ ہونے کی وجہ سے معاشرے اور برادریوں / کمیونٹیز میں باقاعدہ حصہ دار رہا ہے۔ یہ یقینی بنانا ہماری بنیادی سوچ رہی ہے کہ کمیونٹی کی ترقی میں مسلسل تعاون کیا جانا چاہیے۔

گزشتہ کئی سالوں سے ایف ایچ ایم بہتری کی تعلیم، صحت کی دیکھ بھال وغیرہ کے لئے کام کرنے والی غیر منافع بخش تنظیم کو عطیہ دے رہا ہے۔ ایف ایچ ایم ایسے کاموں اور منصوبوں کی حوصلہ افزائی جاری رکھے ہوئے ہے جو معاشرے کے پسماندہ افراد، بچوں، صحت اور تعلیم پر توجہ مرکوز کرتے ہیں۔

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

چیز مین، نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز صرف مضاربہ مینجمنٹ کمپنی سے اجلاسوں میں شرکت کی فیس کے حقدار ہیں۔ معاوضے 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۔

اس وقت پاکستان کی معیشت شدید معاشی بحران سے دوچار ہے جس کی خصوصیات مہنگائی کی بلند سطح، کم زر مبادلہ ذخائر، کرنسی کی گرتی ہوئی قدر، اور بے پناہ مالیاتی عدم توازن ہے۔ موجودہ معاشی چیلنجوں کو مد نظر رکھتے ہوئے، ہم توقع کرتے ہیں کہ عام انتخابات کے بعد نئی حکومت کے قیام تک کاروباری سرگرمیاں مزید سست روی کا شکار رہیں۔ موجودہ صورتحال کاروباری اداروں کی طرف سے ادھار کی سہولیات کی بروقت ادائیگی پر بھی دباؤ ڈال رہی ہے۔ ہمیں قرضے کی شرح کے بڑھتے ہوئے منظر نامے اور کاروبار کرنے کی بڑھتی ہوئی لاگت کے تحت دوبارہ قیمتوں کے تعین کے خطرات کا سامنا ہے جس نے صارفین کی نقد رقم پیدا کرنے کی صلاحیت کو نچوڑ دیا ہے۔ موجودہ کاروباری حالات کو مد نظر رکھتے ہوئے ہم پائیداری کو یقینی بنانے اور مشکل وقت سے گزرنے کے لیے احتیاط سے آگے بڑھ رہے ہیں اور یہ جاری ہے۔

کاروباری نقطہ نظر اور مستقبل کی حکمت عملی

الحمد للہ، ایف ایچ ایم نے ۳۸ سال کا کامیاب کاروباری آپریشن مکمل کیا ہے اور پاکستان کے مضاربہ سیکٹر میں معروف مضاربہ کے طور پر اپنی پوزیشن کو برقرار رکھنے کی ہماری دیرینہ خواہش کو برقرار رکھا ہے۔ ایسے مشکل آپریٹنگ ماحول میں، ایف ایچ ایم 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۔

مالی سال ۲۰۲۲-۲۰۲۳ کے ہمارے کاروبار کو انتہائی مشکل کاروباری اقتصادی ماحول کی وجہ سے چیلنجز کا سامنا کرنا پڑا۔ تاہم، اس طرح کے مشکل آپریٹنگ ماحول میں، ایف ایچ ایم نے اپنی ترقی کی رفتار کو برقرار رکھا ہے اور ہمارے سرٹیفکیٹ ہولڈرز کے لیے پائیدار ترقی اور طویل مدتی قدر کی تخلیق کے لیے اچھی پوزیشن میں ہے۔ مالی سال ۲۰۲۳-۲۰۲۴ کے لیے، ہماری توجہ پاکستان کی اسلامک فنانشل سروسز انڈسٹری میں اپنے مارکیٹ شیئر کو مزید مضبوط بنانے پر ہے۔ مزید برآں، کاروباری حکمت عملی کے طور پر، ہم اپنی ڈیویڈنڈس موجودگی میں مزید اضافہ کریں گے، اپنے صارفین کو بے مثال خدمات کی فراہمی جاری رکھیں گے اور فنانسنگ پورٹ فولیو میں مضبوط اداروں کو شامل کریں گے۔ وسائل کو متحرک کرنے کے لیے، ہم اپنے فنانسنگ اور سرمایہ کاری کے پورٹ فولیو کو مزید بڑھانے کے لیے مختصر اور طویل مدتی بنیادوں پر کم لاگت کے فنڈز کی پیداوار پر توجہ مرکوز کرتے رہتے ہیں۔

بدلتی ہوئی کاروباری ڈائنامکس کے جواب میں، ہم اپنی بنیادی صلاحیتوں سے فائدہ اٹھانے سمیت تبدیلی کے اپنے تکنیکی اور ڈیجیٹل پرمیٹیو سفر کو تیز کرتے ہوئے اپنے آپریٹنگ عمل کو بھی جدید بنائے ہیں۔ ہم ان کی پیشہ ورانہ تیاری کے لیے اپنے انفرادی قوت میں سرمایہ کاری کرنے اور ان کی تخلیقی صلاحیتوں اور اختراعی ثقافت کو فروغ دینے پر توجہ مرکوز کر رہے ہیں۔

موجودہ سال کے لیے، ہم پیش گوئی کر رہے ہیں کہ مذکورہ اقتصادی بد امنی نئی حکومت کے قیام تک جاری رہ سکتی ہے۔ قرضے کی شرح میں اضافے اور کاروبار کرنے کی ناند لاگت کے تحت دوبارہ قیمتوں کے تعین اور غیر فعال قرضوں کے خطرے کی وجہ سے مالیاتی شعبے کا آؤٹ لک بدستور چیلنجنگ ہے۔

جیسا کہ ہم آگے دیکھتے ہیں، ہم یہ بھی مانتے ہیں کہ شریعہ کے مطابق فنانسنگ موڈ کے تحت چھوٹے اور درمیانے درجے کی کریڈٹ سہولیات کے لیے وسیع مواقع موجود ہیں۔ ان مواقع کو حل کرتے ہوئے، ہم اپنے آپریٹنگ عمل کو مزید ترقی دینے کا ارادہ رکھتے ہیں تاکہ زیادہ کارکردگی کے ساتھ اعلیٰ حجم کے کاروبار کو سپورٹ کیا جاسکے، اثاثوں کی مالی اعانت کے لیے ملک بھر میں اپنی جغرافیائی موجودگی کو بڑھایا جاسکے۔

موجودہ کاروباری حالات کو مد نظر رکھتے ہوئے ہم احتیاط سے آگے بڑھیں گے اور نئے اثاثوں کی مالی اعانت کے لیے اپنی موجودہ اور نئی کاروباری سرگرمیوں میں زیادہ محتاط رہیں گے۔ اس کے ساتھ ساتھ، ہم ضروری تکنیکی اختراعات اور عمل میں بہتری بھی لائیں گے جو مارکیٹ کی ڈائنامکس کو بدلنے میں آگے رہنے کے لیے درکار ہیں۔ رسک مینجمنٹ ٹولز کو مضبوط بنانے، آپریٹنگ افادیت کو بہتر بنانے اور پائیدار ترقی کے لیے کارپوریٹ گورننس اور کمپلائنس کلچر کی اعلیٰ ترین سطح کو برقرار رکھنے اور ہمارے قابل قدر مضاربہ سرٹیفکیٹ ہولڈرز کے لیے طویل مدتی قدر کی تعمیر پر مسلسل توجہ دی جائے گی۔

شرعی تعمیل اور آؤٹ کا طریقہ کار

ایک اسلامی مالیاتی ادارے کا ایک بنیادی ضرورت ہوتی ہے جس پر اُس کا کاروبار مالی 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 پر وفاق 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 تقدس پر زور دیتا ہے۔

سرمایہ کاروں کو دور رہنے پر مجبور کیا۔ روپے اور ڈالر کی شرح مبادلہ میں اتار چڑھاؤ غیر ملکی سرمایہ کاروں کو اچھے منافع کی پیشکش کے باوجود پاکستان میں سرمایہ کاری کرنے سے روکنے کا سب سے بڑا عنصر ہے۔

درآمدات پر پابندی کی وجہ سے مالی سال ۲۰۲۳-۲۰۲۲ کے دوران تجارتی خسارہ کم ہوا تھا جس نے کرنٹ اکاؤنٹ خسارے کو کم کرنے میں اچھی مدد کی ہے۔ تاہم اسی سال کے دوران برآمدات اور ترسیلات زر میں نمایاں کمی دیکھی گئی ہے۔ زیر جائزہ مدت میں برآمدات اور درآمدات دونوں میں کمی ہوئی۔ تاہم، درآمدات کے مقابلے میں زیادہ گر گئیں، جس سے تجارتی خسارہ کم ہوا ہے اور غیر ملکی زر مبادلہ کے ذخائر کو کم کرنے میں مدد ملی ہے۔

مہنگائی کا بڑھتا ہوا رجحان مئی ۲۰۲۳ میں تاریخی بلند ترین سطح پر پہنچ گیا۔ تاہم ماہانہ بنیادوں پر اشیائے خورد و نوش کی قیمتوں میں بہتری کے نتیجے میں اگست ۲۰۲۳ کے مہینے میں مہنگائی میں قدرے کمی آئی لیکن پیٹرولیم مصنوعات میں مزید اضافے کی وجہ سے یہ ڈر ہے کہ افراط زر مزید بڑھ جائے گا۔ مہنگائی کو کنٹرول کرنے کے لیے اسٹیٹ بینک کی مانیٹری پالیسی کمیٹی (MPC) نے پالیسی ریٹ بڑھا کر ۲۲ فیصد کر دیا۔ ۱۰۰ bps کے آخری اضافے کا اعلان جون ۲۰۲۳ میں ایک ہنگامی میٹنگ میں کیا گیا تھا۔ مہنگائی کی مسلسل بلند سطح نے کاروبار کرنے کی لاگت کو نمایاں طور پر بڑھا دیا ہے جو بین الاقوامی مارکیٹ میں تیزی سے اپنا مسابقتی فائدہ کھو رہا ہے۔

حال ہی میں، بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) نے پاکستان کے لیے ۳ بلین ڈالر کے نئے اسٹینڈ بائی ارینجمنٹ (SBA) کی منظوری دی۔ مذکورہ SBA ملکی اور بیرونی عدم توازن کو دور کرنے اور دیگر غیر ملکی عطیہ دہندگان کے اعتماد کو بڑھانے میں مدد کرے گا۔ مذکورہ انتظامات بیمار معیشت کی پوزیشنوں کو بھی سہارا دے گا اور موجودہ چیلنجوں پر قابو پانے کی مدد فراہم کرے گا اور توقع ہے کہ آنے والی حکومت کو بہتر مالیاتی مواقع فراہم کرے گی۔

آگے بڑھتے ہوئے، توقع کی جاتی ہے کہ غیر معمولی سیاسی عدم استحکام اور معاشی چیلنجوں کی وجہ سے کاروباری ماحول چیلنجنگ رہے گا۔ ملک مالی سال ۲۲ کی تیسری سہ ماہی سے غیر ملکی زر مبادلہ کے ذخائر کے بحران سے دوچار ہے جو ملک بھر میں معاشی سرگرمیوں میں سست روی کی بڑی وجہ ہے۔ مجموعی سرکاری قرضوں میں بیرونی قرضوں کے زیادہ حصے کی وجہ سے، حکومت کی مالی پوزیشن زیادہ کرنٹ اکاؤنٹ خسارے، کم زر مبادلہ کے ذخائر، اور پاکستانی روپے کے کمزور ہونے کی وجہ سے کمزور ہے۔ گھریلو طور پر، یوٹیلیٹی کے بڑھتے ہوئے اخراجات، زیادہ فنانسنگ کے اخراجات، زیادہ روزگار کے اخراجات، اور اضافی ٹیکس نے مینوفیکچرنگ کے لیے ان پٹ لاگت میں زبردست اضافہ کیا ہے اور اس کے نتیجے میں صارفین کی قوت خرید میں کمی آئی ہے۔ توقع کی جاتی ہے کہ یہ چیلنجز موجودہ مالی سال کے دوران ناسی طرح برقرار رہیں گے اور کاروباری اداروں کے چست رہنے کی صلاحیت کو متاثر کریں گے۔

فرسٹ حبیب مضاربہ کا معاشی جائزہ

ناگہانی اقتصادی تنوع اور چیلنجوں کے ساتھ منفی کاروباری ماحول کی وجہ سے، عمومی طور پر کاروباری ماحول سال بھر مایوسی کا شکار رہا۔ تاہم، ایف ایچ ایم کی مجموعی کارکردگی تسلی بخش رہی ہے۔ ہماری بیلنس شیٹ کا سائز تقریباً ۲۰ فیصد بڑھ گیا اور ۵۰۰ ملین روپے تک پہنچ گیا جو ایف ایچ ایم کے آغاز کے بعد سے سب سے زیادہ ہے۔ منافع میں قابل ذکر اضافہ ہوا جس میں تقریباً ۵ فیصد اضافہ ہوا ہے۔ ہمارے تقسیم کے اہداف قدرے چھوٹ گئے کیونکہ ہم نے گزشتہ سال کے ۱۱۴۶ ملین روپے کی تقسیم کے مقابلے میں سال کے دوران ۸۷۰ ملین روپے تقسیم کیے تھے۔ الحمد للہ، ایف ایچ ایم نے ۳۸ سال کا کامیاب کاروباری آپریشن مکمل کیا ہے اور پاکستان کے NBFی اور مضاربہ سیکٹر میں معروف مضاربہ کے طور پر اپنی پوزیشن کو برقرار رکھنے کی ہماری دیرینہ خواہش کو برقرار رکھا ہے۔

یہاں میں یہ کہنا ضروری سمجھتا ہوں کہ انتہائی مشکل اور مشکل کاروباری ماحول کے باوجود، FHM کی ٹیم نے نئی اور بار بار کاروباری مصروفیات کے حوالے سے اچھی کارکردگی کا مظاہرہ کیا ہے جس میں ماہانہ اقساط کی وصولی کا بہترین انتظام بھی شامل ہے۔ ٹیم کا ہر رکن خاص طور پر ہماری بزنس ڈویلپمنٹ اور ریکوری کی ٹیم نے سخت معاشی حالات میں تسلی بخش نتائج فراہم کرنے پر زبردست تعریف کی مستحق ہے۔ مارچ، ۲۰۲۳ میں، ہماری ٹیم نے ایف ایچ ایم کے ساتھ حبیب میٹرو مضاربہ (ایچ ایم ایم) کے انضمام کا عمل بھی کامیابی سے مکمل کیا اور اثاثوں اور واجبات کو ایف ایچ ایم کے ساتھ ملا دیا گیا ہے۔

میکرو اکنامک عدم توازن نے سال کے دوران معیشت اور کاروبار کے اندر پریشانی پیدا کی ہے اور محتاط اور منصفانہ نقطہ نظر پر عمل کرتے ہوئے گروتھ کو برقرار رکھنا ضروری تھا۔ ہماری مالیاتی آپریشنز ہوشیاری اور موافقت پر مرکوز تھیں۔ اثاثوں کی بکنگ میں محتاط انداز کو برقرار رکھتے ہوئے، ہماری بزنس ڈویلپمنٹ ٹیم نے صارفین کو شامل کرتی رہتی ہے اور مستقبل میں توسیع کے لیے نئی منڈیوں کی تلاش بھی کرتی ہے۔ مرکوز نقطہ نظر کے ساتھ ترقی اور اہداف کے امتزاج کے ساتھ، ہم نے مضاربہ اور NBFی سیکٹر میں معروف مضاربہ کے طور پر اپنی پوزیشن کو برقرار رکھنے کی اپنی دیرینہ خواہش کو برقرار رکھا۔

ڈائریکٹر رپورٹ

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

(پاکستانی روپے)

۸۸۶۷۱۷۳۷۷	منجمنٹ فیس سے قبل منافع
(۸۸۶۷۱۷۳۸)	مضاربہ منجمنٹ کمپنی کی فیس
(۱۱۵۲۷۳۲۶)	منجمنٹ کمپنی کے معاوضے پر سروسز سیلز ٹیکس
(۱۵۷۳۰۳۶۶)	ورکرز ویلفیئر فنڈ
۷۷۰۷۸۷۹۳۷	منافع قبل از ٹیکس
(۲۵۱۱۵۷۱۵۲)	ٹیکسیشن
۵۱۹۶۳۰۷۹۵	سال کا منافع
(۹۷۹۶۹۶)	متعین فائدہ کے منصوبے پر حقیقی نقصان
۵۱۸۶۵۱۰۹۹	غیر منقسم منافع میں منتقل کی گئی کل جامع آمدنی
۳۴۲۰۵۶۸۱۲	دیگر جامع آمدنی
۳۴۹۶۷۵۱	سال کے دوران سرپلس کی غیر منقسم منافع میں منتقلی
۲	(۵ روپے فی سرٹیفکیٹ / شیئر پر منافع)

قابل تقسیم منافع

۲۲۱۶۶۱۰۰۰	۲۰ فیصد کے حساب سے نقد منافع برائے تقسیم (۵ روپے کے سرٹیفکیٹ پر ۱ روپے)
۶۰۰۰۰۰۰۰	جنرل ریزرو میں منتقلی
۴۲۵۴۶۶۶۲	غیر منقسم منافع

معاشی جائزہ

مالی سال ۲۰۲۳-۲۰۲۲ پچھلے سال میں اچھی ریکوری دکھانے کے بعد سب سے مشکل سال تھا۔ پورے سال کے دوران، معیشت سیاسی عدم استحکام، تباہ کن بے مثال سیلاب، اور دیگر بیرونی عوامل جیسے اجناس کی زائد قیمتوں اور علاقائی تنازعات سے متاثر رہی۔ جی ڈی پی کی شرح نمو پچھلے سال کے ۶.۱ فیصد کے مقابلے میں ۳.۰ فیصد تک محدود رہی۔

بڑھتی ہوئی مہنگائی، نمایاں، پالیسی ریٹ میں اضافے اور پاکستانی روپے کے کمزور ہونے کی وجہ سے کاروبار کافی دباؤ کا شکار رہا۔ بہت کوشش کرنے کے باوجود حکومتیں اصلاحات کے ذریعے معیشت کے بنیادی اسٹرکچرل مسائل کو حل کرنے کا انتظام نہیں کر سکیں۔ بطور دآ مدی معیشت ہونے کے ناطے، کھپت میں ہونے والی اخراجات نے غیر ملکی کرنسی کے ذخائر کو نقصان پہنچانا جاری رکھا۔ بد قسمتی سے، اخراجات کی طرف معقولیت، محصولات کی اصلاح، غیر پیداواری سبسڈیز کو ہٹانے، اور بجٹ خسارے کو کم کرنے کے ذریعے پائیدار میکرو اکنامک استحکام کی طرف بڑھنے کا ایجنڈا ادھورا رہا۔

حکومت اور اسٹیٹ بینک آف پاکستان (SBP) نے دیگر اسٹیک ہولڈرز کے ساتھ مل کر دآ مدات کو کم کرنے کے لیے سخت ترین اقدامات اٹھائے۔ تاہم، وہ برآمدات اور دیگر غیر ملکی کرنسیوں کی آمد میں اضافہ کرنے کا بندوبست نہیں کر سکے۔ دآ مدات کے ذریعے سپلائی پر سخت کنٹرول اور SBP کی پالیسی ریٹ کی وجہ سے کاروبار کی زائد لاگت نے کاروباری سائیکل پر بہت منفی اثرات مرتب کیے ہیں اور بڑی سطح پر کاروباری سرگرمیاں ماند پڑ گئی ہیں۔ اس کے علاوہ، مسلسل سیاسی عدم استحکام اور معاشی بد حالی بالخصوص روپے کی قدر میں شدید کمی نے غیر ملکی

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 effective 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 company'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 Company'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;

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 names 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.

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.

Directors' Profile



Syed Rasheed Akhtar
Chairman 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.



Mr. Muhammad Shoaib 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. Shoaib 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 Uloom), 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.

- a) Present member of SECP Committee of promotion of Islamic Finance within Non-Banking Islamic Finance Institutions.
- b) Former Chairman of NBFI and Modaraba Association of Pakistan
- c) Past President of Memon Professional Forum
- d) 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.



Mohammad Shams Izhar
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)."

Directors' Profile



Saeed Uddin Khan
**Non Executive Independent
Director**

Mr. Khan brings with him 34 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.



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 12 years and served as Manager international Operations / Overseas Banking / Credit and Marketing.



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 (CIFFP) 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.

Management Team



Mr. Muhammad Shoaib Ibrahim
Chief Executive Officer



Mr. Tehsin Abbas
Chief Financial Officer



Mr. Amir Kaleem
Head of Marketing



Mr. Intisar Usmani
Head of Credit



Mr. Zahid Hasan
Head of IT



Mr. Muhammad Jehanzeb
Head of HR



Mr. Muhammad Babar
Head of Internal Audit



Ms. Aeraj Abeer
Company Secretary



Mr. Azhar Hussain
Head of Compliance



Mr. Muhammad Rehan Khalid
Head of Consumer

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 principal 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

Syed Rasheed Akhtar is Chairman of Board of Directors of Habib Metropolitan Modaraba Management (Private) Ltd. He is very seasoned banker and carrying diversified banking experience of local and international banking of around ____ years. 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.
- To promote the highest standards of corporate governance.
- He 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, investors with the management of FHM.

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 Board meetings of the Company held quarterly to decide the matters requiring Directors' approvals. Further, if a decision on any matter is required on an urgent basis and is not practicable to arrange a meeting, such matters are decided based on resolution by circular duly signed by each Director, 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. 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 comes across situation where they need guidance of superior authority the CEO refers these matters to the Board of Directors who suggests the way to resolve.

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 with modern work practices and to keep an external oversight on these critical areas, we time to time engage the Parent Bank to analyze and evaluate our key operational functions and deliver the potential areas of 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. EY Ford Rhodes.

Related Parties Policy

All related party transactions or arrangement to require BOD Approval irrespective of its nature (i.e. specified in section 208 of companies act 2017 or otherwise) or on Arm length basis / other- wise and irrespective of amount must be referred to the Board Audit committee for review / consideration in accordance with this Policy and for recommendation to the board for their consideration / approval.

All related party transactions and information have been appropriately disclosed in note no. 4.19 & 35 of the Financial Statements, including the name, basis of the relationship, percentage holding, nature, and amount.

All transactions with related parties that arise in the normal course of business are conducted on an unbiased, arm's length basis. All related party transactions are placed before the Audit Committee for review and recommendation to the Board of Directors for approval, as per the policy.

There is no interest of any director in any related party transactions

There is no case of conflict which requires specific disclosure

Board's Performance Evaluation by External Consultant

The Modaraba had engaged the Pakistan Institute of Corporate Governance (PICG) as an Independent External Evaluator, and Alhamdulillah the performance evaluation of the Board has successfully been completed.



Internal Control

The Company has developed a sound mechanism for identification of risks and assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company. Internal control consider backbone for any institution, the effective control ensures management polices implemented as desired by the management, with the increase in governance structure throughout financial sector now it consider pivotal to have strong and effective internal control mechanism in place. The effectiveness of internal control embedded in the design of the system itself for which deep thought process is needed to encompasses 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 regulator, Certificate Holders or investors.

The FHM management always keen and strive for the betterment of Internal Control Function and it demonstrate through inducting qualified resource and updating standing operating procedure to tackle against any risk and threat, further with the evolution of IT and its unique threat, management having more focus on IT governance so that any IT breach can be handle proactively. The core objectives of internal control are as follows:

- Financial policies reviewed and updated.
- Effective reporting throughout organization.
- Effectiveness and efficiency of operations ensure adherence to its policies, plans and procedures.
- Board receives regular financial reports.
- 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 compliance culture. The compliance department is fully equipped with the desire resource for effective implementation of compliance and is aligned with FHM strategic core objective, the proactive mechanism inbuilt for smooth functioning 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 by the management. Senior



management team, through different management sub-committees, monitors resolution/compliance of issues identified by the Compliance department, Statutory Auditors as well as Internal Audit.

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 implementation to ensure that identified risks are mitigated to safeguard the interest of the institution and all stakeholders.

Human Resource Management

First Habib Modaraba keeps on conveying on its promise to build up an organization that isn't just prepared to address the difficulties of constantly evolving business sector, but on the other hand is prepared to take on difficulties of things to come also.

Human Resources at FHM is endeavoring its best to prepare our people to build and develop a mindset that not only responds, but also leads in the disruptive environment as a cutting edge and future-prepared association.

Through concentrated efforts, management has made sure that all the systems and processes are aligned with the vision of FHM, assured that it is well communicated at all levels across the organization. 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.

Organization Development

We focus on improving through the alignment of strategy, structure, people, rewards, metrics, and management processes. It is a science-backed, interdisciplinary field rooted in psychology, culture, innovation, social sciences, adult education, human resource management, change management. Simultaneously, robust career paths and succession pipelines were developed for high performing and high potential talents with particular focus on critical roles. All the activities were done through robust, well defined criteria and processes ensuring transparency which in turn enhanced the level of trust of employees in your management. These efforts, contributed significantly towards improved performance in a healthy and competitive environment. These recognitions are a strong reflection on the focus and efforts that your management is putting in making First Habib Modaraba the number one company in Pakistan.

Communication & Cultural Diversity

FHM focuses on maintaining an open communication culture across the organization, as it has a direct impact on employees' motivation and commitment.

We at FHM ensure that there should be cordial working environment between employees which ultimately leads to success of organization. FHM always value and promote employee involvement & interaction. The importance of cultural diversity can be interpreted on the basis of these related actions:

- Recognizing that there is a large amount of cultures that exist
- Respecting each other's differences
- Acknowledging that all cultural expressions are valid
- Valuing what cultures have to bring to the table
- Empowering diverse groups to contribute
- Equal Opportunity Employer

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.

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.

At FHM 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

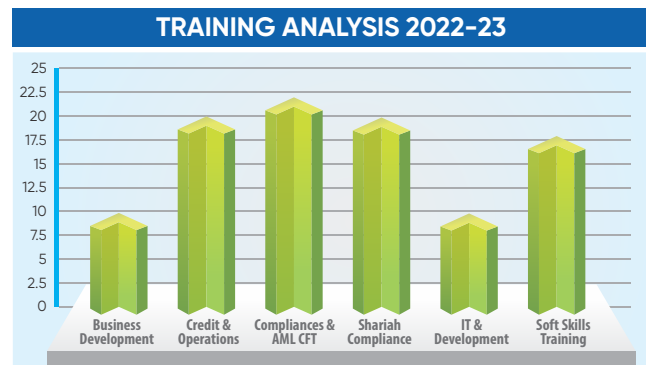
Training & Development:

FHM believes in nurturing and investing in its employees with the ultimate objective of ensuring high employee morale and productivity. We work towards understanding and adding employee objectives with corporate goals, as rapid change requires a skilled, knowledgeable workforce with employees who are adaptive, flexible, and focused on the future.

During the year FHM employees were provided training opportunities in the areas of Islamic Finance, Credit, AML/CFT Regulations Risk Management and Personal Effectiveness in collaboration with different training institutes.

From the last two years, we have made numerous renowned institutions onboard which are eventually become the core indicators for employee's development.

The Company has a demonstrated track record of employing talented human resources across all its functions, which ensures availability of competent personnel for each department, in terms of an individual's potential, qualification, period of service and professional attitude amongst other factors



Employee Health, Safety & Protection

the most important tasks of HR department 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 renown insurance companies of Pakistan. FHM has team of professionals in their related respective fields for smooth business operations.

Communication with stakeholders

To make better communication between Modaraba certificate holders, investors with the management of FHM, web based communication system has been started to communicate with customer and stakeholders

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 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 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 through them
- 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 benefitted 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.

Employee health, safety and protection.

Guidelines:

- To provide safe and healthy working conditions for FHM employees;
- to attain safe and healthy working conditions for employees and contractors of all businesses in which the 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 maintained CCTV system across the network.
- Secured the premises with Fire alarm system
- Quality personnel training in line with our parent bank.
- Proper Installation of Fire Extinguisher System.

Investors' Grievance Policy

First Habib Modaraba is strongly committed to equitable treatment of every shareholder, whether they are major or minority shareholders, Institutional investors, or foreign shareholders. 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 customer/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 ensure 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 member 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 for the Company is a centralized function and is being handled by the Compliance 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.
- A designated email id has been allocated where the investors can make complain and same is monitored by the compliance 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 Blower 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 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.

All whistle blowers' disclosures made are treated as confidential and the identity of the whistle blower is protected at all stages in any internal matter or 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.

Policy for safety of records of the company

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

With a customer base exceeding 7,000 across the country, First Habib Modaraba is entrusted with significant volumes of sensitive information spanning diverse industries such as healthcare, financial services, technology, and more.

FHM maintain 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 our data.

At FHM, 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.

The company has installed latest state of the art Fire Suppression and Detection System to protect its data center. Additionally, we have strengthened our DR Plan with use of Data Guard and Online Transfer of Data to DR Site using Fiber Optic Technology."

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

FHM's Board has conducted a comprehensive review of the organization's business continuity plan and disaster recovery plan. The review was conducted to ensure that the plans are comprehensive and up-to-date, with appropriate measures in place to mitigate the impact of potential disruptions to the business.

During the process, the Board reviewed the effectiveness of the BCP plans, identified potential gaps, areas for improvement and arrangements for responding in the event of disaster/crisis. The Board also reviewed the organization's risk profile and assessed the likelihood and impact of potential disruptions. Based on this assessment, the Board provided guidance and recommendations to the management team to ensure that the business continuity plan and disaster recovery plan are aligned with the organization's risk profile and effectively address potential risks and threats to the business. The Board's review statement will help to ensure that FHM is well-prepared to respond to any potential disruptions to the business, and can continue to operate effectively and efficiently.

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

Business Continuity Plan (BCP)

Business Continuity Management (BCM) serves as an integral framework designed to mitigate and navigate risks associated with the disruption of vital activities, 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.

IT performs BCP mock exercise to ensure.

- IT Recovery - test restore of technology, (i.e. data, network)
- Going offsite to a backup location tests recovery site preparedness, communications and utilities
- Trained and informed personnel are typically performing recovery steps
- Transaction testing verifies restore connectivity and access using a person that knows the business process
- Educate the responsible persons on the workings of the plan

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.

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 Modaraba Management Company (Private) Limited	Associate	Management Company of the Modaraba	10.0%
Habib Metropolitan Financial Services Limited	Associate	Common Management and Control	-
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, 2023

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 Independent Director	Syed Rasheed Akhtar
Non-Executive Director	Mr. Mohammad Shams Izhar
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) and Institute of Business Administration (IBA) except one, who has subsequently acquired the necessary certification from ICMAP;

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 ud din Khan	Certified from ICMAP
Dr. Irum Saba	Certified from IBA

10. The Board has approved appointment of CFO, 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	Syed Rasheed Akhtar
Member	Mr. Mohammad Shams Izhar
Secretary	Mr. Muhammad Babar

HR and Remuneration Committee

Chairman	Syed Rasheed Akhtar
Member	Mr. Saeed Uddin Khan
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 company 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.

Muhammad Shoaib Ibrahim

Chief Executive Officer

Karachi; September 13, 2023

Syed Rasheed Akhtar

Chairman



Building a better
working world

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Independent Auditors' Review Report

To the Certificate Holders of First Habib Modaraba

Review Report on the Statement of Compliance contained in the 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 Company of First Habib Modaraba (the Modaraba) for the year ended 30 June 2023 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. 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 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 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 Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2023.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 02 October 2023

UDIN Number: CR202310120HVTYuevtn

Categories of Certificate Holders

As at 30th June, 2023

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	22,166,100	10.00
NIT and ICP	1	5,460	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	3	12,044,784	5.43
Insurance Companies	4	5,843,020	2.64
Mutual Funds	4	1,314,301	0.59
General Public			
a. Local	4524	54,688,856	24.67
b. Foreign	800	2,422,531	1.09
Foreign Companies	9	1,727,536	0.78
Others	49	121,448,412	54.79
Totals	5395	221,661,000	100.00

Certificate holders holding 10% or more	Certificate Held	Percentage
H4 MANAGEMENT (PRIVATE) LIMITED	115,401,867	52.06
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	22,166,100	10.00

Pattern of Certificate Holding

As at 30th June, 2023

Number of Certificate Holders	Certificate Holdings		Total Certificate Held
723	1	to 100	33,310
1423	101	to 500	460,768
797	501	to 1000	599,331
1458	1001	to 5000	3,367,980
325	5001	to 10000	2,414,519
133	10001	to 15000	1,617,760
83	15001	to 20000	1,493,229
74	20001	to 25000	1,701,383
45	25001	to 30000	1,268,975
24	30001	to 35000	786,567
33	35001	to 40000	1,274,386
22	40001	to 45000	928,966
30	45001	to 50000	1,463,630
13	50001	to 55000	680,376
16	55001	to 60000	923,328
9	60001	to 65000	576,730
4	65001	to 70000	269,460
7	70001	to 75000	502,662
8	75001	to 80000	624,736
5	80001	to 85000	405,236
5	85001	to 90000	442,936
8	90001	to 95000	733,208
17	95001	to 100000	1,683,899
10	100001	to 105000	1,023,690
5	105001	to 110000	542,719
2	110001	to 115000	224,337
7	115001	to 120000	823,584
3	120001	to 125000	363,460
3	125001	to 130000	382,676
3	130001	to 135000	393,386
2	135001	to 140000	273,088
5	140001	to 145000	711,657
5	145001	to 150000	739,703
2	150001	to 155000	302,200
3	155001	to 160000	477,521
5	160001	to 165000	812,840
1	165001	to 170000	167,292
5	170001	to 175000	866,360
2	180001	to 185000	370,000
1	185001	to 190000	190,000
1	190001	to 195000	192,000
1	195001	to 200000	200,000
4	200001	to 205000	812,100
1	210001	to 215000	214,560
3	215001	to 220000	648,498
1	225001	to 230000	226,800
1	235001	to 240000	237,891
1	240001	to 245000	242,972
2	245001	to 250000	500,000
1	255001	to 260000	259,500
2	260001	to 265000	520,796
2	265001	to 270000	538,000
1	270001	to 275000	273,175
2	275001	to 280000	553,984
2	280001	to 285000	563,604
1	290001	to 295000	291,500
2	295001	to 300000	600,000
2	320001	to 325000	647,481
2	345001	to 350000	700,000
1	380001	to 385000	382,880
1	390001	to 395000	390,500
1	395001	to 400000	400,000
2	400001	to 405000	800,800
2	415001	to 420000	835,500
1	425001	to 430000	425,344
2	455001	to 460000	919,328
3	495001	to 500000	1,497,420
2	500001	to 505000	1,004,938
1	550001	to 555000	552,870
1	795001	to 800000	800,000
3	820001	to 825000	2,472,832
1	845001	to 850000	849,000
1	850001	to 855000	853,000
1	855001	to 860000	858,500
1	950001	to 955000	952,500
1	1245001	to 1250000	1,246,200
1	1265001	to 1270000	1,269,570
1	1300001	to 1305000	1,300,192
1	1395001	to 1400000	1,397,326
1	1580001	to 1585000	1,580,244
1	1825001	to 1830000	1,828,000
1	1995001	to 2000000	2,000,000
1	2010001	to 2015000	2,015,000
1	2015001	to 2020000	2,020,000
1	2260001	to 2265000	2,263,740
1	12035001	to 12040000	12,036,600
1	22165001	to 22170000	22,166,100
1	115400001	to 115405000	115,401,867
5395			221,661,000

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 23, 2023 at 3.00 p.m. at 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, 2023.

The certificate holders whose names appear in the register of certificate holders of FHM as on October 16, 2023 will be eligible to attend the Annual Review Meeting.

By order of the Board

Aeraj Abeer

Company Secretary

Karachi: October 05, 2023

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 Company'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 5,395 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 Ms. Aeraj Abeer, 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:
Ms. Aeraj Abeer
Company Secretary
First Habib Modaraba

Dividend Announcement

The Board of Directors of the Management Company has approved cash dividend of 20% (Re. 1.00 per Modaraba Certificate of Rs. 5/- each) for the financial year ended 30th June, 2023.

Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 17-10-2023 to 27-10-2023 (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:

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 company;
- 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 company;
- 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 company'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 company 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, including:
 - 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 two independent directors. One of them is the Chairman of Audit Committee and all 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 (TOR) which are 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 risk management, which includes credit, operational risk and governance structure particularly IT governance and financial reporting in line with the applicable laws and regulations.

All significant findings are reported to audit committee by Head of Internal Auditor. 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 the FHM from any unforeseen events.

The Audit Committee 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 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.

The Audit Committee concentrate on the effectiveness of internal control, risk management, compliance, internal audit functions, IT governance and other responsibilities given by the Board of Directors.

Audit Committee performed detail reviewed and satisfied that Annual report was fair, balanced and understandable and also provides necessary information for shareholders on account of assessment of company position, performance and business model.

Audit committee self-evaluated their performance and satisfied with the overall quality of work done.

Internal Control Framework (ICF)

The audit committee is also adhered to make sure that ICF is

effectively implemented. The management of 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.
- Compliance with applicable laws, regulations and procedures to encompass all important areas.
- Improved reporting framework throughout the organization by technology.
- Improve compliance culture by inducting quality resource and updating standing operational procedures.
- Ensure adherence to its policies and plans so that organization strategic objective could be achieved.

The FHM's internal control function ensures compliance with regulatory requirement, 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.
- Credit and Investment compliances / processes especially AML/CFT compliances have been improved further through capacity building of staff and IT systems.
- Effective dashboard was created for senior management for strengthening control mechanism within the organization and hence which improved turnaround time of operations both at the head office and branches.
- Processes and procedures were reviewed further in line with latest applicable laws and regulations requirements of parent bank so that alignment with the laws, regulations, policies and procedure were addressed.
- Additional tools applied for sound credit assessment

appraisals so that credit risk threat is timely identified and mitigated.

- Shariah governance and processes were strengthened by providing Shariah training to staff on regular basis.
- Frequency of BCP/DRP drills increased to so that more control over business continuity process can be achieved.

Role of Internal Audit Function

The internal audit function role in FHM is in line with 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.

Conduct of meeting by Audit Committee

- Four meetings of the Audit Committee were held during the year 2022-2023.
- The Audit Committee reviewed quarterly, half yearly and annual financial statements of the FHM prior to their approval by the Board of Directors.
- The Audit Committee has reviewed and approved all related party transactions.
- 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 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 suggest further insight over the control mechanism which consider necessary for effective control mechanism.

- Significant internal audit findings forward to audit committee 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.
- 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 company, M/s. EY Ford Rhodes, Chartered Accountants, have completed their audit of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2023.

The Board has approved the audited accounts of FHM for the year ended June 30, 2023 audited by M/s. EY Ford Rhodes, Chartered Accountant and confirms that there is no material non-compliance found within the audited accounts 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. EY Ford Rhodes, Chartered Accountants as statutory auditors for the financial year ending June 30, 2024, on terms approved by the Board of Directors.

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 of FHM on October 25, 2022 in order to review performance of FHM for the year ended June 30, 2022.

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 Marketing

CEO of FHM has presented the overall performance of FHM and shared salient features on account of growth, profitability and challenges faced during the year 2021-22 reported in directors' report attached with annual financial 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 on cash dividend of 20% for the year ended 30th June, 2022.

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

- What are the effects of flood on the business of Modaraba?
- What will be the future prospects of Modaraba with respect to profitability and growth potential?
- What are the implication of Tax on Modaraba?
- Is Modaraba has any plans regarding diversification of products in future?
- What are the updates on merger of HMM with and into FHM?

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.

Board disclosure on Enterprise Resource Planning (ERP)

Core Business processes integrate and Management

FHM ERP system is designed to integrate and streamline the company'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 company'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 as it is duly supplemented by a well defined risk management & control objective.. 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 conduct 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.

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 more than 3 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 on priority basis.

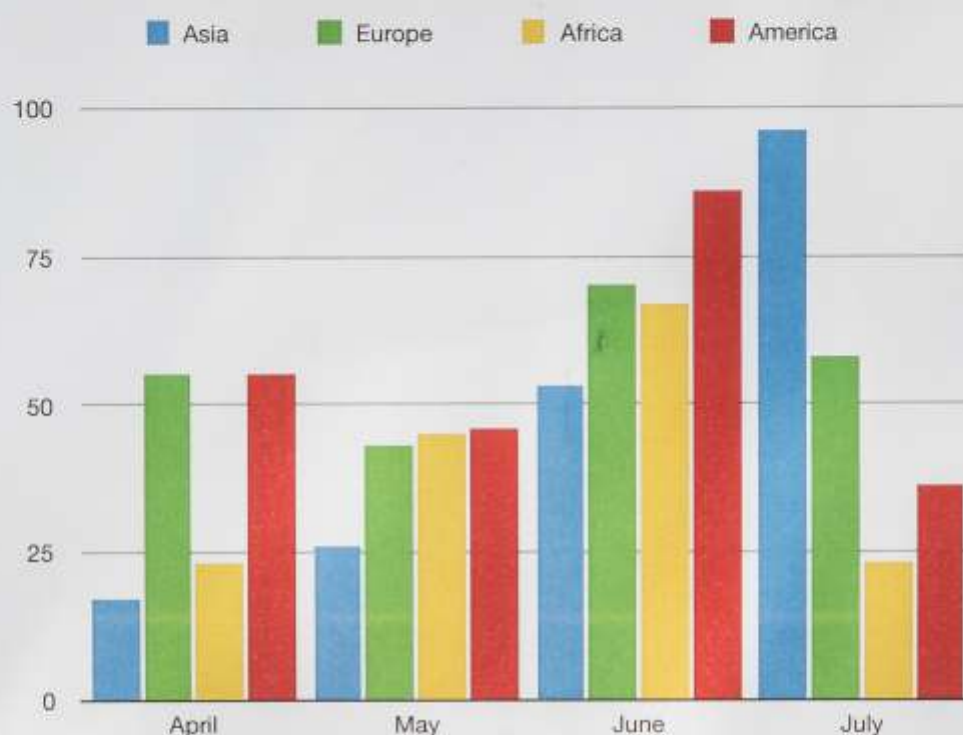
RISK MANAGEMENT

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 Company'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.

Analysis of Financial Information



Analysis of the Financial and Non-Financial Performance	126
Key Financial Data for Six Years	128
Horizontal Analysis	130
Vertical Analysis	131
Free Cash Flows to Equity	132
Summary of Cash Flows	132
Graphical Presentation of Financial Summary	133
Balance Sheet Composition	134
Explanation of Negative Change From Prior Year	135
Graphical Presentation	136
Information about defaults in payment of any debt	137
Methods and assumptions used in compiling the indicators	137
Statement of Cash Flows - Direct Method	138
Segment-wise Review	139
Share Price Sensitivity Analysis	140
Analysis of Variation in Quarterly Results	141
Dividend and Overdue Payments	141
Ceo Presentation Video on the FHM's Website	141
Dupont Analysis	142

Analysis of the Financial and Non-Financial Performance

Past and current performance

For Pakistan's economy, the FY 2022-23 was one of the most difficult year after showing good recovery in last year i.e. in FY2021-22. Throughout the year, the economy remained affected by political instability, catastrophic unprecedented floods, and other external factors such high cost of commodity and regional conflicts.

However, despite of difficult operating environment the performance of FHM has remained satisfactory with growth of balance sheet size by around 20%. Alhamdulillah, FHM has completed successful business operation of 38th years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan.

The key performance indicators during year 2022-23 were as follows:

- 20% growth in Balance Sheet size
- 19% growth in total financing assets
- 56% growth in pre-tax profitability
- 22% growth in Certificate of Investment (Musharaka)
- 36% growth in after tax profit

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 most of business targets have been achieved and size of balance sheet reached to Rs.20.5 billion which the highest since the inception of FHM.

	2023	2022	Variance %
Financing Assets	19,238,082,232	16,080,396,760	19%
Size of Financing Assets			
Balance Sheet Size	20,539,856,090	17,162,817,848	20%
Profit Before Tax	770,787,947	495,279,144	56%
Profit After Tax	519,630,795	382,123,747	36%
Earning per Certificate of Rs.5/- each	2.34	1.90	23%

KPIs to assess and measure the financial performance in 2023 are disclosed in "Key Performance Indicators" section of Annual report.

Performance against Targets

Due to adverse business environment with abrupt economic diversities and challenges, we could not achieve our business budgeted targets set at the beginning of the year. However, overall performance of FHM has remained satisfactory. Our balance sheet size grew by around 20% and reached to Rs.20.0 billion mark which the highest since the inception of FHM. Remarkable growth has been made in profitability which increased by around 57%. Our disbursement targets slightly missed as we disbursed Rs.10.087 billion during the year as compared to disbursement of Rs.11.146 billion of last year. Alhamdulillah, FHM has completed successful business operation of 38th years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan.

Objectives to Assess Stewardship of Management

The Modaraba endeavors to increase certificate holder value through providing excellent returns and maintaining sustainable performance that matched with market and shareholder expectations. Short, medium and long term objectives along with corresponding strategies and overall Key Performance Indicators (KPIs) to measure Modaraba's performance including for Human Capital, Natural Capital, Intellectual Capital have been disclosed in the "Key Performance Indicators, Strategy and Resource Allocation and Resource Allocation Plan" section of the Annual Report.

Future prospects of profit

At present, Pakistan's economy is confronted with a severe economic crisis characterized by high levels of inflation, low economic activity, low foreign reserves, a depreciating currency, and enormous fiscal imbalances. Keeping in

view prevailing economic challenges, we expect further slow moving business activities till the setup of new government after general election. The current situation is also impacting timely repayment of borrowed facilities by the businesses. We are continuously facing re-pricing risks under rising lending rate scenario and rising cost of doing businesses which have squeezed cash generation ability of customers. Keeping in view of present business circumstances we are cautiously moving forward in order to make sure sustainability and pass through with difficult time.

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.

a) Improvement of Service delivery of customer through technological advancement.

- Explore digital based lending space through technological advancement
- Capacity enhancement in core application
- Improve operational processes for efficient delivery
- Customer's feedback

b) Strengthening of operational risk management tools

Following are broader area of approaches which go through with the process during the year.

- Staff training and capacity building
- Strengthen security wall on application
- Improve Shariah audit mechanism to minimize risk of Shariah non-compliance.
- Strengthen of credit risk of financing portfolio which includes customer appraisals
- Assets valuations and inspections, analysis of sector and products.
- Regular testing of disaster recovery sites through mock exercises

c) Staff grooming

- Appropriate training through workshops and seminars
- Reward culture
- On job training
- Job rotation

d) Environment sustainability measures

It is our corporate objective to consume minimum natural resources and create low emission and waste. We also discourage those customers whose business is not environment friendly. FHM is fully aware on negative effect on environment and initiated following measure to minimize paper use by various departments.

- Minimize printing and physical movements of papers.
- Encourage soft storage culture of documents, files and papers.
- Customer communication encouraged through latest technological tool.
- Promote overall paperless environment.

The Annual Report 2022-23

The Company's Annual Report is a comprehensive and detailed document that adheres to regulatory requirements. It encompasses all the necessary financial statements, along with the Directors' Report and other pertinent information. This report provides a thorough understanding of the Company's operations, policies, performance, and future prospects.

To ensure clarity and comprehension, the information within the Annual Report is presented using various tools such as ratios, trends, graphs, analysis, explanatory notes, and statements. The Audit Committee has carefully reviewed the Annual Report for the period ended 30th June 2023 and affirms that it offers an in-depth overview of the Company's historical trends, current status, and future outlook.

Key Financial Data for Six Years

	Rupees in Million					
	2023	2022	2021	2020	2019	2018
KEY FINANCIAL & OPERATING DATA						
Total Assets	20,539.86	17,162.82	12,122.53	9,913.06	11,124.02	10,279.25
Lease Financing Assets	-	185.06	861.52	1,719.65	2,739.37	2,902.83
Diminishing Musharaka Financing Asset	17,981.78	13,183.23	9,913.81	7,002.50	6,939.90	5,595.93
Lease Financing Asset Disbursement	-	57.98	97.98	610.00	1,218.43	1,689.22
Diminishing Musharaka Asset Disbursement	10,781.69	11,088.56	6,531.04	3,042.89	4,010.66	3,342.90
Current Assets	8,211.97	8,257.25	4,987.87	3,839.71	3,849.50	3,994.81
Current Liabilities	15,906.40	13,151.20	8,153.14	6,025.45	7,185.90	6,303.08
Total Liabilities	15,926.06	13,185.80	8,294.19	6,279.50	7,487.67	6,719.11
Paid-up Capital	1,108.31	1,008.00	1,008.00	1,008.00	1,008.00	1,008.00
Reserves	3,499.57	2,959.52	2,619.07	2,538.68	2,503.72	2,434.26
Certificate Holders' Equity	4,607.88	3,967.52	3,627.07	3,546.68	3,511.72	3,442.26
Gross Revenue	3,435.47	1,562.77	1,545.15	2,201.31	2,023.99	1,572.55
Net Profit	519.63	382.39	363.15	316.68	319.69	290.32
Earning Per Certificate - Rs.5/- each	2.34	1.90	1.80	1.57	1.59	1.44
Cash Dividend	20%	20%	28%	28%	28%	25%
Income from Lease Financing	38.52	138.03	129.76	191.55	179.31	193.00
Income from Diminishing Musharaka Financing	3,396.95	1,424.75	796.47	1,017.66	734.36	393.55
STAKEHOLDER INFORMATION						
Profitability Ratios						
Profit before tax ratio (%)	22.44	31.69	23.50	14.39	15.79	18.46
Gross yield on earning assets (%)	50.99	28.61	28.45	42.27	32.09	24.54
Gross spread ratio (%)	14.45	18.61	16.80	6.68	9.30	11.25
Cost / Income ratio (%)	67.57	62.04	34.61	38.47	31.06	21.71
Return on equity (%)	16.73	12.48	10.01	8.93	9.10	8.43
Return on assets (%)	3.75	2.89	3.00	3.19	2.87	2.82
Return on capital employed (%)	20.55	14.67	11.04	9.57	9.59	8.92
Gross profit ratio (%)	84.08	82.23	53.67	46.68	42.03	34.79
Net profit to revenue (%)	15.13	24.45	23.50	14.39	15.79	18.46
EBITDA margin to revenue (%)	32.17	47.10	36.59	23.22	24.40	27.70
Income / Expense ratio	1.22	1.30	1.26	1.10	1.13	1.16
Turnover ratio						
Total Asset Turnover Ratio (%)	18.06	10.34	13.60	23.92	19.38	16.40
Fixed Asset Turnover Ratio (%)	30.09	19.92	23.11	39.04	29.63	26.83

Key Financial Data for Six Years

	Rupees in Million					
	2023	2022	2021	2020	2019	2018
Liquidity Ratios						
Advance to deposit ratio	1.31	1.19	1.48	1.65	1.57	1.52
Current ratio	0.52	0.63	0.61	0.64	0.54	0.63
Quick / Acid test ratio	0.52	0.63	0.61	0.64	0.54	0.63
Cash to current liabilities	1%	1%	3%	3%	1%	5%
Cashflow from operations to sale	(60%)	(298%)	(302%)	(55%)	(46%)	(80%)
Cashflow coverage ratio	(90%)	(499%)	(417%)	158%	(171%)	(473%)
"Net interest income as a percentage of working funds						
Gross Non-Performing assets to gross advances	2.18%	1.58%	1.40%	1.26%	0.08%	N/A
Investment / Market ratio						
Market Value Per Share	7.29	9.36	9.80	9.95	9.41	10.75
High	9.00	10.32	9.80	10.89	11.46	11.69
Low	8.81	8.81	9.70	9.31	9.31	9.25
Earning per Certificate of Rs. 5/- each	2.34	1.90	1.80	1.57	1.59	1.44
Price earning ratio	3.12	4.93	5.44	6.34	5.92	7.47
Price to book ratio	0.35	0.48	0.54	0.57	0.54	0.63
Dividend Yield ratio (%)	13.72	10.68	14.29	14.07	14.88	11.63
Dividend Payout ratio (%)	42.66	52.76	77.72	89.12	88.29	86.80
Dividend cover ratio	2.34	1.90	1.29	1.12	1.14	1.15
Cash dividend (%)	20.0%	20.0%	28.0%	28.0%	28.0%	25.0%
Cash dividend per certificate	1.00	1.00	1.40	1.40	1.40	1.25
Book value per certificate	20.79	19.68	17.99	17.59	17.42	17.07
Dividend (in million rupees)	222	202	282	282	282	252
Profit Growth Ratio (%) [YoY]	36	5	15	(1)	10	(5)
Profit Growth Ratio (%)	38	26	20	4	5	2
DuPont Analysis						Covered in detail at page no. 142
Free Cash Flow						Covered in detail at page no. 132
Economic Value Added (EVA)						Covered in detail at page no. 158
Capital Structure ratio						
Net assets per Certificate of Rs. 5/- each	20.81	19.73	18.99	18.02	18.04	17.66
Capital adequacy ratio	23%	24%	33%	N/A	N/A	N/A
Earning asset to total asset ratio (%)	91.73	82.13	96.08	95.74	97.06	94.93
Weighted Average cost of deposit	20.30%	14.30%	7.22%	8.18%	11.08%	6.26%
Debt to Equity ratio (Book value and Market value)	3.46	3.32	2.29	1.77	2.13	1.95
Non-Financial Ratios						
a) Staff turnover ratio	12 %					
b) Customer Satisfaction Index	97 %					
c) Employee Productivity Rate	88 %					

Horizontal Analysis

BALANCE SHEET (%)	2023	2022	2021	2020	2019	2018
ASSETS						
NON-CURRENT ASSETS						
Lease financing assets	(100.00)	(78.52)	(49.90)	(37.22)	(5.63)	18.92
Fixed assets in own use	8.38	(7.49)	(21.79)	57.98	45.83	145.16
Intangible assets	(43.65)	0.51	(28.92)	12.02	(42.30)	765.60
Diminishing musharaka financing	40.16	79.69	45.17	(4.61)	34.03	26.25
Long term advances and deposits	(27.52)	2.18	(5.83)	0.99	(0.74)	32.76
CURRENT ASSETS						
Investments	17.92	(16.52)	13.54	(31.23)	(11.24)	(3.07)
Current portion of diminishing musharaka financing	29.25	27.78	35.91	11.00	9.09	37.09
Lease financing installments receivables	0.00	(100.00)	(61.57)	(92.01)	487.31	99.06
Diminishing Musharaka financing installments receivables	224.63	1,400.63	(94.41)	(93.76)	1,065.07	876.87
Advances and prepayments	(54.00)	27,676.67	121.02	13.70	(15.03)	(40.44)
Other receivables	(4.76)	(0.06)	21.38	(36.55)	(25.86)	41.69
Income tax refundable	(100.00)	(46.45)	8.70	12.17	20.54	27.73
Cash and bank balances	37.26	(36.58)	28.17	233.06	(84.22)	66.89
TOTAL ASSETS	19.68	41.58	22.29	(10.89)	8.22	22.86
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Reserves	18.25	13.00	3.17	1.40	2.85	3.75
Certificate holders' equity	16.14	9.39	2.27	1.00	2.02	2.62
SURPLUS ON REVALUATION OF INVESTMENTS	(37.66)	(95.28)	131.70	(30.44)	5.94	0.21
NON-CURRENT LIABILITIES						
Security deposits against lease financing assets	(100.00)	(79.89)	(43.64)	(23.03)	(27.46)	72.08
CURRENT LIABILITIES						
Certificates of investment (Musharaka)	21.71	54.48	38.09	(14.14)	9.94	42.91
Security deposits - current portion	(100.00)	(52.52)	(42.90)	(15.51)	144.33	(41.05)
Unearned lease financing and DM installments	(52.03)	347.97	147.76	(58.98)	(72.33)	158.94
Advance lease financing and DM installments	40.13	11.02	(34.13)	(52.52)	22.31	15.84
Trade & other payables	32.45	13.34	17.88	(1.68)	12.58	16.51
Unclaimed profit distribution	5.32	5.69	7.00	13.75	11.97	6.33
TOTAL EQUITY & LIABILITIES	19.68	41.58	22.02	(10.89)	8.22	22.86
PROFIT & LOSS ACCOUNT (%)	2023	2022	2021	2020	2019	2018
Lease financing income	(72.09)	6.37	(32.26)	(0.36)	(11.85)	(12.98)
Profit on diminishing musharaka	138.42	88.69	(17.50)	132.57	22.31	43.07
Administrative expenses	31.46	12.66	0.59	45.37	13.02	9.74
Other Income	29.76	104.26	(38.94)	49.50	10.15	(1.72)
Financial charges	144.89	120.88	(44.73)	189.57	30.14	30.73
Modaraba company's management fee	55.62	36.38	14.67	9.37	(4.94)	2.00
Profit for the year	55.63	36.41	14.67	9.37	(4.94)	2.11

Vertical Analysis

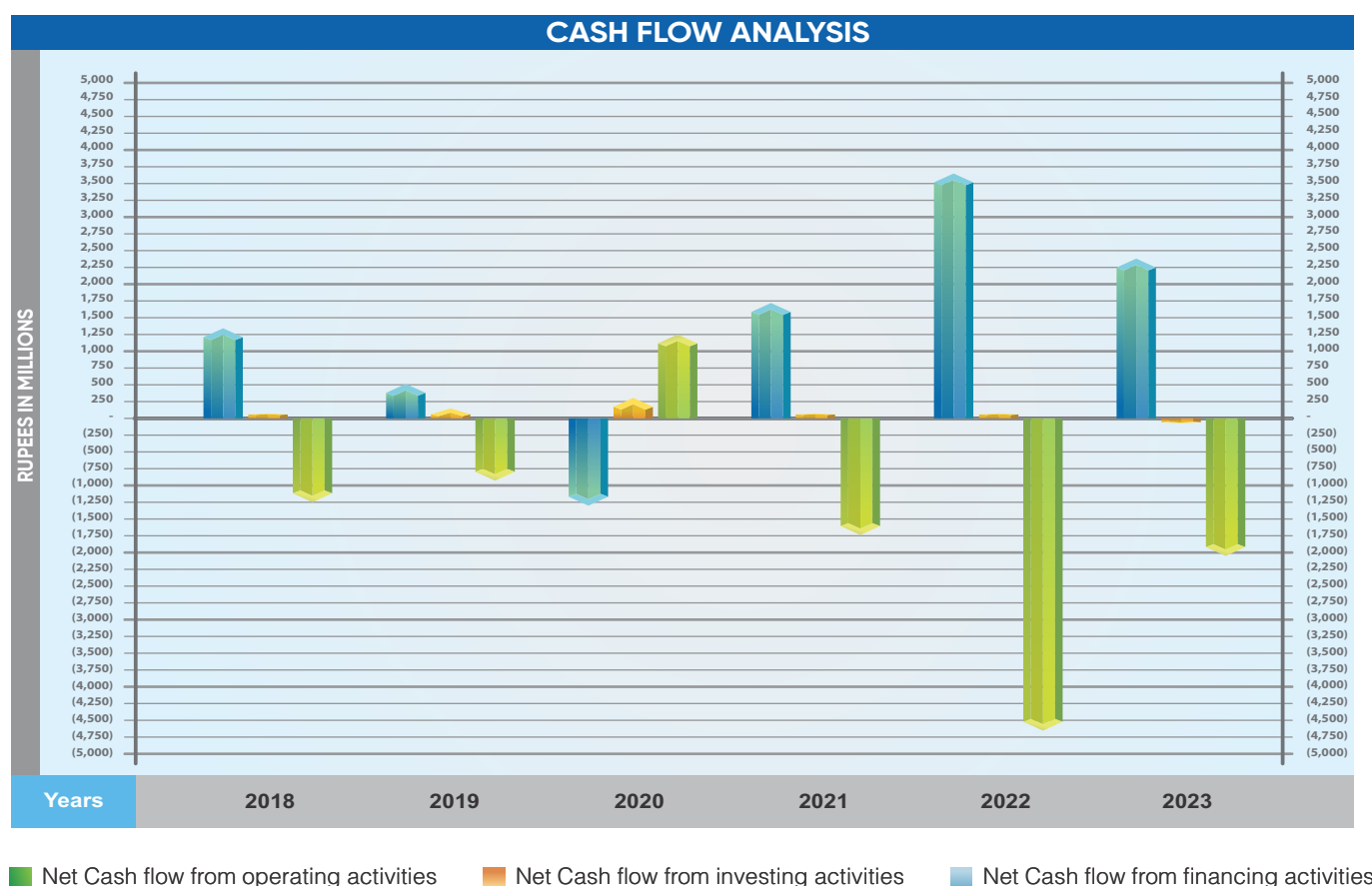
BALANCE SHEET (%)	2023	2022	2021	2020	2019	2018
ASSETS						
NON-CURRENT ASSETS						
Lease financing assets	0.00	1.08	7.11	17.35	24.63	28.24
Fixed assets in own use	0.27	0.29	0.45	0.70	0.40	0.29
Intangible assets	0.0004	0.0008	0.0012	0.0020	0.0016	0.0030
Diminishing Musharaka financing	58.92	50.31	51.29	43.20	40.36	32.59
Long term advances and deposits	0.00	0.01	0.01	0.01	0.01	0.01
Deferred tax	0.83	0.20	0.00	0.00	0.00	0.00
CURRENT ASSETS						
Investments	4.18	4.24	7.20	7.75	10.04	12.25
Current portion of Diminishing Musharaka financing	28.62	26.50	30.49	27.44	22.03	21.85
Lease financing installments receivables	0.00	0.00	0.00	0.01	0.11	0.02
Diminishing Musharaka financing installments receivables	0.04	0.01	0.00	0.03	0.40	0.04
Advances and prepayments	6.10	15.88	0.08	0.04	0.04	0.04
Other receivables	0.12	0.15	0.21	0.21	0.30	0.44
Income tax refundable	0.00	0.52	1.38	1.55	1.23	1.11
Cash and bank balances	0.92	0.80	1.78	1.70	0.46	3.12
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	6.82	6.41	9.07	11.12	9.89	10.70
Issued, subscribed & paid-up capital	5.40	5.87	8.32	10.19	9.06	9.81
Reserves	17.04	17.24	21.60	25.67	22.51	23.68
Certificate holders' equity	22.43	23.12	29.92	35.86	31.57	33.49
SURPLUS ON REVALUATION OF INVESTMENTS	0.03	0.06	1.66	0.88	1.12	1.15
NON-CURRENT LIABILITIES						
Security deposits against lease financing assets	-	0.15	1.08	2.35	2.71	4.05
CURRENT LIABILITIES						
Certificates of investment (musharaka)	66.74	65.62	60.14	53.38	55.28	54.41
Running Musharaka	3.63	4.36	0.41	-	-	-
Security deposits - current portion	-	0.20	0.58	1.26	1.32	0.59
Unearned lease financing and diminishing musharaka installments	0.19	0.47	0.15	0.07	0.16	0.62
Advance lease financing and diminishing musharaka installments	0.08	4.32	0.08	0.15	0.29	0.25
Trade and other payables	4.78	5.62	5.40	5.61	5.07	4.88
Unclaimed profit distributions	0.36	0.68	0.38	0.44	0.34	0.33
Advance against Murabaha	1.76	-	-	-	2.13	0.24
Total Current Liabilities	77.54	76.82	68.42	63.27	64.59	65.37
TOTAL EQUITY & LIABILITIES	100.00	100.00	100.00	100.00	97.29	100.00
PROFIT & LOSS ACCOUNT (%)	2023	2022	2021	2020	2019	2018
Income from lease financing	1.04	7.78	13.13	15.01	27.49	33.93
Income on diminishing musharaka financing	91.57	80.30	76.40	71.71	56.28	50.05
Other Income	7.40	11.92	10.47	13.28	16.22	16.02
	100.00	100.00	100.00	100.00	100.00	100.00
Administrative expenses	5.89	9.37	14.93	11.50	14.44	13.89
Other charges	8.53	5.85	-	-	0.12	-
Financial charges	61.68	52.66	42.80	59.96	37.80	31.59
Modaraba Management Company's remuneration	2.39	3.21	4.23	2.85	4.76	5.45
Sales tax on Modaraba Management Company's remuneration	0.31	0.42	0.55	0.37	0.62	0.71
Provision for Sindh Workers' Welfare Fund	0.42	0.57	0.75	0.51	0.85	0.97
Profit for the year	14.01	21.54	36.74	24.81	41.41	47.39
Taxation	6.77	6.38	-	-	-	-
Total	100.00	100.00	100.00	100.00	100.00	100.00

Free Cash Flows to Equity

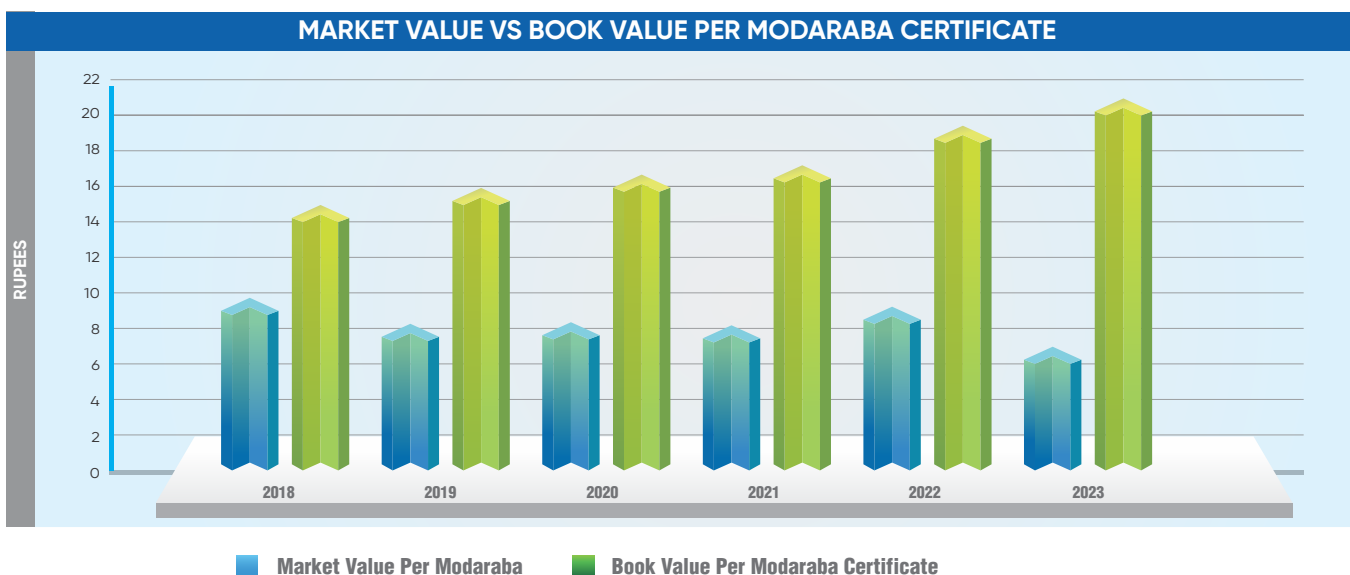
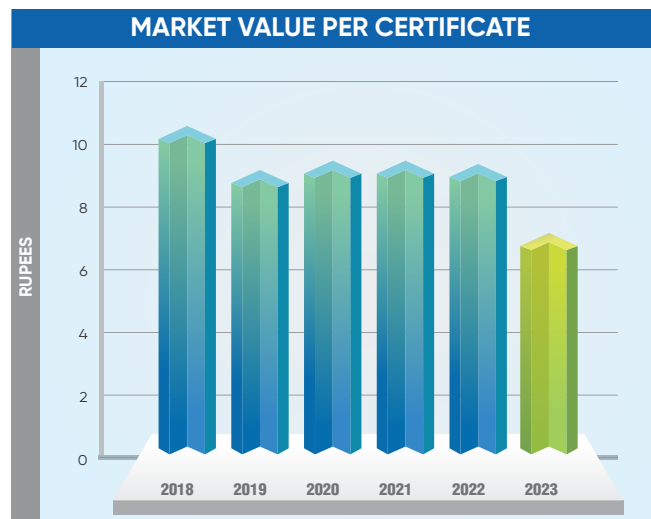
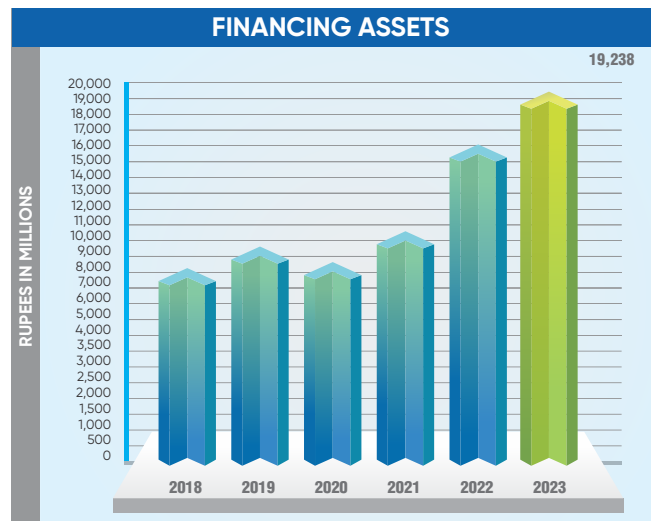
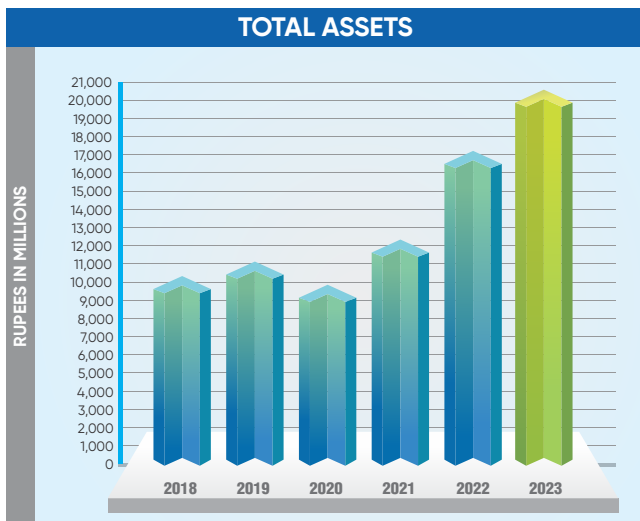
	Rupees			
	30-Jun-23 Annual	31-Mar-23 Nine monthly	31-Dec-22 Half yearly	30-Sep-22 Quarterly
Net cash used in operating activities	(2,050,997,323)	(1,570,040,457)	(1,384,863,554)	(352,430,390)
Net cash (used in) / generated from investing activities	(56,834,843)	32,896,639	47,382,608	(887,798)
Net cash inflow from financing activities	2,239,580,012	1,530,923,425	2,208,866,336	505,955,638
	131,747,846	(6,220,393)	871,385,390	152,637,450

Summary of Cash Flows

	Rupees in Million					
	2023	2022	2021	2020	2019	2018
Cash & cash equivalents at the beginning of the year	(330)	655	668	51	321	192
Net Cash flow from operating activities	(2,051)	(4,664)	(1,762)	1,212	(930)	(1,260)
Net Cash flow from investing activities	(57)	3	20	303	152	14
Net Cash flow from financing activities	2,240	3,676	1,729	(1,398)	507	1,375
Net increase/decrease in cash & cash equivalent	132	(985)	(13)	117	(271)	129
Cash & cash equivalents at the end of the year	(198)	(330)	655	168	50	321



Graphical Presentation of Financial Summary

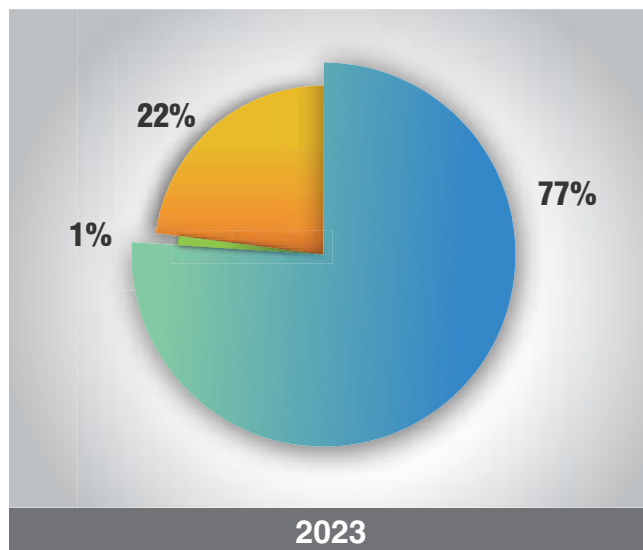


■ Market Value Per Modaraba

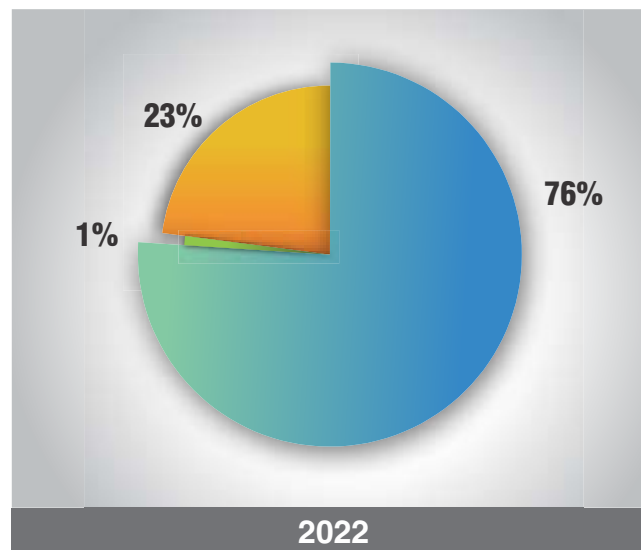
■ Book Value Per Modaraba Certificate

Balance Sheet Composition

EQUITY & LIABILITIES

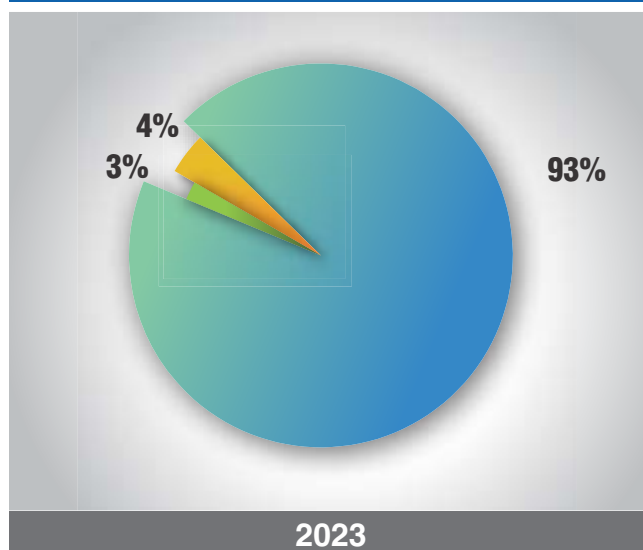


- Non-Current Liabilities
- Certificate Holders Equity
- Current Liabilities

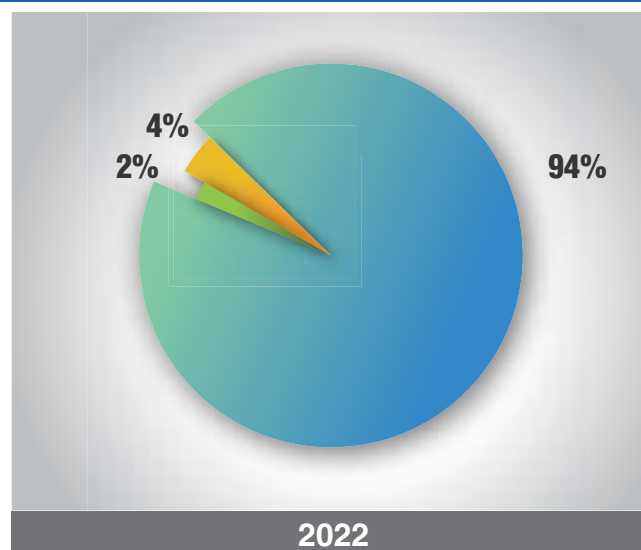


- Non-Current Liabilities
- Certificate Holders Equity
- Current Liabilities

ASSETS



- Financing Assets
- Investments
- Other Assets



- Financing Assets
- Investments
- Other Assets

Explanation of Negative Change From Prior Year

Profitability Ratio:

- EBITDA margin to revenue has been decrease from 47.10% in 2022 to 32.10% in current year due to significant escalation in administrative expenses and financial charges.
- Net profit to revenue has been declined from 15.13% in 2022 to 24.45% 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 2.18% compared with last year 1.58% due to increase in provisioning against Diminishing Musharakah financing.

Investment / market Ratio:

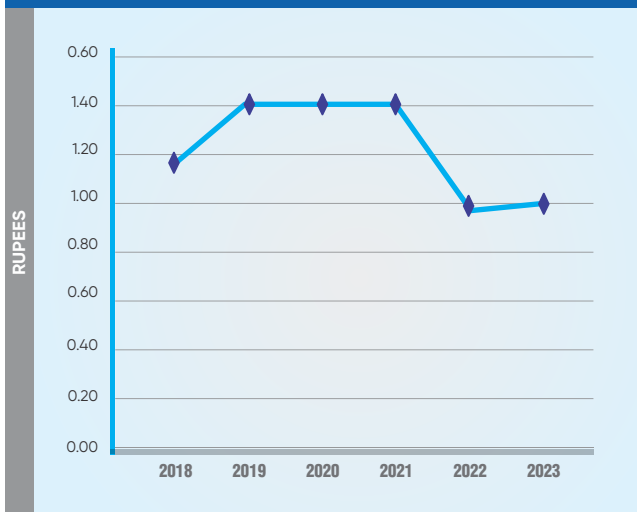
- Reduction in the dividend payout ratio, shifting from 52.76% in 2022 to 42.66% in 2023, is predominantly a strategic choice to reinvest a greater portion of profits back into the company and emphasize cash flow for operational needs. This decision aligns with the financial strategy of the company and is a response to the current market conditions.

Capital structure Ratio:

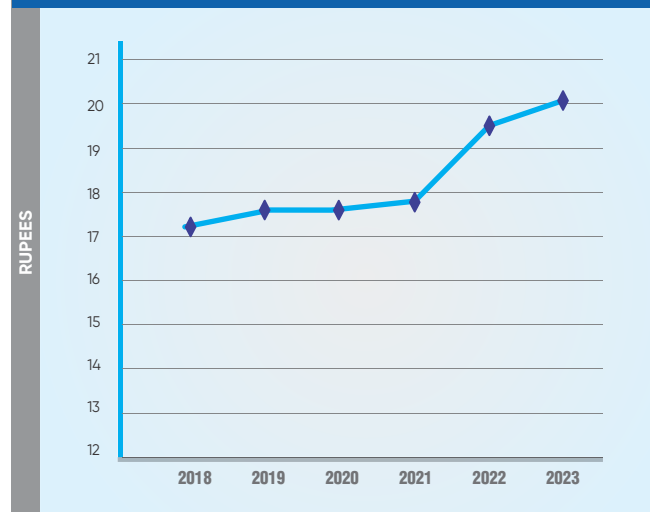
- Debt to equity has increased to 3.46 times to 3.32 times compared with last year due to increase in Certificate of Investment (Musharakah).

Graphical Presentation

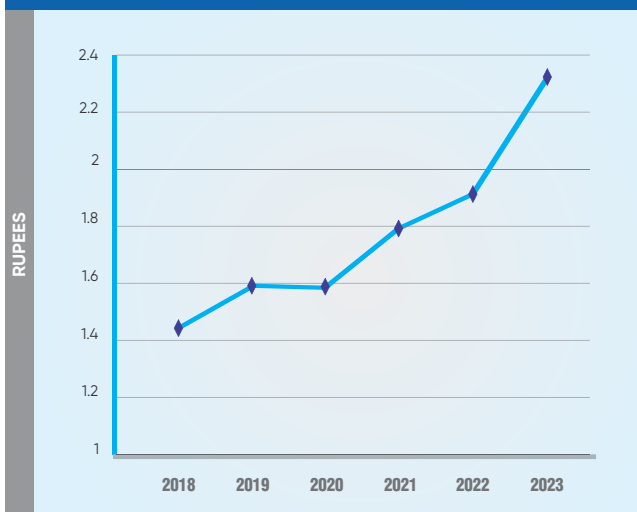
DIVIDEND PER CERTIFICATE



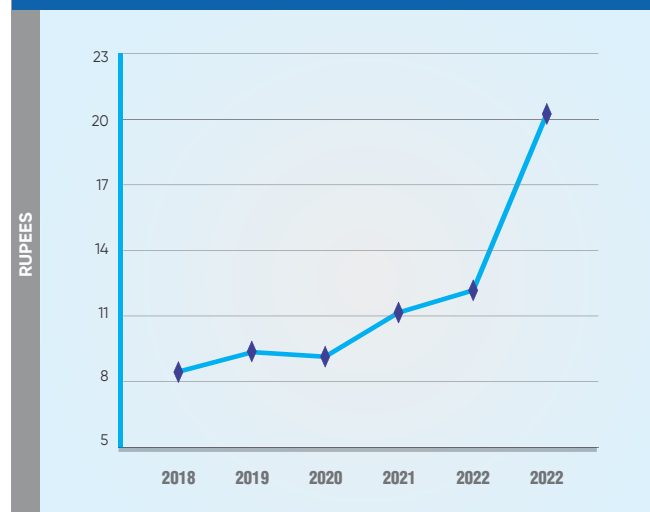
NET ASSET PER CERTIFICATE



EARNING PER CERTIFICATE OF RS. 5/- EACH



RETURN ON CAPITAL EMPLOYED



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 (Musharrakah) 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.
- Assessment of the current pandemic's impact on the business economy.
- 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

	2023	2022
	-----Rupees-----	
CASH FLOW FROM OEPRATING ACTIVITIES		
Installments received against lease financing and Diminishing Musharaka Financing	9,692,083,418	7,229,862,182
Net payments made against lease financing and Diminishing Musharaka Financing	(10,781,692,557)	(11,204,526,245)
Working capital movement	1,427,507,547	130,411,413
Financial charges paid	(2,103,963,486)	(761,529,678)
Gratuity Paid	(3,662,956)	(5,569,894)
Tax paid	(85,563,583)	(52,818,039)
Net cash flow from operating activities	(1,855,291,617)	(4,664,170,261)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(11,479,502)	(17,563,472)
Purchase of intangible assets	-	(182,531)
Purchase of investments	(103,871,927)	(289,258,660)
Proceeds from sale of assets in own use	1,465,111	3,936,137
Proceeds from transfer of lease financing assets	199,531,158	-
Proceeds from sale / maturity of investments	51,301,475	278,108,965
Dividends received	5,750,000	27,789,106
Net cash generated from investing activities	142,696,315	2,829,545
CASH FLOW FROM FINANCING ACTIVITIES		
Profit distribution paid	(199,000,200)	(279,608,256)
Payment of Lease rentals	(7,201,004)	(16,228,785)
Certificates of investment (musharaka)	2,445,781,216	3,972,060,411
Net cash (outflow) / inflow from financing activities	2,239,580,012	3,676,223,370
Net increase / (decrease) in cash and cash equivalents during the year	526,984,710	(985,117,346)
Cash and cash equivalents at beginning of the year	(329,366,276)	655,751,071
Cash and cash equivalents at end of the year	197,618,434	(329,366,276)

Segment-wise Review

Financing

Diminishing Musharaka Financing

Diminishing Musharaka Financing portfolio as at June 2023 was Rs.19,794 Million as compare to Rs.16,335 Million posted 21% growth on year to year basis.

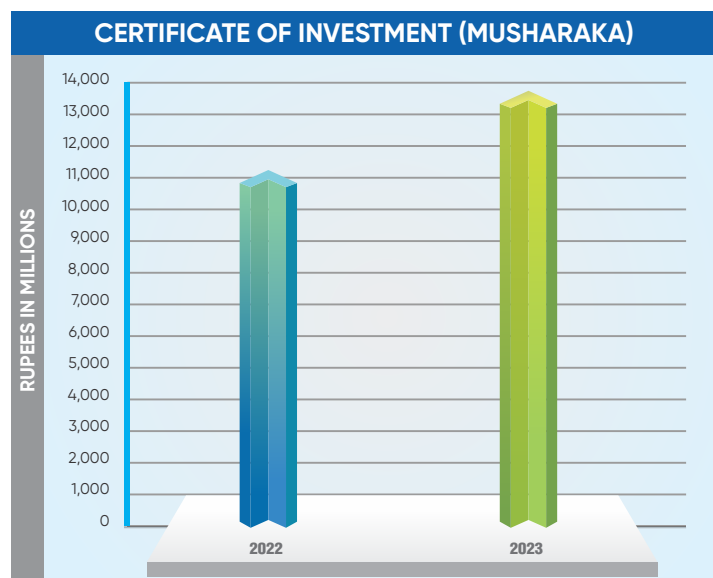
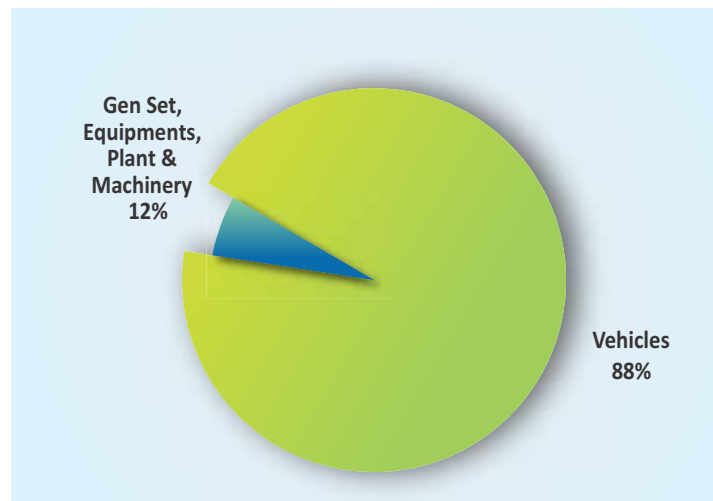
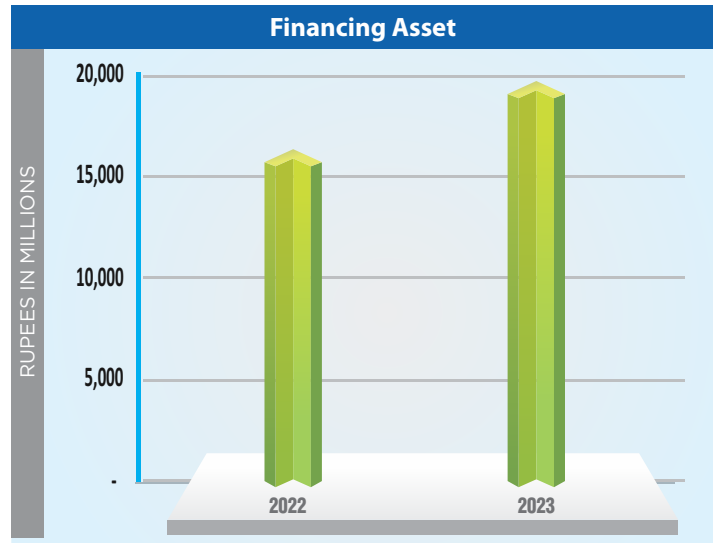
Our branches outside Karachi, i.e., Lahore, Islamabad and Multan have made significant contribution in assets booking as compared to corresponding period of last year Moreover, good new corporate customers, commercial vehicle segment and consumer car financing segment had also been added by these branches 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 vehicle i.e. 88% 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 (COM). The outstanding amount under COM was Rs.13,708 million at the end of year as compared to Rs.11,262 million of corresponding period of last year, increase by 22%. Our all branches have made their good efforts in channelizing deposit under COM which has greatly supported for generation of business volume at desired level.



Share Price Sensitivity Analysis

Earnings

News on earnings, profits and future positive cash flows develop interest of investors in the shares of company.

Government Policies

Government policies could be perceived as positive or negative for business. The policies may lead to changes in inflation & interest rates, which may affect stock prices.

Investor sentiments / confidence

Positive economic reforms can attract investors.

Announcement of dividends

Expected distribution from earning could increase the share prices as expectation of realisation of profit on investment.



Analysis of Variation in Results Reported in Quarterly Accounts



Analysis of Variation in Quarterly Results

	from April 2023 to June 2023	from April 2022 to June 2022	Variance	From Jan 2023 to Mar 2023	from Jan 2022 to Mar 2022	Variance
	Rupees			Rupees		
Income from lease financing	-	26,031,153	-100%	-	28,138,931	-100%
Income on diminishing musharaka financing	983,398,390	465,231,299	111%	821,227,864	371,647,517	121%
Administrative expenses	(57,058,367)	(71,035,885)	-20%	(60,607,149)	(41,560,109)	46%
Other income	82,260,357	134,475,000	-39%	70,102,123	26,081,088	169%
Financial charges	(701,814,472)	(365,833,513)	92%	(598,185,740)	(258,381,638)	132%
Profit after taxation	110,532,364	115,795,071	-5%	178,305,300	87,110,576	105%

	from Oct 2022 to Dec 2022	from Oct 2021 to Dec 2021	Variance	From Jul 2022 to Sep 2022	from Jul 2021 to Sept 2021	Variance
	Rupees			Rupees		
Income from lease financing	16,588,876	49,359,727	-66%	21,934,723	34,496,751	-36%
Income on diminishing musharaka financing	667,221,735	253,571,781	163%	608,800,335	230,502,904	164%
Administrative expenses	(52,196,466)	(41,573,205)	26%	-48,737,880	(54,946,770)	-11%
Other income	81,993,190	27,614,518	197%	40,036,770	23,287,335	72%
Financial charges	(525,684,882)	(172,734,675)	204%	-462,562,030	(137,432,549)	237%
Profit after taxation	127,059,637	111,123,656	14%	103,733,494	68,094,446	52%

Dividend and Overdue Payments

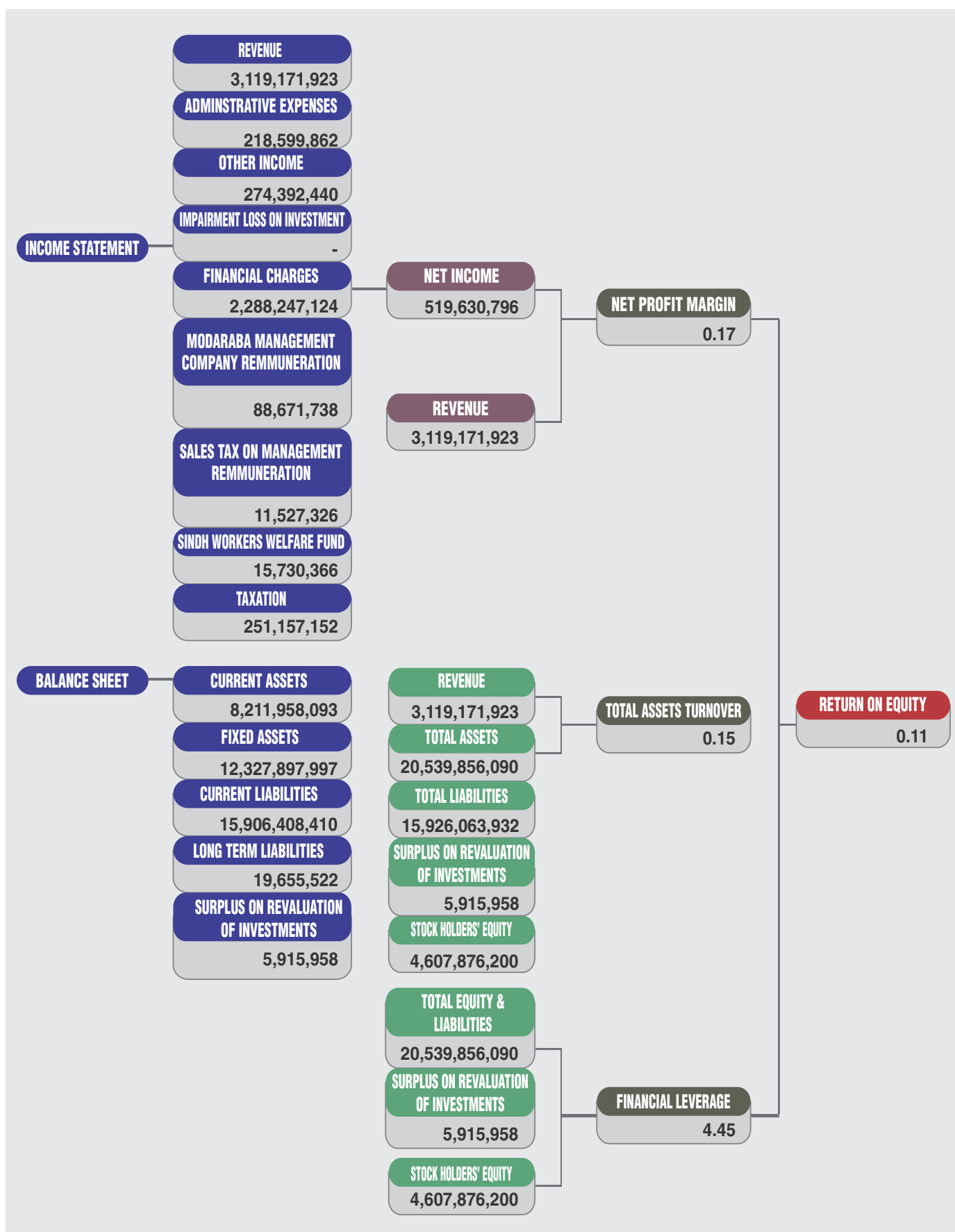
- Dividend has been declared and approved by the Board is 20% i.e Re.1.00 per certificate of Rs. 5/- each
- No overdue or outstanding taxes, duties, levies etc. on account of FHM

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>

Dupont Analysis



Business Model



Business Model

FINANCIAL CAPITAL

- Share Holders Equity: Rs.4.61 billion
- Certificate of Investment (Musharaka) : Rs.13.71 billion
- Capital Adequacy Ratio: 23

HUMAN 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

INTELLECTUAL CAPITAL

- Strong Legacy of group
- Strong Branding
- Strong Management Structure and Leadership
- Support in Systems, Processes and Procedures established by the parent Bank

MANUFACTURED CAPITAL

- State-of-the-art internal IT infrastructure
- Geographical presence in major cities (Karachi, Lahore, Islamabad and Multan)
- Three liaison offices (Faisalabad, Sialkot and Hyderabad)
- Providing Islamic Financial Services through various products

SOCIAL AND RELATIONSHIP CAPITAL

- Huge number of corporate and consumer clients
- Excellent relationship with all Stakeholders.
- Engagement in huge CSR.

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 and Talent Retention

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.

FINANCIAL CAPITAL

- Profit after Tax: Rs. 520 million
- Earning per certificate of Rs. 5 each: 2.34
- Dividend per share: Re. 1 / certificate
- Dividend Payout ratio: 42.66%
- Return on Equity (p.a): 16.73%
- Return on Assets (p.a): 3.75%

HUMAN CAPITAL

- 20% Female Staff Ratio: %
- 74 Training sessions
- Huge monetary support in difficult days

INTELLECTUAL CAPITAL

- Best Performing Modaraba Awards for last 22 years from NBFI & Modaraba Association of Pakistan
- 13 Corporate Excellence Awards from Management Association of Pakistan
- 13 Best Corporate Report Awards from Joint Committee of ICAP & ICMAP, 2 times hat rick 1st position
- 13 Best Presented Accounts & Disclosure Awards from South Asian Federation of Accountants (SAFA) and Apex body of SAARC
- 3 Gold Medal Achievement awards from Federation of Pakistan Chambers of Commerce & Industry
- 2 Awards from COMSAT for Best Islamic NBFC
- Islamic Retail Investment Product Award Dubai

SOCIAL AND RELATIONSHIP CAPITAL

- Certificate of Investment (Musharaka) Mobilization: 22% Growth
- Long Term Entity Credit Rating: AA+
- Short Term Entity Credit Rating: A1+
- All Complaints Resolved

Disclosures on IT Governance & Cyber Security

IT Governance & CyberSecurity	146
Cyber security programs, procedures and strategy	146
Board's Cyber Risk Oversight.....	146
Board committees oversights IT governance and cyber risk matters.	146
Early Warning System.	146
IT Governance Policy	147
Policy on Independent Security Risk Assessment.....	148
Resilient Contingency and Disaster Recovery on Cyber Breach.	148
Advancement In Digital Transformation to Improve Transparency, Reporting and Governance.....	148

IT Governance & CyberSecurity

Board statement on Assessing And Enforcing The Legal And Regulatory Impact Of Cyber Risk.

The Board guidance is in place for the management to ensure identification & mitigation of IT related risks including cyber security & breaches, prompt compliance of regulatory guidelines/ legal requirement in this respect, assurance of customer's data protection and required disclosure of these risks to customers & other stakeholders. Accordingly, the management along with the vigilant information security team takes charge in enveloping and implementing effective risk management strategies, guaranteeing resilience while bolstering the capacity to ensure resilience widespread disruptions, cyber-security threats, and potential compromises to critical assets.



Cybersecurity Programs, Procedures and Strategy

System support department and Information Security teams are actively collaborate to fortify the organization's cyber security 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 significant time and effort into maintaining deterrence using thorough defense in consultation with cyber security experts. To ensure efficient service delivery, SSD also focuses on business needs, customer satisfaction, high performance, and robust security in line with industry best practices. Service standards for all ITG services provide to business units are controlled through Service Level Agreements (SLAs), while IT Helpdesk, with a dedicated technical support team to ensure quick resolution of service issues with appropriate policies and procedures.

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 investment plans and strategies. This includes determining value for money and ROI. It also ensures that the information security function within the Modaraba is subject to effective risk oversight and that the information security posture is aligned with its risk appetite.

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.

Early Warning System

The Board of Directors and its various senior-level subcommittees review all key risks, including market risk, liquidity, solvency, compliance and information security, through various reports, including early warning indicators to ensure that Modaraba has the necessary Policy, Procedures, Systems and Controls are in place to minimize what could affect its business objective, performance and sustainability.

IT Governance Policy

The FHM's IT governance framework is established in accordance with regulatory requirements including overall improvement of governance in the technology sector through guidance from regulators, 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 stander 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

Investing in licensed applications in compliance with relevant laws.

Financial reporting area

Integration of the different systems used by various departments.

IT Security area

The System Support Department and Information Security teams are fully committed to enhancing 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

Data governance encompasses the systematic and formal management of any service or process that is required for effective information management.



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 monitor evolving and emerging threats to recommend and identify relevant information security controls. In addition, FHM regularly conducts third-party information security risk assessments and conducts regular security monitoring for identified categories of information security risk management systems, perform security monitoring, information assets, investigate information security incidents and last assessments were conducted in May-2022 and also raise staff awareness of IT security risks, and report on information security risk management.

Resilient Contingency and Disaster Recovery on Cyber Breach.

A robust business resilience framework is in place to ensure that FHM's systems are available to client's service, even in the event of a crisis or other disruptive event. FHM's business resilience team helps businesses operations resilience in any disruption through proactive planning, maintenance, service, and testing through people, space, systems, and the third-party Business Continuity Management (BCM). FHM works continuously to create a culture of cyber resilience.

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 develop a solution system uses existing mobile phone technology to run an application that will enable users to record their attendance via Wi-Fi without the need to queue or share surfaces.

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.

Education and Training Efforts to Reduce Cybersecurity Risks.

We remain focused on building our capabilities in line with regulatory framework and compliance obligations, 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 being taken to increase digital awareness in order to recognize contemporary trends and prepare staff for the cyber resilience.

FUTURE OUTLOOK

Forward Looking Statement	150
Sources of Information and assumptions	152
Energy Saving Measures	153
Quality Assurance	153
Customer Satisfaction	154

Forward Looking Statement

Future outlook of the economy and businesses of FHM have been discussed in details in Directors' Report. Please refer page 80. 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

FY 2022-23 was one of the most difficult year after showing good recovery previous year. Throughout the year, the economy remained affected by political instability, catastrophic unprecedented floods, and other external factors such high cost of commodity and regional conflicts. The businesses remained under considerable stress due to rising inflation, significant, high rate of policy rates and weakening of Pak rupees.

Despite trying hard, the governments could not manage to address the key structural problems in the economy via reforms. Being an import-led economy, this consumption-led growth continued to create a drain on forex reserves. Unfortunately, the agenda of moving towards sustainable macroeconomic stabilization through rationalization on expenditure side, revenue optimization, removing unproductive subsidies, and scaling down the budgetary deficit, remained unfulfilled.

Future outlook of FHM

At present, Pakistan's economy is confronted with a severe economic crisis characterized by high levels of inflation, low economic activity, low foreign reserves, a depreciating currency, and enormous fiscal imbalances. Keeping in view prevailing economic challenges, we expect further slow moving business activities till the setup of new government after general election. The current situation is also impacting timely repayment of borrowed facilities by the businesses. We are continuously facing re-pricing risks under rising lending rate scenario and rising cost of doing businesses which have squeezed cash generation ability of customers.

On positive side, we also pessimistic about massive opportunity for small and medium credit facilities under Shariah compliant mode of financing. Addressing these opportunities, we plan to develop our operational processes further to support high volume businesses with greater efficiency, increase our geographic presence across the country for assets financing.

Keeping in view of present business circumstances we are cautiously moving forward in order to make sure sustainability and pass through with difficult time.

Significant plans

For FY 2023-24, our focus will remain to further strengthen our market share within Islamic Financial Services Industry of Pakistan. Furthermore, as business strategy, we shall further enhance our domestic presence, continue to deliver unmatched services to our customers and add sound entities within financing portfolio. Following new cities have planned for engagement with sound customers for assets financing.

- Sialkot
- Gujranwala
- Gujrat
- Bahawalpur
- Rahim Yar Khan

Keeping in view of present business circumstances we will cautiously move forward and will be more careful in our existing and new business engagements for new assets financing.

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

- Explore digital based lending space through technological advancement
- More penetration in auto and SME markets
- Minimize cost of doing business
- Explore new avenues low cost funds
- Diversification in the liability basket
- Enhance competency mapping in talent management

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
- Further rise in policy rate by Central Bank
- High Inflation
- Disruption in imported raw materials
- Energy prices
- Any other force majeure.

Forward Looking Statement made in 2022	Performance made in 2023
<ul style="list-style-type: none"> • To enhance our market reach in new cities and add sound customer base • Explore new avenues of low cost resource mobilization through COIs and other Islamic instruments. • Enhance technological advancement and broaden digital space for enhancement of operational efficiencies through virtual engagements of staff members. • To enhance operational capacity of staff members through different segments of training programs. • Focus will be made on strengthening of risk management tools, optimizing operating efficiencies and continuous advancement in technology. 	<ul style="list-style-type: none"> • Business avenues explored and engaged in new customers few active cities of KPK, Punjab and Sindh to enhance market reach • Our deposit under Certificate of Musharka scheme also reached to Rs.13.708 billion growths of around 22% as compared to last year. • Technological advancement made to enhance operational efficiency and customer service level. • For capacity building of staff members, different training program were engaged through inside and outside training programs. • Risk Management processes were further improved and new credit appraisal and assessment tools introduced for better credit engagement.

Status of the projects in progress disclosed in the forward-looking statement in the previous year.

a) Merger of Habib Metro Modaraba with First Habib Modaraba

In March, 2023, our team also completed merger process of Habib Metro Modaraba (HMM) with FHM and assets and liabilities have been amalgamated with FHM.

b) Explore new markets and add sound customer within financing book

Few new cities i.e., Faisalabad, Sialkot, and Hyderabad have been explored and our business development added new customers from above cities in our financing book. More cities, such as Gujranwala, Gujrat, Bahawalpur and Sukkar are in process of visit and engagement of sound customers.

c) To enhance and diversify liability book

Sizeable enhancement has been made in liability book by adding assets management companies and corporate entities.

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.

Energy Saving Measures

As responsible corporate citizen, it is our responsibility to protect scarce resources particularly energy and water. Energy and water crises are global issues and opportunities in using of Alternate energy i.e., Solar Power and wind power to reduce the emission in environment.

Under our corporate division, we started to look more closely at the emerging opportunities of green finance comprising green buildings, renewable energy and energy-efficient projects, waste management capability development, initiatives to ensure safety and security of factory workers etc.

First Habib Modaraba (FHM) having the vision to establish this thorough practical application within organization. The Management of FHM always encourage for the betterment of the environment and effective implementation of policies so that benefit of energy conservation can be achieved.

The undermentioned measures have been initiated at FHM to preserve the electricity and other resources:

- Conversion of existing energy saver with LED lights and invertors air-conditioners.
- Creating awareness to staff & emphasize them to go with the effective measures of energy saving.
- To reduce energy cost FHM is continuously making advancement in technology use of energy
- efficient hardware.
- To promote solar power Financing.
- Paper less environment is encouraged so that more cost saving can be attained.



Quality Assurance

In the business of financial services, quality delivery of services is very important for any institution. This supported through quality assurance process which a systematic process of checking to see whether a product or service being developed is meeting specified requirements or not. A quality assurance system is said to increase customer confidence and a company's credibility to improve work processes and efficiency to enable organization to compete with others in better way.

In highly competitive environment, organizations are placing increased emphasis on customer satisfaction as they consider customer perception of service quality is a significant factor in determining the market share. The core management keeps of testing and analyzing operational systems and enhancing service standards for fast and perfect delivery at entire satisfaction of their customer.

High quality customer service is an important part of FHM's philosophy. It is our constant endeavor to provide greater services with wider accessibility. At FHM customer service operations are designed to keep customers satisfied without compromising operational standards of the organization.

The management of FHM is committed to improve the quality of services and transform it into a modern and dynamic institution. The management has initiated a number of steps aimed at improving the quality and efficiency of its services in all areas of operations. Efforts are being made to harness the skills of its human resources besides managers are continuously reviewing business practices, procedures and service delivery mechanism to set high ethical and service standards.

We continuously develop and recover customer-service oriented culture within FHM. Good Customer service is helping resolve problems and giving best service timely. To carry out this function effectively, FHM has a system of easy access of the customers to the management whenever it is needed.

Knowing our customer's need is the key to our business success. We also feel that well updated IT infrastructure is the most important tools to provide best services to customer. FHM is continuously up grading its IT infrastructure in line with modern technology in order to have efficient operations and speedy services to customer.

We always improve our service quality through:

- Customer feedback.
- Analysis of repeat business segments of existing customers.
- Frequent visits of customers.
- Frequent revisits of operational processes.
- Feedback at Annual Review Meeting.
- Complain management system.



CUSTOMER SATISFACTION

Providing high quality customer services is a vital part of FHM's values. It is our true objective to provide greater services with wider accessibility. Our customers are the center of the importance of quality. Attracting and satisfying customers with good financial products and providing them their desired services in time is the key of success of FHM. As the competition in the financial sector is continuing rise, it is becoming increasingly difficult to achieve growth and it is only possible with customer satisfaction which eventually results in customer retention. Our corporate slogan is "Customer First". We always emphasis on to provide best quality services to our customers. We continuously develop and improve customer oriented culture within FHM. Knowing our customer and their needs is the key factor to our business success. Our managers are well equipped and well trained to provide the most efficient and personalized services to our customers. We understand that our commitment to satisfy customer's needs must be fulfilled within a professional and ethical framework, thereby creating ongoing relationships of trust and confidence in all their dealings with FHM. We shall look forward to maintain high-level customer satisfaction through improvement of strength and values, based on Shari'ah principles.



Stakeholders Relationship & Engagement

Stakeholders' Engagement	156
Steps To Encourage Minority Certificate Holders To Attend The ARM.	157
Investors' Relations Section On Corporate Website	157
Corporate Briefing Session	157
Redressal of Investor Complaints	157
Business Strategy and its implementation status	157
Statement of Value Added.	158



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 company 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

At FHM, 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.

INVESTORS' RELATIONS 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.

CORPORATE BRIEFING SESSION

As mandated by the Pakistan Stock Exchange, the Modaraba conducted its annual 'Corporate Briefing Session' on 25 October, 2022. 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, outlook and answered the queries raised by the attendants to their satisfaction.

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.

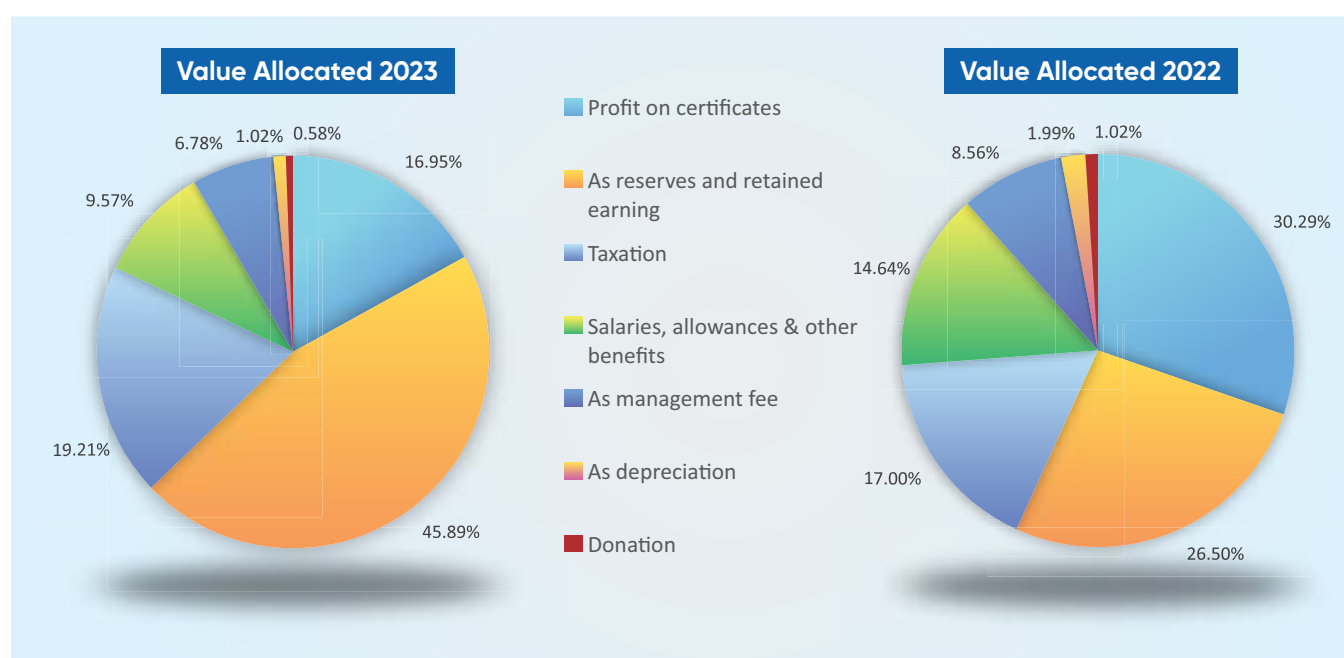
These queries / complaints are handled with utmost priority meeting the expectations of investors to their satisfaction.

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 2022-2023 given in ARM	Achievement during 2022-2023
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	In order to penetrate the FHM Products into 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 dividend distribution in upcoming years	Modaraba has again declared 20% annual dividend
Improve internal control environment and strict adherence to legal and regulatory requirements	With technological advancements and sound control processes, plenty of measures have been taken

Statement of Value Added

	2023		2022	
	Rupees	(%)	Rupees	(%)
Value Added				
Revenue from operations	1,271,694,435		628,390,213	
Other income / charges	274,392,440		211,457,939	
Value added by financial services	1,546,086,875		839,848,152	
Operating expense including provisions	238,583,587		174,183,485	
	1,307,503,288	100	665,664,667	100
Value Allocated				
To Employees				
Salaries, allowances & other benefits	125,079,698	9.57%	97,479,411	14.64%
To Modarib				
As management fee	88,671,738	6.78%	56,977,101	8.56%
To certificate holders				
Profit on certificates (Dividend)	221,661,000	16.95%	201,600,000	30.29%
To Government				
Taxation	251,157,152	19.21%	113,155,397	17.00%
To Society				
Donation	7,568,000	0.58%	6,781,800	1.02%
To expansion & growth				
As Depreciation	13,365,700	1.02%	13,246,209	1.99%
As Reserve and Retained earning	600,000,000	45.89%	176,424,749	26.50%
	1,307,503,288	100.00%	665,664,667	100.00%



The background of the cover page features a man in a dark suit and white shirt, holding a tablet. Overlaid on the image is a glowing blue line graph with multiple peaks and valleys. The background also shows a blurred city skyline at night with lights from buildings and streets.

Striving for Excellence in Corporate Reporting

Board's Statement On Responsibility for Preparation & Reporting of Financial Statements	160
Adoption of Integrated Reporting (IR) Framework	160
BCR Criteria Cross Reference	161
Specific Disclosures of the Financial Statements	170
Specific Disclosures For Shariah Compliant Companies	172
Shariah Advisor's Profile	173
Shariah Certificate	174

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 Company confirm that:

- The financial statements have been prepared which fairly represent the state of affairs of the Company, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company 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 Company'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 Company 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, ethics and values.	12, 13, 31, 32
1.02	Principal business activities and markets (local and international) including key brands, products and services.	28-29
1.03	Geographical location and address of all business units including sales units and plants.	30
1.04	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	33
1.05	Disclosure of beneficial (including indirect) ownership and ownership chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	109
1.06	Organization chart indicating functional and administrative reporting, presented with legends.	34
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	35
1.08	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.	36
1.09	The legislative and regulatory environment in which the organization operates.	40
1.10	The legitimate needs, interests of key stakeholders and industry trends.	37
1.11	SWOT Analysis of the company.	38
1.12	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).	39
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	41
1.14	History of major events.	42
1.15	Details of significant events occurred during the year and after the reporting period.	42
2	Strategy and Resource Allocation	
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve these objectives.	44
2.02	Resource allocation plans to implement the strategy. Resource means 'Capitals' including: a) Financial Capital; b) Human Capital; c) Manufactured Capital; d) Intellectual Capital; e) Social and Relationship Capital; and f) Natural Capital.	45
2.03	The capabilities and resources of the company to provide sustainable competitive advantage and as result value created by the business.	46

S.No.	BCR Criteria	Page No.
2.04	The effects of the given factors on company strategy and resource allocation: technological changes, ESG reporting and challenges, initiatives taken by the company in promoting and enabling innovation and resource shortages (if any).	47
2.05	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.	48-49
2.06	The company's sustainability strategy with measurable objectives/ targets.	50
2.07	Board's statement on the significant plans and decisions such as corporate restructuring, business expansion, major capital expenditure or discontinuance of operations.	51
2.08	a) Information about defaults in payment of any debts with reasons and b) Board strategy to overcome liquidity problem and its plan to manage repayment of debts and meet operational losses.	51-52
3	Risks and Opportunities	
3.01	Key risks and opportunities (internal and external) affecting availability, quality and affordability of Capitals.	56
3.02	A Statement from Board for determining the following: a) company's level of risk tolerance by establishing risk management policies. b) the company has carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	57
3.03	Risk Management Framework covering principal risk and uncertainties facing the company, risk methodology, risk appetite and risk reporting.	58
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.	61-62
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).	58-60
4	Sustainability and Corporate Social Responsibility (CSR)	
4.01	Board's statement for adoption of best practices for CSR.	64
4.02	Board's statement about the company's strategic objectives on ESG (environmental, social and governance)/ sustainability reporting.	64
4.03	A chairman's overview on how the company's sustainable practices can affect their financial performance.	65-69
4.04	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and CSR as per best business practices including: a) environment related obligations applicable on the company; b) company progress towards ESG initiatives during the year; and c) company's responsibility towards the state, health & safety.	70-71
4.05	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	72-76
4.06	Certifications acquired for best sustainability and CSR practices or have a membership of any environmental or social groups.	77

S.No.	BCR Criteria	Page No.
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 involvement /engagement of 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.	82-85 94-96
5.02	A brief description about role of the Chairman and the CEO.	98
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.	99
5.04	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	14
5.05	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	93
5.06	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	100
5.07	Details of formal orientation courses for directors.	84
5.08	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	84
5.09	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.	99
5.10	Disclosure about related party transactions: a) Approved policy for related party transactions. b) Details of all related parties 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 that how such a conflict is managed and monitored by the board.	99

S.No.	BCR Criteria	Page No.
5.11	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. i) Social and environmental responsibility. j) Communication with stakeholders. k) Investors' relationship and grievances. l) Employee health, safety and protection. m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report. n) Safety of records of the company.	84 102-106
	o) Company's approach to managing and reporting policies like procurement, waste and emissions.	N/A
5.12	Board review statement of the organization's business continuity plan or disaster recovery plan.	107
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	110-112
5.14	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).	113-114
5.15	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	117-119
5.16	Timely Communication:	N/A
	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 nalization of their nancial state-ments would be provided a 20 days relaxation, on providing evidence to the Committee).	

S.No.	BCR Criteria	Page No.
5.17	<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 in relation 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 to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance.</p> <p>e) 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 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>	120-121
5.18	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.	122
5.19	<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>	123
5.20	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, a disclosure if it has any other connection with the company.	94
5.21	Chairman's significant commitments and any changes thereto.	14
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.	82

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	126
	The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits.	126-127
6.02	a) Analysis of financial ratios (Annexure I). b) Explanation of negative change in the performance against prior year.	128 135
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	130-131
6.04	Graphical presentation of 6.02 and 6.03 above.	133, 134, 136
6.05	Methods and assumptions used in compiling the indicators.	137
6.06	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	138
6.07	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	139
6.08	a) 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 earnings. b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	140 N/A
6.09	Brief description and reasons for not declaring dividend despite earning profits and future prospects of dividend.	141
6.1	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).	141
7	Business Model	
7.01	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework.	144
7.02	Explanation of any material changes in the entity's business model during the year.	N/A
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.	146-148
8.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	146-148
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.	146-148
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.	146-148

S.No.	BCR Criteria	Page No.
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.	146-148
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.	146-148
8.07	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	146-148
8.08	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance.	146-148
8.09	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	146-148
9	Future Outlook	
9.01	Forward-looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.	150
9.02	Explanation as to how the performance of the company meets the forward-looking disclosures made in the previous year.	151
9.03	Status of the projects in progress and were disclosed in the forward-looking statement in the previous year.	151
9.04	Sources of information and assumptions used for projections / forecasts in the forward-looking statement and assistance taken by any external consultant.	152
10	Stakeholders Relationship and Engagement	
10.01	Stakeholders engagement policy of the company and how the company has identified its stakeholders.	156
10.02	<p>Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the company, and how those relationships are managed.</p> <p>These engagements may be with:</p> <ul style="list-style-type: none"> a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees; and g) Analysts. 	156
10.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	157
10.04	Investors' Relations section on the corporate website.	157
10.05	Issues raised in the last AGM, decisions taken and their implementation status.	157

S.No.	BCR Criteria	Page No.
10.06	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 nancial capital as nancial charges; e) Society as donation; and f) Retained within the business.	158
10.07	Steps board has taken to solicit and understand the views of stakeholders through corporate brieng sessions and disclosure of brief summary of Analyst brieng conducted during the year.	157
10.08	Highlights about redressal of investors' complaints.	157
11	Striving for Excellence in Corporate Reporting	
11.01	Board's responsibility statement on full compliance of nancial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	160
11.02	Adoption of International Integrated Reporting Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles'.	160
11.03	BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website).	161-168
12	Specic Disclosures of the Financial Statements	
12.01	Specic disclosures of the nancial statements required under the Companies Act, 2017 and IFRSs (Annexure II).	170-171
13	Assessment based on Qualitative Factors	
13.01	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 Clarity, simplicity and lucidity in presentation of nancial statements. b) Theme on the cover page. c) Eective use of presentation tools, particularly, eective use of diagrams, graphs, charts, smart arts, icons, tables and infographics in the annual report. d) Eectiveness and relevance of photos and graphs e) Eectiveness of the theme on the cover page.	Based on the quality of text, presentation, photos, graphs and theme used in the report
	Total Marks	
	Annexure I - Financial Ratios (refer section 6 of the criteria)	
Financial Sector		
Protability Ratios		
	a) Prot before tax ratio	128
	b) Gross Yield on Earning Assets	128
	c) Gross Spread ratio	128
	d) Cost/Income ratio	128
	e) Return on Equity	128
	f) Return on Capital employed	128
	g) Shareholders' Funds	128
	h) Return on Shareholders' Funds	128

S.No.	BCR Criteria	Page No.
	i) Total Shareholder Return	128
Liquidity Ratios		
	a) Advances to deposits ratio	129
	b) Current ratio	129
	c) Quick / Acid test ratio	129
	d) Cash to Current Liabilities	129
	e) Cost of Funds	129
	f) Cash ow coverage ratio	129
	g) Net interest income as a percentage of working funds / Operating cost - Eciency ratio	129
	h) Cash Reserve Ratio / Liquid Asset ratio	129
	i) Gross Non-Performing assets to gross advances	129
	j) Non-Performing loans to Total Loans	129
Investment / Market Ratios		
	a) Earnings per share (EPS) and diluted EPS	129
	b) Price Earnings ratio	129
	c) Price to Book ratio	129
	d) Dividend Yield ratio	129
	e) Dividend Payout ratio / Dividend Cover Ratio	129
	f) Cash Dividend per share / Stock Dividend per share	129
	g) Market value per share at the end of the year and high/low during the year	129
	h) Breakup value per share	129
	i. Without Surplus on Revaluation of property, plant and equipment.	N/A
	ii. With Surplus on Revaluation of property plant and equipment including the eect 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
	i) DuPont Analysis	142
	j) Free Cash Flow	132
	k) Economic Value Added (EVA)	158
Capital Structure		
	a) Capital Adequacy ratio	129
	b) Earning assets to total assets ratio	129
	c) Weighted Average cost of deposit	129
	d) Statutory Liquidity Reserve (Ratio)	129
	e) Net assets per share	129
	f) Debt to Equity ratio (as per book and as per market value)	129
Non-Financial Ratios		
	a) Sta turnover ratio	129
	b) Customer Satisfaction Index	129
	c) Employee Productivity Rate	129

For Specific Disclosures of the Financial Statements

S.No.	Specific Disclosures Required in the Financial Statements	Reference to the disclosure in financial statements	Reference Page No.
1	Fair value of Property, Plant and Equipment.	Note 6	195
2	Reconciliation of weighted average number of shares for calculating EPS and diluted EPS.	Note 18	204
3	Particulars of significant/ material assets and immovable property including location and area of land	Not applicable	-
4	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	Note 46	230
5	Disclosure of product wise data mentioning, product revenue, profit etc.	Profit and Loss, note 42	178, 225
6	Capacity of an industrial unit, actual production and the reasons for shortfall.	Not applicable	-
7	Disclosure of discounts on revenue.	Not applicable	-
8	Sector wise analysis of deposits and advances.	Note 41	224-225
9	Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations.	BS PNL & Cash-flow	177, 178, 180
10	Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP.	Note 2.1	183
11	Summary of significant transactions and events that have affected the company's financial position and performance during the year.	Note 1	182
12	Forced sale value in case of revaluation of Property, Plant and Equipment or investment property.	Not applicable	-
13	Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors/Executives or close family member of Directors/Executives etc.).	Refer Category of certificate holding	113
14	Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding.	Refer Category of certificate holding	113
15	Particulars where company has given loans or advances or has made investments in foreign companies or undertakings.	Not applicable	-
16	Accounts Receivable in respect of Export Sales - Name of company or undertaking in case of related party and in case of default brief description of any legal action taken against the defaulting parties.	Not applicable	-
17	Treasury shares in respect of issued share capital of a company.	No Treasury certificates held	-
18	In describing legal proceedings, under any court, agency or government authority, whether local or foreign, include name of the court, agency or authority in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis of the proceeding and the relief sought.	Note 24.4, 24.7 & 26.1	207, 211

S.No.	Specific Disclosures Required in the Financial Statements	Reference to the disclosure in financial statements	Reference Page No.
19	Management assessment of sufficiency of tax provision made in the company's financial statements shall be stated along with comparisons of tax provision as per accounts vis a vis tax assessment for last three years.	Note 4.13	192
20	Income tax reconciliation as required by IFRS and applicable tax regime for the year.	Note 31.1	214
21	In respect of loans and advances, other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance exceeds rupees one million, together with the collateral security, if any.	Not applicable	-
22	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).	Note 28	212
23	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	-
24	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	-
25	Standards, amendments and interpretations adopted during the current year along with their impact on the company's financial statements.	Note 3.1	185
26	Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the company's financial statements.	Note 3.2	185-186

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 complaint 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 23 and 25	206 and 211
Shariah compliant bank deposits/bank balances;	Refer Note 11.2 and 17	200 and 203
Profit earned from shariah compliant bank deposits/bank balances	Refer Note 29	213
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 29	213
Exchange gain earned from actual currency	Not applicable	-
Mark up paid on Islamic mode of financing	Refer "Financial Charges paid" in Cashflow from Operating Activities	180
Relationship with shariah compliant banks	Refer Note 23 and 25	206 and 211
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-ul-Ifta Jamiat-ur-Rasheed from 2009 to 2015.





*All Praise is due to Allah, the Cherisher of the world
Peace and Blessings be upon the Prophet of Allah, on his family and all his companions, and on those who
follow him with Iman till the day of Aakhirah*

SHARIAH CERTIFICATE FOR FIRST HABIB MODARABA

For the year ended June 30, 2022

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, 2023 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 99% portfolio is covered under Takaful, However, further improvement required to put its effort for conversion of remaining portfolio to Takaful.
- Shari'ah related training 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: 2 Muharram Ul Haram 1445 Hijri/ July 21, 2023



Financial Statements

Auditors' Report to the Certificate Holders	176
Balance Sheet	177
Profit & Loss Account	178
Statement of Comprehensive Income	179
Cash Flow Statement	180
Statement of Changes in Equity	181
Notes to the Financial Statements	182



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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First Habib Modaraba (the Modaraba Company) as at 30 June 2023 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [Habib Metropolitan Modaraba Management Company (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of First Habib Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba Company's affairs as at 30 June 2022 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980) was deducted by the Modaraba Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner: Omer Chughtai
Date: 02 October 2023
Place: Karachi
UDIN Number: AR2023101202s5ZgYJcW

Balance Sheet

AS AT JUNE 30, 2023

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Lease financing assets	5	-	185,055,850
Fixed assets in own use	6	54,442,474	50,229,380
Intangible assets	7	81,143	141,975
Diminishing musharaka financing	8	12,102,544,307	8,634,613,815
Long term deposits	9	852,800	1,172,800
Deferred tax assets - net	10	169,977,273	34,358,016
		12,327,897,997	8,905,571,836
CURRENT ASSETS			
Investments	11.	858,857,564	728,314,744
Current portion of diminishing musharaka financing	8	5,879,239,824	4,548,619,952
Diminishing Musharaka financing installments receivable	13	7,590,286	2,338,076
Advances and prepayments	14	1,253,786,642	2,725,863,098
Other receivables	15	24,375,360	25,597,501
Income tax refundable	16	-	89,470,329
Cash and bank balances	17	188,108,417	137,042,312
		8,211,958,093	8,257,246,012
TOTAL ASSETS		20,539,856,090	17,162,817,848
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 280,000,000 (June 30, 2022: 220,000,000) certificates of Rs.5/- each		1,400,000,000	1,100,000,000
Issued, subscribed and paid-up certificate capital	18	1,108,305,000	1,008,000,000
Reserves	19	3,499,571,200	2,959,519,451
Certificate holders' equity		4,607,876,200	3,967,519,451
SURPLUS ON REVALUATION OF INVESTMENTS	20	5,915,958	9,495,741
NON-CURRENT LIABILITIES			
Security deposits against lease financing assets	21	-	26,320,785
Liability against right of use assets	22	19,655,522	8,284,058
		19,655,522	34,604,843
CURRENT LIABILITIES			
Certificates of investment (musharaka)	23	13,708,381,051	11,262,599,835
Security deposits - current portion	21	-	33,661,163
Current maturity of liability against right of use assets	22	2,769,105	1,980,642
Unearned lease financing and diminishing musharaka installments		38,359,710	79,964,659
Advance lease financing and diminishing musharaka installments		15,572,861	11,111,098
Trade and other payables	24	981,833,656	741,298,141
Profit payable on certificates of investment (musharaka)		362,344,841	223,420,415
Running Musharaka	25	745,667,326	748,281,800
Unclaimed profit distributions		51,479,860	48,880,060
		15,906,408,410	13,151,197,813
TOTAL EQUITY AND LIABILITIES		20,539,856,090	17,162,817,848
CONTINGENCIES AND COMMITMENTS			
	26		

The annexed notes from 1 to 49 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

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
Income from lease financing	27	38,523,599	138,026,562
Income from diminishing musharaka financing		3,396,946,547	1,424,746,026
Provision and write-off in respect of diminishing musharaka	8.3.1	(316,298,223)	(103,792,525)
Administrative expenses	28	(218,599,862)	(166,284,621)
		2,900,572,061	1,292,695,442
Other income	29	274,392,440	211,457,939
		3,174,964,501	1,504,153,381
Financial charges	30	(2,288,247,124)	(934,382,375)
Modaraba Management Company's remuneration	24.5	(88,671,738)	(56,977,101)
Sales tax on Modaraba Management Company's remuneration	24.6	(11,527,326)	(7,407,023)
Provision for Sindh Workers' Welfare Fund	24.4	(15,730,366)	(10,107,738)
Profit before taxation		770,787,947	495,279,144
Taxation	31	(251,157,152)	(113,155,397)
Profit for the year		519,630,795	382,123,747
Earning per certificate - basic and diluted	32	2.34	1.90

The annexed notes from 1 to 49 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, 2023

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
Profit for the year		519,630,795	382,123,747
Components of other comprehensive income reflected in equity			
Items that will not be reclassified subsequently to profit and loss account			
Actuarial loss on defined benefit plan - net	24.8 h (ii)	(979,696)	(2,331,483)
Total comprehensive income for the year transferred to unappropriated profit		518,651,099	379,792,264
Components of other comprehensive income reflected below equity			
Items that will not be reclassified subsequently to profit and loss account			
(Deficit)/Surplus on revaluation of investments classified as 'at fair value through other comprehensive income' - net	20	(83,032)	80,496,149
Total comprehensive income for the year		518,568,067	460,288,413

The annexed notes from 1 to 49 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, 2023

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	44	4,800,873,856	1,834,529,918
Disbursement of lease financing assets		-	(57,982,023)
Proceeds from transfer of lease financing assets		199,531,158	502,582,914
Diminishing musharaka financing - net		(4,798,550,364)	(5,981,528,523)
Long term deposits		320,000	(25,000)
Security deposits against lease financing assets		(59,981,948)	(141,829,936)
Financial charges paid		(2,103,963,486)	(761,529,678)
Gratuity paid		(3,662,956)	(5,569,894)
Tax paid		(85,563,583)	(52,818,039)
Net cash outflow from operating activities		(2,050,997,323)	(4,664,170,261)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets in own use		(11,479,502)	(17,563,473)
Purchase of intangible assets		-	(182,531)
Purchase of investments		(103,871,927)	(289,258,660)
Proceeds from sale of fixed assets in own use		1,465,111	3,936,137
Proceeds from sale / maturity of investments		51,301,475	278,108,965
Dividends received		5,750,000	27,789,106
Net cash (outflow) / inflow from investing activities		(56,834,843)	2,829,544
CASH FLOW FROM FINANCING ACTIVITIES			
Profit distribution paid		(199,000,200)	(279,608,258)
Payments of lease rentals	22	(7,201,004)	(16,228,785)
Certificates of investment (musharaka)		2,445,781,216	3,972,060,411
Net cash inflow from financing activities		2,239,580,012	3,676,223,368
Net increase / (decrease) in cash and cash equivalents during the year		131,747,846	(985,117,349)
Cash and cash equivalents at beginning of the year		(329,366,278)	655,751,071
Cash and cash equivalents at end of the year	34	(197,618,432)	(329,366,278)

The annexed notes from 1 to 49 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, 2023

	Certificate capital	Capital reserves			Revenue reserves		Total equity
		Certificate premium	Amalgamation Reserve	Statutory reserves* (Rupees)	General reserves	Unappropriated profit	
Balance as at July 01, 2021	1,008,000,000	378,000,000	-	1,207,937,890	640,000,000	393,129,923	3,627,067,813
Profit distribution for the year ended June 30, 2021 at Rs.1.40/- per certificate	-	-	-	-	-	(282,240,000)	(282,240,000)
Total comprehensive income for the year	-	-	-	-	-	379,792,264	379,792,264
Surplus transferred to unappropriated profit during the year	-	-	-	-	-	242,899,374	242,899,374
Transfer to statutory and general reserves	-	-	-	76,424,749	100,000,000	(176,424,749)	-
Balance as at June 30, 2022	1,008,000,000	378,000,000	-	1,284,362,639	740,000,000	557,156,812	3,967,519,451
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 (See Note 1.2)	-	-	233,003,899	-	-	-	233,003,899
Capital issued pursuant to acquisition (See Note 1.2)	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 HMM 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

* The statutory reserve represents profit set aside as required under the Modaraba Regulations 2021 for Modarabas as issued by the Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 49 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, 2023

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

1.1 Amalgamation of Habib Metro Modaraba (HMM) and First Habib Modaraba (FHM)

During the year, under the Scheme of Arrangement for the merger / amalgamation of the entire undertaking of HMM with and into FHM, along with all ancillary matters under Section 279 to 283 and 285 read with Section 505 of the Companies Act, 2017 (The Scheme), the undertakings of HMM has been amalgamated into FHM. The Scheme was effective from July 01, 2022.

The Board of Directors of the Modaraba Management Company in their meeting held on June 06, 2022 principally approved the aforementioned Scheme. SECP on July 22, 2022 approved the Modaraba Management Company to proceed further with the proposed merger subject to approval of draft Scheme from the High Court of Sindh. The High Court of Sindh passed an order dated February 07, 2023 under section 279(2) of the Companies Act, 2017, sanctioning the scheme of amalgamation with effect from July 01, 2022 (effective date of amalgamation) binding FHM and HMM.

As of the effective date of amalgamation, the terms of the Scheme of Amalgamation resulted in immediate dissolution without winding up of the HMM and all the assets and liabilities (as stated below) on the said date along with all other contracts, certificates, bonds, documents, correspondences, records, agreements and instruments of any nature whatsoever in relation to the HMM were transferred in the name of FHM. In consideration, 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 (0.6687 certificates of FHM to be issued for 1 certificate of HMM) calculated based on the financial statement for the period ended March 31, 2022.

This amalgamation was accounted for using predecessor's accounting method as it was a business combination of entities under common control and therefore scoped out of IFRS-3 'Business Combinations'. The assets and liabilities as of the effective date of amalgamation of the defunct entity HMM have been incorporated into the books of FHM at their respective carrying amounts and the difference in value of the net assets and the certificates issued as

consideration issued to the registered certificate holders of HMM has been recognised as an “Amalgamation reserve” in the books of FHM on the said date.

Furthermore, the income, profit, gains, losses (including any taxes paid, deducted or withheld) of HMM are incorporated prospectively from effective date of amalgamation in to the books of FHM. Consequently, these financial statements do not reflect the results of HMM for the period before the transaction occurred and the corresponding amounts for the previous year presented are also not restated.

1.2 The book values of assets and liabilities of the HMM as of July 01, 2022 are as follows:

	----Rupees----
ASSETS	
Property and equipment	1,125,555
Diminishing Musharakah Financing	201,813,420
Deferred tax asset	381,271
	203,320,246
Current portion of diminishing Musharakah financing	85,898,911
Advances and short term prepayments	2,250,065
Accrued profits	664,839
Taxation - net	4,092,515
Cash and bank balances	74,337,470
	167,243,800
	370,564,046
LIABILITIES	
Creditors, accrued and other liabilities	37,133,901
Unclaimed profit distribution	121,246
	37,255,147
Net Assets at the effective date of merger	333,308,899
Consideration (20,061,000 fully paid ordinary certificates of Rs. 5 each)	100,305,000
Amalgamation reserve	233,003,899

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;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws).

Where provisions and directives issued under Companies Act, 2017 and the relevant laws differ from IFRS Standards, the provisions and directives issued under Companies Act, 2017 and the relevant laws have been followed.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS 2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.

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 financial instruments in accordance with the requirements of IFRS 9 'Financial Instrument', wherever applicable, defined benefit obligations are carried at present value; and right of use of asset and related lease liability are measured at present value.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in these financial statements except for Murabaha facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard - 1.

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.

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 4.3,6.1)
- b Staff retirement benefits (note 4.12)
- 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 4.13,31)
- f Contingencies (note 4.17)

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

The Modaraba has adopted the following amendments and improvements to the approved accounting and reporting standards which became effective for the current year:

Amendments to approved accounting standards

IFRS 3	Reference to the Conceptual Framework (Amendments)
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Fees in the '10 percent' test for the derecognition of financial liabilities
IFRS 16	Leases: Lease incentives
IAS 41	Agriculture - Taxation in fair value measurement

The adoption of the above amendments and improvements to the approved accounting and reporting standards did not have any material effect on these financial statements.

3.2 Standards, interpretations and amendments to the published accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards, Interpretations or Amendments	Effective date
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 01, 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	January 01, 2023
Classification of liabilities as current or non-current and Non-current Liabilities with Covenants - Amendment to IAS 1	January 01, 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024

Standards, Interpretations or Amendments

Effective date

Disclosures: Supplier Finance Arrangements -
Amendments to IAS 7 and IFRS 7

January 01, 2024

Sale or Contribution of Assets between an Investor and its Associate
or Joint Venture - Amendment to IFRS 10 and IAS 28

Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards

**IASB Effective date
(annual periods
beginning on or after)**

IFRS 1 - First-time Adoption of International Financial Reporting Standards

July 01, 2009

IFRS 17 - Insurance Contracts

January 01, 2023

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

4.1 Acquisitions from entities under common control

Assets and liabilities acquired in business combinations arising from transfers of interest in entities that are under the common control of the certificate holders. Such assets and liabilities are recognised at the carrying amounts recognised previously in the combining entity's financial statements on the effective date of amalgamation as per the scheme approved by the court.

4.2 Revenue recognition

Lease financing installments are recognized on accrual basis.

Income from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred Murabaha income) is deferred and recognized on a time proportionate basis.

Income on diminishing musharaka financing is recognized on accrual basis.

Income on GOP Ijarah Sukuk Bonds is recognized on accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

Return on deposit accounts is recognized on accrual basis.

4.3 Fixed assets

(a) Lease financing assets

Lease financing assets are stated at cost less accumulated depreciation. Depreciation is charged to profit and 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 Mumtasia 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 and 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 balance sheet 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 and loss account.

4.4 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to profit and 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 balance sheet 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 and loss account.

4.5 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 financial asset is measured at FVPL if:

- (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 and 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 and loss account.

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 and loss account. Dividends are recognised as other income in the statement of profit and 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 and loss account. 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 Lease financing and Diminishing Musharakah Financing in which there have been significant increase in Credit Risk for the date of initial recognition 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 and Loss Account.

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.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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 and 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.

4.12 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.

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

Name of related party	Nature of relationship	Basis of relationship
Habib Metropolitan Bank Limited	Holding Company of Management Company	Common Management and Control
Habib Bank AG Zurich	Associate	Ultimate parent
Habib Metropolitan Modaraba Management Company (Private) Limited	Associate	Management Company of the Modaraba
Habib Metropolitan Financial Services Limited	Associate	Common Management and Control
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management
First Habib Modaraba Employee 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, 2023	June 30, 2022
		Rupees	
5. LEASE FINANCING ASSETS			
Lease financing assets	5.1	-	185,055,850

5.1 Lease financing assets

Lease financing assets

June 30, 2023

Particulars	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	-	-	335,761,745	24,514,310	-	-	8.33 to 50
		(249,070,123)			(249,609,431)			
		(142,350,216)			(110,666,624)			
Vehicles	379,792,840	-	-	250,395,584	22,463,436	-	-	15 to 33.33
		(27,018,802)			(1,519,590)			
		(352,774,038)			(271,339,430)			
	771,213,179	(276,088,925)	-	586,157,329	46,977,746	-	-	
		(495,124,254)			(633,135,075)			

June 30, 2022								
Particulars	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) for the year	As at end of the year		
	(Rupees)							
Plant, machinery and equipment	522,321,056	57,982,023 (188,882,740)	391,420,339	356,841,234	49,052,061 (70,131,550)	335,761,745	55,658,594	8.33 to 50
Vehicles	1,779,906,816	- (1,400,113,976)	379,792,840	1,083,863,707	239,056,138 (1,072,524,261)	250,395,584	129,397,256	15 to 33.33
	2,302,227,872	57,982,023 (1,588,996,716)	771,213,179	1,440,704,941	288,108,199 (1,142,655,811)	586,157,329	185,055,850	

* These Transfers relate to lease financing asset converted to diminishing musharaka

		Note	June 30, 2023	June 30, 2022
Rupees				
6. FIXED ASSETS IN OWN USE				
Assets in own use	6.1		30,874,598	32,724,232
Right-of-use assets	6.2		23,567,876	17,505,148
			54,442,474	50,229,380

6.1 Assets in own use

Assets in use

June 30, 2023								
Particulars	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 equipment	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
		1,379,455			1,140,737			
Furniture and fixture	12,600,107	804,965 (476,964)	13,190,979	10,370,480	1,472,040 (443,614)	11,643,211	1,547,768	20 to 25
		262,871			244,305			
Vehicles	29,805,244	6,826,000 (1,939,000)	34,749,444	9,348,582	5,171,290 (891,720)	13,643,246	21,106,198	16.67
		57,200			15,094			
Leasehold improvements	20,204,846	1,307,940	24,555,229	15,338,582	3,723,309	21,278,187	3,277,042	20
		3,042,443			2,216,296			
	89,090,271	11,479,490 (2,547,964)	102,763,766	56,366,039	13,365,700 (1,459,003)	71,889,168	30,874,598	
		4,741,969			3,616,432			

* Fixed assets transferred from HMM on the effective date of amalgamation amounts to Rs. 1.12 million (Refer note 1.2). The cost and accumulated depreciation of the assets transferred amounts to Rs. 4.74 million and Rs. 3.61 million.

June 30, 2022

Particulars	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) for the year	As at end of the year		
	(Rupees)							
Office equipment	22,590,835	3,889,239	26,480,074	18,282,254	3,026,141	21,308,395	5,171,679	25 to 33.33
Furniture and fixture	12,078,486	621,621 (100,000)	12,600,107	8,788,495	1,681,982 (99,997)	10,370,480	2,229,627	20 to 25
Vehicles	25,592,680	12,094,507 (7,881,943)	29,805,244	9,119,870	4,800,891 (4,572,179)	9,348,582	20,456,662	16.67
Leasehold improvements	19,246,740	958,106	20,204,846	11,601,387	3,737,195	15,338,582	4,866,264	20
	79,508,741	17,563,473 (7,981,943)	89,090,271	47,792,006	13,246,209 (4,672,176)	56,366,039	32,724,232	

		Note	June 30, 2023	June 30, 2022
(Rupees)				
6.2 Right-of-use assets				
As at beginning of the year			17,505,148	22,582,192
Additions			19,548,614	-
Depreciation expense	28		(5,876,087)	(5,077,044)
Terminated during the year			(7,609,799)	-
As at end of the year			23,567,876	17,505,148
7. INTANGIBLE ASSETS				
Intangible assets	7.1		81,143	141,975
Capital work-in-progress	7.2		-	-
			81,143	141,975

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)/ *transfers 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 - 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			
	<u>3,989,745</u>	<u>344,565</u>	<u>4,334,310</u>	<u>3,847,770</u>	<u>405,397</u>	<u>4,253,167</u>	<u>81,143</u>	
Computer software - June 30, 2022	3,807,214	182,531	3,989,745	3,807,214	40,556	3,847,770	141,975	33.33

* These amounts were transferred from HMM on the effective date of amalgamation. (Refer note 1.2)

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
7.2 Capital work-in-progress			
As at beginning of the year		-	141,250
Add: Addition to capital work-in-progress		-	-
Less: Written off during the year		-	(141,250)
As at end of the year		-	-
8. DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	8.1 & 8.2	18,549,421,878	13,438,064,734
Less: Provision in respect of diminishing musharaka	8.3	(567,637,747)	(254,830,967)
		17,981,784,131	13,183,233,767
Diminishing Musharaka financing-Non current		12,102,544,307	8,634,613,815
Diminishing Musharaka financing-Current		5,879,239,824	4,548,619,952
		17,981,784,131	13,183,233,767

8.1 The amounts transferred from HMM on the effective date of amalgamation to FHM in respect of diminishing musharaka financing and provision against diminishing musharaka amounts to Rs. 287 million and Rs. 0.033 million. Net diminishing musharaka financing amounts to Rs. 287 million. (Refer Note 1.2)

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:

	June 30, 2023		June 30, 2022	
	Amount outstanding	Expected credit loss allowance	Amount outstanding	Expected credit loss allowance
Stage 1	17,483,113,511	1,304,379	13,001,458,728	-
Stage 2	357,367,555	9,184,384	54,700,537	-
Stage 3	708,940,812	557,148,984	381,905,469	254,830,967
	18,549,421,878	567,637,747	13,438,064,734	254,830,967

8.3.1 An analysis of change in ECL provision in relation to diminishing musharaka financing is, as follows:

	June 30, 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

	June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
	Rupees			
Opening Balance	-	-	151,038,442	151,038,442
Charge for the year	-	-	103,792,525	103,792,525
Write off during the year	-	-	-	-
Closing balance	-	-	254,830,967	254,830,967

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

	June 30, 2023		June 30, 2022	
	Rupees		Rupees	
Classification	Amount Outstanding	Provision	Amount Outstanding	Provision
Considered good	17,725,637,901	-	13,056,159,265	-
Portfolio classified as non-performing				
Other asset especially mentioned (OAEM)	154,955,277	1,374,470	257,714,059	144,847,257
Substandard	13,475,740	3,417,738	13,828,940	636,176
Doubtful	255,955,056	151,460,975	1,245,603	230,667
Loss	399,397,904	411,384,564	109,116,867	109,116,867
	823,783,977	567,637,747	381,905,469	254,830,967
	18,549,421,878	567,637,747	13,438,064,734	254,830,967

	June 30, 2023	June 30, 2022
	Rupees	
9. LONG TERM DEPOSITS		
Security deposit to Central Depository Company of Pakistan Limited	150,000	150,000
Security deposit of branch offices	466,800	786,800
Security deposit to Habib Metropolitan Bank for locker	155,000	155,000
Miscellaneous deposits	81,000	81,000
	852,800	1,172,800

10. DEFERRED TAX ASSETS - NET

	As at June 30, from HMM				As at June 30,
	2022	Transfers	Profit or loss	OCI	2023
Deductible temporary differences in respect of:					
- Depreciation on fixed assets	3,855,995	381,271	3,136,572	-	7,373,838
- Provision in respect of diminishing musharaka	34,251,533	-	129,642,907	-	163,894,440
- Post retirement employee benefits	-	-	407,490	(407,490)	-
	38,107,528	381,271	133,186,969	(407,490)	171,268,278
Taxable Temporary Differences on:					
- Surplus on revaluation of investments	(1,360,164)	-	-	515,027	(845,137)
- Other taxable temporary difference	(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

	As at June 30,			As at June 30,
	2022	Profit or loss	OCI	2023
Deductible temporary differences in respect of:				
- Depreciation on fixed assets	-	3,855,995	-	3,855,995
- Provision in respect of diminishing musharaka	-	34,251,533	-	34,251,533
- Post retirement employee benefits	-	(407,490)	407,490	-
	-	37,700,038	407,490	38,107,528
Taxable Temporary Differences on:				
- Surplus on revaluation of investments	-	-	(1,360,164)	(1,360,164)
- Other taxable temporary difference	-	(2,389,348)	-	(2,389,348)
	-	(2,389,348)	(1,360,164)	(3,749,512)
	-	35,310,690	(952,674)	34,358,016

10.1 The amounts transferred from HMM on the effective date of amalgamation to FHM in respect of deferred tax amounts to Rs.0.38 million (Refer note 1.2).

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
11. INVESTMENTS			
At fair value through other comprehensive income			
Investment in shares	11.1	41,265,000	92,661,374
Investment in sukuk bonds	11.2	80,000,000	80,000,000
		121,265,000	172,661,374
At fair value through profit and loss			
Investment in MCB Arif Habib funds (Alhamra Islamic Money Market Fund)	11.3	103,871,927	-
At amortized cost			
Investment in Term Deposit Musharakas (TDMs)	11.4	359,940,477	281,873,210
Investment in GOP Ijarah sukuk bonds	11.5	273,780,160	273,780,160
		633,720,637	555,653,370
		858,857,564	728,314,744

11.1 At fair value through other comprehensive income

Shares of listed companies - at fair value through other comprehensive income

Number of shares		Name of Investee Company	June 30, 2023		June 30, 2022	
			Average Cost	Market Value	Average Cost	Market Value
June 30, 2023	June 30, 2022					
Sugar and Allied Industries						
-	1,510,668	Habib Sugar Mills Limited	-	-	47,301,563	48,341,374
Fertilizer						
500,000	500,000	Engro Fertilizer Limited	34,503,905	41,265,000	34,503,905	44,320,000
			34,503,905	41,265,000	81,805,468	92,661,374

Investment in Sukuks Bonds - at fair value through other comprehensive income

- 11.2** 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 2023	Market Value	Unrealised appreciation / (diminution)
Meezan Bank Limited	AA+	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	-

11.3 Mutual Funds - Investment at fair value through profit and loss

	2023	2022	2023	2022	Face Value	2023	2023
	Number of units		Long / Medium Term Rating (where applicable)			Cost	Carrying Value
MCB- Arif Habib (Alhamra Islamic Money Market Fund)	1,043,834	-	AA+(f)	-	99.51	100,000,000	103,871,927

Investment at amortized cost

- 11.4** These carry profit at rates ranging from 13% to 18% (2022: 6.40% to 13%) per annum having maturity from 3 months to 6 months.

11.5 Investment in Ijarah GOP sukuk bonds - at ammortized cost

	Note	2023	2022	Face Value	2023	2022	2023
		Number of certificates			Cost		Fair Value
Investment in Ijara GOP Sukuk Bonds	11.5.1	3	3	275,000,000	273,675,000	273,675,000	273,780,160

- 11.5.1** The profit on the Sukuk shall be paid bi-annually on the basis of rental rate announced by the State Bank of Pakistan prior to start of each half year. The profit rate announced for the six month period is 22.8% per annum.

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
12. LEASE FINANCING INSTALLMENTS RECEIVABLE			
Secured - considered good			
Lease financing installments due	12.1	-	140,774
Less: Provision against lease financing installments receivable		-	(140,774)
		-	-
12.1 Aging of lease financing installments receivable			
Classification			
Considered good		-	-
Portfolio classified as non-performing:			
Other asset especially mentioned (OAEM)		-	140,774
Substandard		-	-
Doubtful		-	-
Loss		-	-
	12.1.1	-	140,774
		-	140,774
12.1.1 This also includes provision on subjective basis.			
13. DIMINISHING MUSHARAKA FINANCING INSTALLMENTS RECEIVABLE			
Secured - considered good			
Diminishing Musharaka financing installments receivable	13.2	35,706,294	31,424,407
Less: Provision against Diminishing Musharaka financing installments receivable	13.1	(28,116,008)	(29,086,331)
		7,590,286	2,338,076

13.1 Movement of provision in respect of diminishing musharaka financing installments receivable

	June 30, 2023	June 30, 2022
-----Rupees-----		
As at beginning of the year	29,086,331	7,986,018
Charge for the year	349,225	21,100,313
Write off during the year	(1,319,548)	-
	28,116,008	29,086,331

	June 30, 2023			
	Stage 1	Stage 2	Stage 3	Total
	Rupees			
Opening balance	-	-	29,086,331	29,086,331
Charge / reversal 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

	June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
	Rupees			
Opening balance	-	-	7,986,018	7,986,018
Charge / reversal for the year	-	-	21,100,313	21,100,313
Write off during the year	-	-	-	-
Closing balance	-	-	29,086,331	29,086,331

13.2 Aging of Diminishing Musharaka financing installments receivable

	Note	June 30, 2023	June 30, 2022
		Rupees	
Classification			
Considered good		27,280,452	2,338,076
Portfolio classified as non-performing:			
Other asset especially mentioned (OAEM)		1,690,911	25,784,035
Substandard		84,319	304,991
Doubtful		448,896	78,620
Loss		6,201,716	2,918,685
	13.2.1	8,425,842	29,086,331
		35,706,294	31,424,407
13.2.1 This also includes provision on subjective basis.			
14. ADVANCES AND PREPAYMENTS			
Advances		4,917,458	2,586,611
Prepayments		4,557,743	3,151,544
Advance against diminishing musharaka financing		1,244,311,441	2,720,124,943
		1,253,786,642	2,725,863,098

14.1 The amount transferred from HMM on the effective date of amalgamation amount to Rs.2.25 million. (Refer note 1.2)

	June 30, 2023	June 30, 2022
	-----Rupees-----	
15. OTHER RECEIVABLES		
Unsecured - considered good		
Profit receivable on modaraba deposit accounts	9,038,515	6,775,954
Profit receivable on sukuk bonds	11,756,771	7,941,445
Other receivables	3,580,074	10,880,102
	24,375,360	25,597,501

15.1 The amount transferred from HMM on the effective date of amalgamation amounts to Rs.0.6 million. (Refer note 1.2)

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
16. INCOME TAX REFUNDABLE			
Income tax refund		-	89,470,329
17. CASH AND BANK BALANCES			
Stamps in hand		556,500	289,400
At banks in:			
Current accounts			
State Bank of Pakistan		964,282	227,149
With other banks	17.3	99,161,845	18,070,536
Profit bearing accounts			
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party	17.1	87,425,790	118,455,227
		188,108,417	137,042,312

17.1 The profit on the above modaraba deposit accounts ranges between 12.75% to 18.00% (2022: 5.5% to 13.50%) per annum.

17.2 The amount transferred from HMM on the effective date of amalgamation amounts to Rs. 74 million. (Refer note 1.2)

17.3 Balances with other banks include amount of Rs.72.961 million pertaining to Habib Metropolitan Bank, a related party.

18. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Rupees			Rupees	
213,961,000	193,900,000	Certificates of Rs.5/- each issued for cash	1,069,805,000	969,500,000
7,700,000	7,700,000	Certificates of Rs.5/- each issued as bonus certificates	38,500,000	38,500,000
221,661,000	201,600,000		1,108,305,000	1,008,000,000

Reconciliation between issue, subscribed and paid up capital at the beginning and end of the year is as follows:

193,900,000	193,900,000	Opening Certificates	969,500,000	969,500,000
20,061,000	-	Certificates issued during the year (See Note 1.2)	100,305,000	-
213,961,000	193,900,000		1,069,805,000	969,500,000

	Note	June 30, 2023	June 30, 2022
		Rupees	
19. RESERVES			
Capital reserves			
Premium on issuance of certificates		378,000,000	378,000,000
Amalgamation Reserve (See note 1.2)		233,003,899	-
Statutory reserves		1,284,362,639	1,284,365,639
		1,895,366,538	1,662,362,639
Revenue reserves			
General		1,340,000,000	740,000,000
Unappropriated profit		264,204,662	557,156,812
		1,604,204,662	1,297,156,812
		3,499,571,200	2,959,519,451
20. SURPLUS ON REVALUATION OF INVESTMENTS			
Market value of investments		121,265,000	172,661,374
Less: Cost of investments		(114,503,905)	(161,805,469)
Less: Deferred tax		(845,137)	(1,360,164)
	20.1	5,915,958	9,495,741
Surplus on revaluation at beginning of the year - net of tax		9,495,741	201,278,830
Surplus transferred to unappropriated profit during the year - net of tax		(3,496,751)	(272,279,238)
Surplus on revaluation during the year - net of tax		(83,032)	80,496,149
		(3,579,783)	(191,783,089)
		5,915,958	9,495,741

20.1 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	June 30, 2023	June 30, 2022
-----Rupees-----			
21. SECURITY DEPOSITS AGAINST LEASE FINANCING ASSETS			
Lease security deposits	21.1	-	59,981,948
Less: Current portion shown under current liabilities		-	(33,661,163)
		-	26,320,785

21.1 These represent deposits from lease without any remuneration.

22. LIABILITY AGAINST RIGHT OF USE ASSETS

The Modaraba has entered into lease agreements in respect of its various rented offices. These were initially measured at the present value of remaining lease payments, discounted using the Modaraba's incremental borrowing rate that ranges from 13.97% per annum to 17.31% per annum. The lease liabilities are subsequently being measured at amortised cost using the effective interest rate method.

The amount of future payments for the leases and the period in which these payments will become due are as follows:

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
As at beginning of the year		10,264,700	23,695,845
Additions		19,548,614	-
Deletions		(2,828,582)	-
Finance cost for the year	30	2,640,899	2,797,640
Payments made during the year		(7,201,004)	(16,228,785)
As at end of the year	22.1	22,424,627	10,264,700
Less: Current maturity		(2,769,105)	(1,980,642)
		19,655,522	8,284,058

22.1 Details of Minimum Lease Payments

	2023	
	Minimum Lease Payments	Present Value of Minimum Lease Payment
Not Later than one year	6,161,270	2,769,105
Later than one year not later than five years	25,623,025	18,136,971
Later than five years	1,719,666	1,518,551
	33,503,961	22,424,627

	2022	
	Minimum Lease Payments	Present Value of Minimum Lease Payment
Not Later than one year	2,761,384	1,463,038
Later than one year not later than five years	9,586,305	6,637,466
Later than five years	2,616,883	2,164,180
	14,964,572	10,264,684

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
23. CERTIFICATES OF INVESTMENT (MUSHARAKA)			
Unsecured			
Certificates of Investment (musharaka)	23.1 & 23.2	13,708,381,051	11,262,599,835
23.1 Movement in Certificates of Investment (musharaka)			
As at beginning of the year		11,262,599,835	7,290,539,424
Add: Certificates issued during the year	23.1.1	54,192,510,001	23,438,422,335
		65,455,109,836	30,728,961,759
Less: Encashment during the year	23.1.1	(51,746,728,785)	(19,466,361,924)
As at end of the year		13,708,381,051	11,262,599,835

23.1.1 The rollover amount of Rs. 26,838,661,035 (2022: Rs. 11,380,958) has been excluded from the certificate issued during the year.

23.2 The estimated share of profit paid / payable on the above unsecured certificates of investments (musharaka) ranges between 12.30% to 19.80% (2022: 5.50% to 14.70%) per annum having maturity from 3 months to 1 year.

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
24. TRADE AND OTHER PAYABLES			
Accrued liabilities	24.2	205,411,824	199,785,564
Adjustable against financing contracts	24.3	293,044,354	243,842,949
Advance against sale of diminishing musharaka units		48,612,086	124,362,763
Diminishing musharaka customer contribution		5,031,152	11,279,720
Workers' Welfare Fund	24.4	46,228,277	35,858,451
Management fee payable	24.5	88,302,836	56,977,101
Sales tax on management fee payable	24.6	43,961,609	31,240,914
Sales tax on management fee payable to previous management company	24.7	37,950,679	37,950,679
Gratuity payable	24.8	-	-
Provision for taxation		213,290,839	-
		981,833,656	741,298,141

24.1 The amount transferred from HMM on the effective date of amalgamation amounts to Rs. 37 million. (Refer note 1.2)

24.2 This includes charity payable amounting to Rs. 3.703 (2022: Rs. 2.535) million. The reconciliation is as follows:

	June 30, 2023	June 30, 2022
-----Rupees-----		
Balance as at beginning of the year	2,535,793	5,688,378
Addition during the year	6,892,907	3,629,215
Transfers from HMM	1,841,922	-
Less: Paid to recognized charitable organizations	(7,568,000)	(6,781,800)
Balance as at end of the year	3,702,622	2,535,793

24.3 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.

24.4 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.

During the 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).

During the year ended June 30, 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 current year, 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.

24.5 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, 2023 has been recognized at 10% of profit for the year. (June 30, 2022: 10%).

24.6 Sindh sales tax levied by Sindh Government on remuneration of Modaraba Management Company has been charged at the rate of 13% (June 30, 2022:13%).

24.7 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. So therefore, Habib Metropolitan Modaraba Management Company (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, therefore the final outcome cannot be determined.

24.8 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, 2023 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:

	June 30, 2023	June 30, 2022
	-----Rupees-----	
Gratuity fund	70	70

c. Principal actuarial assumptions

The actuarial valuations were carried out as at 30 June 2023 using the following significant assumptions:

	June 30, 2023	June 30, 2022
	-----Rupees-----	
Discount rate	15.75%	13.50%
Expected rate of return on plan assets	0.51%	0.51%
Expected rate of salary increase	15.75%	13.50%
d. Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	41,499,124	34,566,200
Fair value of plan assets	(41,499,124)	(34,566,200)
Net defined liability / (assets)	-	-
e. Movement in defined benefit obligations		
Obligations at the beginning of the year	34,566,200	29,607,030
Current service cost	3,090,750	2,830,921
Interest cost	4,791,037	3,118,754
Benefits paid by the Modaraba	(2,663,980)	(945,063)
Re-measurement loss	1,715,117	(45,442)
Obligations at the end of the year	41,499,124	34,566,200
f. Movement in fair value of plan assets		
Fair value at the beginning of the year	34,566,200	29,607,030
Interest income on plan assets	4,791,037	3,118,754
Contribution by the Modaraba - net	3,662,956	5,569,894
Actual benefits paid by the Fund during the year	(2,663,980)	(945,063)
Re-measurements: Net return on plan assets over interest income loss	1,142,911	(2,784,415)
Fair value at the end of the year	41,499,124	34,566,200

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
g. Movement in payable under defined benefit scheme			
As at beginning of the year		-	-
Charge for the year		3,090,750	2,830,921
Contribution by the Modaraba - net		(3,662,956)	(5,569,894)
Re-measurement loss recognized in OCI during the year		572,206	2,738,973
Closing balance		-	-
h. Charge for defined benefit plan			
i. Cost recognized in profit and loss			
Current service cost	28.1	3,090,750	2,830,921
Net interest on defined benefit asset / liability		-	-
		3,090,750	2,830,921
ii. Re-measurements recognized in OCI during the year			
Gain on obligation		1,715,117	(45,442)
Return on plan assets over interest income		(1,142,911)	2,784,415
Less: Deferred tax		407,490	(407,490)
Total re-measurements recognized in OCI		979,696	2,331,483
i. Components of plan assets			
Cash and cash equivalents - net		19,439,606	13,170,986
Non-Government Debt Securities		22,059,518	21,395,214
		41,499,124	34,566,200
j.			
Equity securities and units of mutual funds are subject to price risk whereas non-Government debt securities are subject to credit risk and interest rate risk. These risks are regularly monitored by Trustees of the employee funds.			
k. Sensitivity analysis			
0.5% increase in discount rate			
0.5% decrease in discount rate			
0.5% increase in expected rate of salary increase			
0.5% decrease in expected rate of salary increase			
l. Expected charge for the next financial year			3,722,508
m. Maturity profile			
The weighted average duration of the obligation (in years)			9.43

n. 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.

- o. 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.

24.9 Provident Fund related disclosures

The following information is based on the latest un-audited financial statements of the fund:

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
Size of the fund - total assets		70,371,225	64,162,997
Cost of investments made		40,538,548	35,821,301
Fair value of investments	24.9.1& 24.9.2	40,538,548	35,821,301
Percentage of investments made		58%	56%

24.9.1 The break-up of fair value of investments is as follows:

	June 30, 2023		June 30, 2022	
	Percentage of the size of the fund	Rupees	Percentage of the size of the fund	Rupees
Investment in listed debt securities	0.00%	-	0.00%	-
Investment in unlisted debt securities	0.00%	-	0.00%	-
Investment in listed equity securities	0.00%	-	1.03%	662,750
Bank balances	57.61%	40,538,548	54.80%	35,158,551
	58%	40,538,548	56%	35,821,301

24.9.2 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.

25. RUNNING MUSHARAKA

25.1 Facility for Running Musharaka is obtained from Meezan Bank Limited up to Rs. 250 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 hypothecation charge on all Modaraba's present and future movable/immovable fixed assets with 30% margin.

25.2 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 of hypothecation of Fixed Assets (Plant, Machinery & Equipment) for Rs. 715 million.

25.3 Facility for Running Musharaka is obtained from Faysal 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 of Fixed Assets (Plant, Machinery & Equipment) for Rs. 715 million.

26. CONTINGENCIES AND COMMITMENTS

26.1 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 Honorable 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 HCS 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 HCS 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, 2022.

26.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 615 (2022: Rs.839) million.

	Note	June 30, 2023	June 30, 2022
27. INCOME FROM LEASE FINANCING			
Lease financing installments	27.1	85,501,345	426,134,761
Less: Depreciation on lease financing assets	5.1	(46,977,746)	(288,108,199)
		38,523,599	138,026,562

27.1 This comprises of principal and profit components.

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	28.1	125,079,698	97,479,411
Printing, stationery and advertising		6,955,672	3,594,001
Travelling and conveyance		2,519,603	954,360
Insurance / takaful charges		1,869,151	833,437
Utilities		8,844,436	5,127,416
Postage		907,891	789,574
Newspapers and periodicals		22,370	18,950
Repairs and maintenance		6,170,956	2,665,641
Telecommunication		1,231,383	1,018,958
Fees and subscriptions		7,620,080	6,687,446
Legal and professional charges		9,745,331	10,200,412
Depreciation on fixed assets in own use	6.1	13,365,700	13,246,209
Depreciation expense on lease assets	6.2	5,876,087	5,077,044
Amortization on intangible assets	7.1	60,833	40,556
Auditors' remuneration	28.2	5,273,532	3,363,818
Certificate registrar expenses		3,245,584	1,292,245
Vehicle running expenses		5,352,834	3,407,988
Office expense		6,272,075	3,536,057
Staff training and workshop		334,125	517,452
Rent expense		597,488	198,002
Information technology expenses		5,901,179	4,689,842
Miscellaneous		1,353,854	1,545,802
		218,599,862	166,284,621

28.1 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	June 30, 2023			June 30, 2023		
		Officers*	Other employees (Rupees)	Total	Officers*	Other employees (Rupees)	Total
Salaries		18,437,724	42,067,538	60,505,262	14,825,152	34,492,591	49,317,743
House rent		1,555,200	5,297,091	6,852,291	1,555,200	4,826,600	6,381,800
Other allowances		12,328,423	35,115,014	47,443,437	9,998,057	23,452,704	33,450,761
Insurance		663,418	2,452,351	3,115,769	446,132	1,664,994	2,111,126
Gratuity fund	24.8h(l)	1,602,971	1,487,779	3,090,750	1,444,567	1,386,354	2,830,921
Provident fund		1,313,340	2,758,849	4,072,189	1,111,884	2,275,176	3,387,060
		35,901,076	89,178,622	125,079,698	29,380,992	68,098,419	97,479,411
Number of employees		5	93	98	5	95	100

28.1.1 Certain officers are also provided with self maintained cars by the Modaraba.

28.1.2 No remuneration paid to the directors of the Modaraba Management Company during the year (2022: Nil).

28.1.3 This includes contribution to staff provident fund amounting to Rs.4.072 (2022: Rs.3.387) million.

* These represent officers as prescribed under the Companies Act, 2017.

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
28.2 Auditors' remuneration:			
Audit fee		1,491,000	726,000
Special audit		1,330,000	1,350,000
Fee for half yearly review and code of corporate governance		500,000	285,500
Statutory Certifications and Other Services		425,000	346,888
Agreed upon procedures		500,000	-
Out of pocket expenses		636,900	406,258
		4,882,900	3,114,646
Sales tax		390,632	249,172
		5,273,532	3,363,818
29. OTHER INCOME			
Dividend on shares		5,750,000	27,789,106
Gain on transfer of lease financing assets	29.1	61,453,054	56,242,009
Gain on sale of owned fixed assets - net		376,149	626,369
Profit on modaraba's deposit accounts		93,867,106	30,974,853
Profit on Term Deposit Musharakas (TDMs)		17,624,933	12,343,903
Profit on GOP Ijara sukuks bonds		44,847,740	15,006,400
Profit on sukuk bonds		15,101,330	9,207,207
Gain on termination of lease contract		2,547,681	-
Dividend from mutual funds		4,555,302	-
Miscellaneous income		28,269,145	59,268,092
		274,392,440	211,457,939

29.1 This includes gain on conversion of lease financing assets (ijara) of net book value Rs. 345 million having cost of Rs.1,249 million accumulated depreciation of Rs.904 million to diminishing musharaka financing amounting to Rs.59.98 million.

	Note	June 30, 2023	June 30, 2022
-----Rupees-----			
30. FINANCIAL CHARGES			
Profit Paid on certificates of investment (musharaka)		2,163,775,711	877,462,498
Profit Paid on Running Musharaka Financing		120,619,299	53,418,917
Financial charges on liability against right of use assets	22	2,640,899	2,797,640
Bank charges		1,211,215	703,320
		2,288,247,124	934,382,375
31. TAXATION			
Current			
- for the year		386,287,601	148,466,087
Deferred		(135,130,449)	(35,310,690)
		251,157,152	113,155,397

31.1 Effective tax rate reconciliation

	2023 Effective tax rate(%)	2023 Rupees	2022 Effective tax rate(%)	2022 Rupees
Accounting profit				
Tax at the applicable rate of 29%	29	223,033,659	29	143,630,952
Super tax	10	76,908,159	4	19,811,165
Final tax regime and income subject to lower tax rate	2.19	16,833,628	5.43	26,918,003
Permanent differences	(7.55)	(58,043,625)	(15.67)	(77,612,213)
Others	0.25	1,899,149	0.08	407,490
Rate change difference	(1.23)	(9,473,818)	-	-
	33	251,157,152	23	113,155,397

32. EARNINGS PER CERTIFICATE - BASIC AND DILUTED
32.1 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:

	June 30, 2023	June 30, 2022
	-----Rupees-----	
Profit for the year	519,630,795	382,123,747
Weighted average number of certificates of Rs. 5/- each	221,661,000	201,600,000
Earnings per certificate	2.34	1.90

32.2 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.

33. CONTRACTUAL LEASE FINANCING INSTALLMENTS RECEIVABLE - LEASE CONTRACTS

	June 30, 2023				June 30, 2022			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	----- (Rupees) -----							
Total future lease payments receivable	-	-	-	-	153,548,511	48,042,030	-	201,590,541

34. CASH AND CASH EQUIVALENT

		June 30, 2023	June 30, 2022
		-----Rupees-----	
Cash and bank balances	17	188,108,417	137,042,312
Investment in Term Deposit Musharakas (TDMs)	11	359,940,477	281,873,210
Running Musharaka	25	(745,667,326)	(748,281,800)
		(197,618,432)	(329,366,278)

35. 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 Bank AG Zurich, Habib Metro Modaraba, Habib Metropolitan Financial Services Limited, First Habib Modaraba Employees' Provident Fund, First Habib Modaraba Employees' Gratuity Fund and key management personnel. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			June 30, 2023	June 30, 2022
			Rupees	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Bank balances	160,387,545	134,830,365
		Certificates of investment (musharaka)	4,700,000,000	4,550,000,000
			8,183,720	5,137,584
		Financial charges payable	85,712,740	71,446,986
		Utility charges payable	3,062,108	2,354,333
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	88,302,836	56,977,101
		Sale tax on management fee payable	43,961,609	31,240,914

			June 30, 2023	June 30, 2022
			Rupees	
Transactions during the year				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	100,940,935	36,059,427
		Bank charges	852,541	688,219
		Utility charges	3,062,108	2,354,333
		Financial charges	644,162,813	320,915,240
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	88,671,738	56,977,101
		Sale tax on management fee	11,527,326	7,407,023
		Management fee paid	59,860,823	41,776,705
		Dividend paid	21,510,000	28,224,000
Habib Metropolitan Financial Services Limited	Associate	Brokerage commission	-	420,029
		Purchase of securities	-	278,583,598
Staff Retirement Benefit Fund	Associate	Gratuity fund	3,090,750	2,830,921
		Contribution made	3,662,956	5,569,894
Provident Fund	Associate	Contribution made	4,072,189	3,387,060

35.1 No remuneration in kind has been paid by the Modaraba to the directors and key management personnel of Modaraba Management Company.

35.2 The Modaraba carries out transactions with related parties at commercial terms and conditions as per the Modaraba's policy.

36. 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 net profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary Certificate holders. There were no changes to the Modaraba's approach to capital management during the year and the Modaraba is not subject to externally imposed capital requirements.

37. FINANCIAL INSTRUMENTS

37.1 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, 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.

37.2 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 an 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 it's portfolio as at June 30, 2023 and none of it's customers require further downgrading on subjective basis.

Exposure to Credit Risk

The maximum exposure to credit risk before any credit enhancements at June 30, 2023 is the carrying amount of the financial assets as set out below:

Note	June 30, 2023	June 30, 2022
	-----Rupees-----	
Diminishing musharaka financing	17,981,784,131	13,183,233,767
Diminishing musharaka financing installments receivable	7,590,286	2,338,076
Investment in sukuk bonds and Term Deposit Musharakas (TDMs)	713,720,637	635,653,370
Long term deposits	852,800	1,172,800
Bank balances	186,587,634	136,525,764
Other receivables	24,375,360	25,597,501
	18,914,910,848	13,984,521,278

Credit risk ratings

Credit risk rating of the banks and their respective balances are given below:

Banks	Rating		Note Agency	June 30, 2023	June 30, 2022
	Short term	Long term		Rupees	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	160,387,545	134,830,365
Al Baraka (Pakistan) Limited	A-1	A+	JCR-VIS	110,640	110,640
BankIslami Pakistan Limited	A1	A+	PACRA	244,632	244,632
Meezan Bank Limited	A-1+	AAA	JCR-VIS	24,846,208	1,257,606
Bank Al-Habib Limited	A1+	AAA	PACRA	72,171	72,171
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	15,745	10,350
Habib Bank Limited	A-1+	AAA	JCR-VIS	798,000	-
Soneri Bank Limited	A1+	AA-	PACRA	112,692	-
				186,587,634	136,525,764

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 40 to the financial statements.

Impaired Assets

Refer note 4.4 to the financial statements for details on impairment of financial assets.

37.3 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 39 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 Term Deposit Musharakas that are having short-term maturities. Only a limited proportion of its investments are of long-term in nature.

37.4 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 unfavorable changes in the fair values of investments as a result of changes in prices of securities.

As at June 30, 2023, the fair value of equity and debt securities exposed to price risk was as follows:

Particulars	Average Cost June 30, 2023	Fair Value June 30, 2023	Average Cost June 30, 2022	Fair Value June 30, 2022
	----- (Rupees) -----			
Shares of listed companies	34,503,905	41,265,000	81,805,468	92,661,374
Sukuk	353,780,160	353,780,160	353,780,160	353,780,160
	388,284,065	395,045,160	435,585,628	446,441,534

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 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 lease financing portfolio. The majority of lease financing portfolio is linked with KIBOR rate as a bench mark. The Modaraba reviews KIBOR on lease financing portfolio on quarterly / six monthly basis.

As at June 30, 2023, the profile of the Modaraba's variable value financial instruments were as follows:

	June 30, 2023	June 30, 2022
	-----Rupees-----	
Variable rate instruments		
Assets		
Sukuk Bonds	80,000,000	80,000,000
GOP Ijarah sukuk bonds	273,780,160	273,780,160
Diminishing musharaka financing	18,549,421,878	13,438,064,734
Liabilities		
Certificate of Investment (Musharaka)	(13,708,381,051)	(11,262,599,835)
Running Musharaka	(745,667,326)	(748,281,800)
	4,449,153,661	1,780,963,259

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in interest 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 interest 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	2,737,801
Diminishing musharaka financing	100 basis points	185,494,219	134,380,647
Liability			
Certificate of Investment (Musharaka)	100 basis points	(137,083,811)	(112,625,998)
Running Musharaka	100 basis points	(7,456,673)	(7,482,818)

Above sensitivities are calculated on the assumption that all factors remain constant except interest 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 interest 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 interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest 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 interest securities to changes in market interest rates.

The Modaraba's policy refrains from holding interest bearing instruments that induce the average effective duration of the variable interest portfolio to pass the benchmark of the average duration.

37.5 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, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

(i) Yield / profit rate risk

Yield / profit rate risk arises from the possibility that changes in yield / profit rates will affect the value of financial instruments. All financial instruments of the Modaraba are on a profit and loss sharing basis, or on variable profit rate.

(ii) Market risk

The Modaraba recognizes market risk as the exposure created by potential changes in the market prices and rates.

(iii) Fair values of financial assets and liabilities

The fair values of traded instruments is based on quoted market prices. Fair value of future lease financing installments receivable against lease financing assets, other assets, other liabilities and other items cannot be calculated with sufficient reliability due to absence of current active market for such assets and liabilities.

38. FAIR VALUE OF FINANCIAL AND NON-FINANCIAL ASSETS

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).

June 30, 2023								
	Carrying amount				Fair value			
	At fair value through OCI	At fair value through profit	At amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees)				(Rupees)			
Financial assets measured at fair value (note 38.1)								
Shares of listed companies	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 (Alhamra 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 (note 38.2)								
Investment in Term Deposit Musharaka (TDMs)	-	-	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.

June 30, 2023		
At fair value	Other financial liabilities	Total
(Rupees)		
Financial liabilities		
Certificates of investment (musharaka)	13,708,381,051	13,708,381,051
Unearned lease financing and diminishing musharaka installments	38,359,710	38,359,710
Advance lease financing and diminishing musharaka installments	15,572,861	15,572,861
Trade and other payables	853,693,091	853,693,091
Profit payable on certificates of investment (musharaka)	362,344,841	362,344,841
Unclaimed profit distributions	51,479,860	51,479,860
	<u>15,029,831,414</u>	<u>15,029,831,414</u>

June 30, 2022								
	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)				(Rupees)			
Financial assets measured at fair value								
Shares of listed companies	92,661,374	-	-	92,661,374	92,661,374	-	-	92,661,374
Sukuk bonds	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
	<u>172,661,374</u>	<u>-</u>	<u>-</u>	<u>172,661,374</u>	<u>92,661,374</u>	<u>80,000,000</u>	<u>-</u>	<u>172,661,374</u>
Financial assets not measured at fair value								
Investment in Term Deposit Musharaka (TDMs)	-	-	281,873,210	281,873,210				
Diminishing musharaka financing	-	-	273,780,160	273,780,160				
Long term deposits	-	-	15,895,340,910	15,895,340,910				
Lease financing installments receivables	-	-	1,172,800	1,172,800				
Advances	-	-	2,338,076	2,338,076				
Other receivables	-	-	10,604,411	10,604,411				
Cash and bank balances	-	-	25,597,501	25,597,501				
	<u>-</u>	<u>-</u>	<u>136,525,764</u>	<u>136,525,764</u>				
	<u>-</u>	<u>-</u>	<u>16,627,232,832</u>	<u>16,627,232,832</u>				

During the year ended June 30, 2022, 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.

	June 30, 2022		
	At fair value	Other financial liabilities	Total
	----- (Rupees) -----		
Financial liabilities			
Security deposits against lease financing assets	-	59,981,948	59,981,948
Certificates of investment (musharaka)	-	11,262,599,835	11,262,599,835
Unearned lease financing and diminishing musharaka installments	-	79,964,659	79,964,659
Advance lease financing and diminishing musharaka installments	-	11,111,098	11,111,098
Trade and other payables	-	636,248,097	636,248,097
Profit payable on certificates of investment (musharaka)	-	223,420,415	223,420,415
Unclaimed profit distributions	-	48,880,060	48,880,060
	-	12,322,206,112	12,322,206,112

38.1 Valuation techniques used in determination of fair values within level 2 and level 3

Non-Government debt securities

Non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). Investments in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg / Reuters.

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"

38.2 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.

39. 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.

June 30, 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	
(Rp. ees)										
Assets										
Fixed assets in own use	54,442,475	1,468,001	2,896,103	4,010,486	7,526,996	12,586,052	9,441,389	13,609,585	2,903,863	-
Intangible assets	81,143	5,071	10,143	15,214	30,429	20,286	-	-	-	-
Diminishing musharaka financing	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	-
Investments	858,857,564	-	-	463,812,404	-	273,780,160	-	-	-	121,265,000
Diminishing musharaka financing installments receivable	7,590,286	7,590,286	-	-	-	-	-	-	-	-
Advances, deposits and prepayments	1,254,639,441	45,389,997	46,109,693	66,295,851	131,897,843	284,947,839	301,078,874	378,919,344	-	-
Other receivables	24,375,360	12,618,589	-	11,756,771	-	-	-	-	-	-
Deferred tax Assets - net	169,977,273	-	-	-	-	169,977,273	-	-	-	-
Cash and bank balances	188,108,417	188,108,417	-	-	-	-	-	-	-	-
	20,539,856,090	761,302,259	1,064,755,217	2,042,597,975	3,063,513,058	5,948,190,511	4,019,980,347	3,495,918,046	22,333,677	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 lease financing and diminishing musharaka installments	38,359,710	-	-	-	38,359,710	-	-	-	-	-
Advance lease financing and diminishing musharaka installments	15,572,861	-	-	-	15,572,861	-	-	-	-	-
Trade and other payables	981,833,657	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	466,900,636	3,166,899	4,231,291	9,633,425	1,518,568	-
Difference	4,613,792,158									
Represented by:										
Issued, subscribed and paid-up certificate capital	1,108,305,000									
Reserves	3,499,571,200									
Total Equity	4,607,876,200									
Surplus on revaluation of investments	5,915,958									
	4,613,792,158									

June 30, 2022										
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	
(Rp. ees)										
Assets										
Lease financing assets	185,055,850	9,025,797	8,781,024	31,466,338	36,889,220	32,389,589	66,503,882	-	-	-
Fixed assets in own use	50,229,380	1,508,070	3,007,109	4,390,467	8,104,899	13,232,272	10,421,749	8,167,400	1,397,412	-
Intangible assets	141,975	5,069	10,138	15,208	30,417	60,833	20,310	-	-	-
Diminishing musharaka financing	13,183,233,767	555,669,204	861,402,016	1,280,632,224	2,513,697,715	4,554,113,692	3,319,692,974	69,976,364	28,049,578	-
Investments	728,314,744	-	-	281,873,210	172,661,374	-	-	273,780,160	-	-
Diminishing musharaka financing installments receivable	2,338,076	2,338,076	-	-	-	-	-	-	-	-
Advances, deposits and prepayments	2,725,863,098	-	10,604,411	1,978,744	-	1,172,800	-	2,712,107,143	-	-
Income tax refundable	89,470,329	-	-	-	89,470,329	-	-	-	-	-
Other receivables	25,597,501	17,656,056	-	7,941,445	-	-	-	-	-	-
Cash and bank balances	137,042,312	137,042,312	-	-	-	-	-	-	-	-
	17,127,287,032	723,244,584	883,804,698	1,609,470,436	2,820,853,954	4,600,969,186	3,396,638,915	3,064,031,067	29,446,990	-
Liabilities										
Security deposits against lease financing assets	59,981,948	7,605,800	5,644,490	4,381,325	16,029,548	23,688,285	2,632,500	-	-	-
Liability against right of use assets	10,264,700	355,789	16,837	879,700	720,010	973,272	3,482,779	1,672,119	2,164,194	-
Certificates of investment (musharaka)	11,262,599,835	5,814,555,576	5,340,906,917	74,471,250	32,666,092	-	-	-	-	-
Unearned lease financing and diminishing musharaka installments	79,964,659	-	-	-	79,964,659	-	-	-	-	-
Advance lease financing and diminishing musharaka installments	11,111,098	-	-	-	11,111,098	-	-	-	-	-
Trade and other payables	741,298,141	371,286,495	-	56,977,101	313,034,542	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	223,420,415	115,345,519	105,949,573	1,477,314	648,009	-	-	-	-	-
Running Musharaka	748,281,800	748,281,800	-	-	-	-	-	-	-	-
Unclaimed profit distributions	48,880,060	48,880,060	-	-	-	-	-	-	-	-
	13,185,802,656	7,106,311,042	5,452,517,817	138,186,690	454,173,958	24,661,557	6,115,279	1,672,119	2,164,194	-
Difference	3,941,484,376									
Represented by:										
Issued, subscribed and paid-up certificate capital	1,008,000,000									
Reserves	2,959,519,451									
Total Equity	3,967,519,451									
Surplus on revaluation of investments	9,495,741									
	3,977,015,192									

40. SEGMENT BY CLASS OF BUSINESS OF FINANCING ASSETS

	June 30, 2023		June 30, 2022	
	Rupees	%	Rupees	%
Auto and allied	458,139,319	2.47	406,963,137	2.82
Cable and electric goods	678,605,594	3.66	447,770,784	3.52
Cargo, courier and logistic services	647,335,999	3.49	491,524,021	3.53
Cement	163,218,075	0.88	127,833,970	1.00
Chemical	1,320,604,028	7.12	977,734,118	7.05
Construction	280,679,165	1.51	185,052,982	1.24
Education	274,718,398	1.48	153,108,267	0.98
Fertilizer	176,219,654	0.95	131,204,109	0.82
Financial institutions	142,493,976	0.77	137,966,458	1.14
Food and allied	2,405,643,195	12.97	1,912,552,482	14.90
Fuel, power and energy	97,259,809	0.52	86,869,931	0.63
Glass and ceramics	67,768,923	0.37	103,118,045	0.63
Health care	288,033,857	1.55	239,615,311	1.63
Individuals	1,724,417,955	9.30	1,293,648,520	8.85
Information technology	870,789,643	4.69	792,729,021	5.31
Leather and tanneries	22,441,959	0.12	8,618,338	0.05
Oil and gas exploration	55,097,979	0.30	55,301,164	0.34
Paper and board	180,144,054	0.97	164,457,913	1.25
Pharmaceutical	2,798,130,401	15.08	1,776,498,095	13.72
Refinery, lubricant, oil and gas marketing	78,911,932	0.43	138,915,793	1.01
Services	3,030,708,177	16.34	1,828,264,955	14.56
Steel and engineering	468,958,857	2.53	430,914,313	3.14
Sugar and allied	627,725,323	3.38	395,145,254	3.02
Textile	1,479,348,969	7.98	1,040,076,910	7.40
Others	212,026,637	1.14	112,180,843	1.43
	18,549,421,878	100.00	13,438,064,734	100.00

40.1 The Modaraba's operations are restricted to Pakistan only.

41. 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:

	June 30, 2023				June 30, 2022			
	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Lease financing installments receivables	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Lease financing installments receivables
	(Rupees)				(Rupees)			
Segment by class of business								
Auto and allied	20,907,200	458,139,319	1,375,155	-	50,244,200	406,963,137	5,086,700	-
Cable and electric goods	18,897,700	678,605,594	352,621	-	126,526,880	447,770,784	443,096	-
Cargo, courier and logistic services	84,054,800	647,335,999	3,143,076	-	74,866,310	491,524,021	878,288	-
Cement	4,049,200	163,218,075	124,051	-	36,089,500	127,833,970	543,672	-
Chemical	111,769,200	1,320,604,028	1,685,280	-	168,701,300	977,734,118	3,557,592	-
Construction	46,371,250	280,679,165	594,044	-	18,316,600	185,052,982	455,467	-
Education	-	274,718,398	92,408	-	6,782,400	153,108,267	261,511	-
Fertilizer	-	176,219,654	44,553	-	2,707,200	131,204,109	55,323	-
Financial institutions	1,727,100	142,493,976	18,698	-	35,552,624	137,966,458	591,843	-
Food and allied	82,617,100	2,405,643,195	3,753,516	-	519,915,517	1,912,552,482	4,718,571	-
Fuel, power and energy	-	97,259,809	79,452	-	15,987,600	86,869,931	256,287	-
Glass and ceramics	-	67,768,923	1,125,480	-	-	103,118,045	293,197	-
Health care	14,453,950	288,033,857	686,187	-	25,984,600	239,615,311	733,352	2,882
Individuals	56,948,670	1,724,417,955	9,553,012	-	151,239,459	1,293,648,520	4,848,605	-
Information technology	16,701,400	870,789,643	314,453	-	71,441,587	792,729,021	927,111	8,647
Leather and tanneries	12,450,600	22,441,959	100,144	-	-	8,618,338	38,755	-
Oil and gas exploration	3,646,800	55,097,979	1,166	-	-	55,301,164	541,328	-
Paper and board	4,481,100	180,144,054	1,480,375	-	35,780,940	164,457,913	244,478	-
Pharmaceutical	359,235,865	2,798,130,401	2,178,672	-	365,399,440	1,776,498,095	1,082,809	83,759
Refinery, lubricant, oil and gas marketing	-	78,911,932	7,802	-	13,921,200	138,915,793	4,202	-
Services	106,623,691	3,030,708,177	3,432,124	-	532,024,750	1,828,264,955	3,021,927	44,322
Steel and engineering	64,174,571	468,958,857	502,845	-	81,790,160	430,914,313	382,405	-
Sugar and allied	100,093,100	627,725,323	86,440	-	92,359,050	395,145,254	218,071	-
Textile	142,662,144	1,479,348,969	4,324,117	-	169,457,750	1,040,076,910	2,176,139	1,164
Others	2,774,000	212,026,637	650,623	-	131,946,831	112,180,843	63,678	-
	1,254,639,441	18,549,421,878	35,706,294	-	2,727,035,898	13,438,064,734	31,424,407	140,774

42. SEGMENT INFORMATION3

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 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.

Details of segment revenues, costs, profit, assets and liabilities are as follows:

	Lease financing assets		Diminishing musharaka financing		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
(Rupees)						
Segment revenues and (losses) / profits						
Revenue - net of depreciation, where applicable	38,523,599	138,026,562	3,396,946,547	1,424,746,026	3,435,470,146	1,562,772,588
Costs	-	(8,970,492)	(2,288,247,124)	(925,411,883)	(2,288,247,124)	(934,382,375)
Reportable segment profit	38,523,599	129,056,070	1,108,699,423	499,334,143	1,147,223,022	628,390,213
Segment assets and liabilities						
Reportable segment assets						
Lease financing asset	-	185,055,850	-	-	-	185,055,850
Diminishing musharaka financing	-	-	12,102,544,307	11,172,262,516	12,102,544,307	11,172,262,516
Current portion of diminishing musharaka financing	-	-	5,879,239,824	4,723,078,394	5,879,239,824	4,723,078,394
Lease financing installments receivable	-	-	-	-	-	-
Diminishing musharaka financing installments receivable	-	-	7,590,286	2,338,076	7,590,286	2,338,076
	-	185,055,850	17,989,374,417	15,897,678,986	17,989,374,417	16,082,734,836
Reportable segment liabilities						
Security deposits against lease financing assets	-	26,320,785	-	-	-	26,320,785
Certificates of investment (musharaka)	-	108,126,034	13,708,381,051	11,154,473,801	13,708,381,051	11,262,599,835
Security deposits - current portion	-	33,661,163	-	-	-	33,661,163
Unearned lease financing and diminishing musharaka installments	-	-	38,359,710	79,964,659	38,359,710	79,964,659
Advance lease financing and diminishing musharaka installments	-	3,847,170	15,572,861	5,050,953	15,572,861	8,898,123
Adjustable against financing contracts	-	-	293,044,354	243,842,949	293,044,354	243,842,949
Advance against sale of diminishing musharaka	-	-	48,612,086	124,362,763	48,612,086	124,362,763
Diminishing musharaka customer contribution	-	-	5,031,152	11,279,720	5,031,152	11,279,720
	-	171,955,152	14,109,001,214	11,618,974,845	14,109,001,214	11,790,929,997

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities, is as follow:

	June 30, 2023	June 30, 2022
Rupees		
Revenues		
Revenue classified in segment reported	3,435,470,146	1,562,772,588
Profit		
Profit classified in segment reported	1,147,223,022	628,390,213
Provision in respect of diminishing musharaka	-	-
Administrative expenses	(218,599,862)	(166,284,621)
Other income	274,392,440	211,457,939
Impairment loss on investment in equity security classified as 'available-for-sale'	-	-
Modaraba Management Company's remuneration	(88,671,738)	(56,977,101)
Sales tax on Modaraba Management Company's remuneration	(11,527,326)	(7,407,023)
Provision for Sindh Workers' Welfare Fund	(15,730,366)	(10,107,738)
	1,087,086,170	599,071,669

	June 30, 2023	June 30, 2022
	-----Rupees-----	
Assets		
Assets classified in segment reported	17,989,374,417	16,082,734,836
Assets in own use	54,442,474	50,229,380
Intangible assets	81,143	141,975
Long term deposits	852,800	1,172,800
Investments	858,857,564	728,314,744
Advances and prepayments	1,253,786,642	13,755,955
Other receivables	24,375,360	25,597,501
Income tax refundable	-	89,470,329
Cash and bank balances	188,108,417	137,042,312
	20,369,878,817	17,128,459,832
Liabilities		
Liability classified in segment reported	14,109,001,214	11,790,929,997
Trade and other payables	635,146,064	361,812,709
Profit payable on certificates of investment (musharaka)	362,344,841	223,420,415
Unclaimed profit distribution	51,479,860	48,880,060
	15,157,971,979	12,425,043,181

43. FINANCIAL ASSETS AND LIABILITIES

	June 30, 2023						
	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	Total
	-----Rupees-----						
Financial assets							
Cash and bank balances	-	-	-	-	-	-	-
Other receivables	-	-	-	24,375,360	-	24,375,360	24,375,360
Investments	439,940,477	-	439,940,477	41,265,000	-	41,265,000	481,205,477
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
	7,571,082,028	12,102,544,307	19,673,626,335	75,115,561	852,800	75,968,361	19,749,594,696
Financial liabilities							
Certificates of investment (musharaka)	13,708,381,051	-	13,708,381,051	-	-	-	13,708,381,051
Unearned lease financing and diminishing musharaka installments	38,359,710	-	38,359,710	-	-	-	38,359,710
Advance lease financing and diminishing musharaka installments	15,572,861	-	15,572,861	-	-	-	15,572,861
Trade and other payables	-	-	-	853,693,091	-	853,693,091	853,693,091
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	1,267,517,792	-	1,267,517,792	15,775,498,740

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

June 30, 2022

	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	Total
<hr/> <div>(Rupees)</div> <hr/>							
Financial assets							
Cash and bank balances	137,042,312	-	137,042,312	-	-	-	137,042,312
Other receivables	-	-	-	25,597,501	-	25,597,501	25,597,501
Investments	361,873,210	-	361,873,210	92,661,374	-	92,661,374	454,534,584
Lease financing installments receivable	140,774	-	140,774	-	-	-	140,774
Diminishing musharaka financing installments receivable	2,338,076	-	2,338,076	-	-	-	2,338,076
Long term deposits	-	-	-	-	1,172,800	1,172,800	1,172,800
Advances	2,720,124,943	-	2,720,124,943	5,738,155	-	5,738,155	2,725,863,098
Diminishing musharaka financing	4,548,619,952	8,634,613,815	13,183,233,767	-	-	-	13,183,233,767
	7,770,139,267	8,634,613,815	16,404,753,082	123,997,030	1,172,800	125,169,830	16,529,922,912
<hr/>							
Financial liabilities							
Security deposits against lease financing assets	-	-	-	33,661,163	26,320,785	59,981,948	59,981,948
Certificates of investment (musharaka)	11,262,599,835	-	11,262,599,835	-	-	-	11,262,599,835
Unearned lease financing and diminishing musharaka installments	79,964,659	-	79,964,659	-	-	-	79,964,659
Advance lease financing and diminishing musharaka installments	11,111,098	-	11,111,098	-	-	-	11,111,098
Trade and other payables	-	-	-	741,298,141	-	741,298,141	741,298,141
Profit payable on certificates of investment (musharaka)	-	-	-	223,420,415	-	223,420,415	223,420,415
Running Musharaka	748,281,800	-	748,281,800	-	-	-	748,281,800
Unclaimed profit distribution	-	-	-	48,880,060	-	48,880,060	48,880,060
	12,101,957,392	-	12,101,957,392	1,047,259,779	26,320,785	1,073,580,564	13,175,537,956
<hr/>							
Lease financing assets*	86,162,379	98,893,471	185,055,850	-	-	-	185,055,850

*Lease financing assets has been included above in order to depict a true picture of the gap between the assets and liabilities of the Modaraba.

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

	Note	June 30, 2023	June 30, 2022
		-----Rupees-----	
44. CASH GENERATED FROM OPERATIONS			
Profit before tax		770,787,947	495,279,144
Adjustment for:			
Gain on disposal of assets:			
Lease financing assets	29	(61,453,054)	(56,242,009)
Assets in own use	29	(376,149)	(626,369)
Gain on Termination of lease contract	29	(2,547,681)	-
Depreciation on fixed assets:			
Lease financing assets	27	46,977,746	288,108,199
Assets in own use	28	13,365,700	13,246,209
Right of use Assets	28	5,876,087	5,077,044
Amortization of intangible assets	28	60,833	40,556
Provision and write-off in respect of diminishing musharaka	8.3.1	316,298,223	103,792,525
Provision for gratuity	24.8h(i)	3,090,750	2,830,921
Dividend income	29	(5,750,000)	(27,789,106)
Intangible assets - write off		-	141,250
Financial charges		2,287,035,909	880,260,138
Movement in working capital	44.1	1,427,507,545	130,411,416
		4,800,873,856	1,834,529,918
44.1 Movement in working capital			
Decrease / (Increase) in current assets:			
Lease financing installments receivable		-	385,597
Diminishing Musharaka financing installments receivable		(321,550,433)	(105,974,795)
Advances and prepayments		1,472,076,456	(3,942,422)
Income tax refundable		89,470,329	(18,041,367)
Other receivables		1,222,141	15,508
		1,241,218,493	(127,557,479)
(Decrease) / increase in current liabilities:			
Advance lease financing and diminishing musharaka installments		4,461,763	1,103,185
Unearned lease financing and diminishing musharaka installments		(41,604,949)	62,114,405
Trade and other payables		223,432,240	194,751,305
		186,289,054	257,968,895
		1,427,507,547	130,411,416

45. PROFIT DISTRIBUTION AND APPROPRIATION

Subsequent to the period ended June 30, 2023, the Board of Directors of the Modaraba Management Company has declared a final distribution of Re.1 per certificate, amounting to total profit distribution of Rs. 221.66 million (2022: Re.1 per certificate, amounting to total profit distribution of Rs. 201.60 million) in its meeting held on September 13, 2023

	June 30, 2023	June 30, 2022
	-----Rupees-----	
46. NUMBER OF EMPLOYEES		
Total number of employees at end of the year	81	76
Average number of employees for the year	79	75

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year except as disclosed below:

Reclassified from	Reclassified to	-----(Rupees)----
Diminishing musharaka financing	Advances and prepayments - Advance against diminishing musharaka financing	2,712,107,143

The impact of above reclassification on statement of financial position as of June 30, 2023 is not significant, accordingly no statement of financial position as of that date has been included in these financial statements.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 13, 2023 by the Board of Directors of the Modaraba Management Company.

49. 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