



ANNUAL
REPORT

2025

FIRST HABIB MODARABA

40
YEARS

Continuous
Journey of Success
1985-2025



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





میرزا محمد علی





40

YEARS..... A JOURNEY OF CONTINUOUS SUCCESS



It is journey of 40 years of Dedication, Passion and Achievement through Legacy of Trust, Integrity and Innovation of First Habib Modaraba. Our commitment to excellence has enabled us to navigate challenges, seize opportunities, and achieve remarkable success.

It is a testament to our institution's resilience and adaptability.

We'd like to express our heartfelt gratitude to our customers, partners, and investors for their unwavering support and trust. Their confidence in our vision and strategy has been instrumental in our success. We're honoured to have them as part of our journey.

We value dedicated and hard work of incredible team for their tireless efforts and commitment to our mission. Their true dedication has been driving force of success.

As we celebrate this milestone, we are excited about the future and the opportunities that lie ahead. We are committed to continue our journey of success with focus approach, dedication, commitment and innovation.

We are confident that with the support of our investors, partners and other stakeholders Insha'Allah, we will achieve even greater heights.

Congratulation to all on this remarkable milestone.

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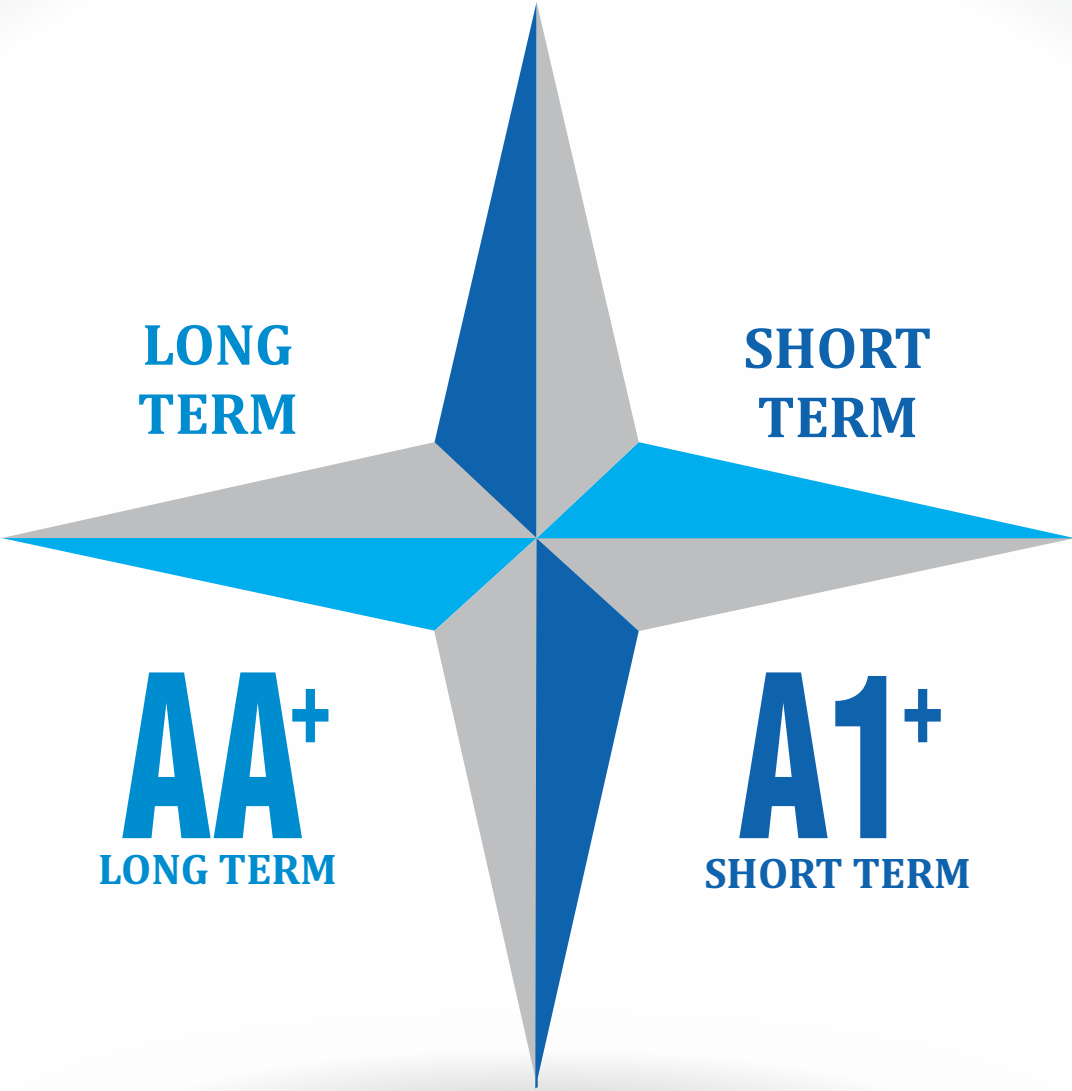
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CREDIT RATINGS – BY PACRA



FHM has been maintaining AA+ category rating since last 17 years

CORPORATE INFORMATION



MODARABA MANAGEMENT COMPANY

Habib Metropolitan Modaraba Management Company (Private) Limited

Board OF DIRECTORS

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

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Dr. Irum Saba	- 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. Danish Zahid	- Secretary

LEGAL ADVISOR

Mohsin Tayebaly & Company
Ahmed & Qazi Advocates & Legal Consultants

SHARES REGISTRAR

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

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

COMPANY SECRETARY

Ms. Ayesha Rasheed

SHARIAH ADVISOR

Mufti Faisal Ahmed

BANKERS

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

REGISTERED OFFICE

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

GEOGRAPHICAL PRESENCE - BRANCH OFFICES

Karachi:

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

Lahore:

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

Islamabad:

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

Multan:

Office # 707, 7th Floor, United Mall,
Abdali Road, Multan
Tel: 061-4500121-22-23

BANKING PARTNERS



AUDITING & ADVISORY PARTNERS



REGULATOR AND RATING PARTNERS



LEGAL PARTNERS



Ahmed & Qazi
Advocate & Legal Consultants



MOHSIN TAYEBALY & CO.
CORPORATE LEGAL CONSULTANTS | BARRISTERS & ADVOCATES



VALUES

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





PRODUCTS

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





SERVICES

FHM is very proud to offer services that are catered to the specific requirements of each client. We also provide our clients with professional advice and guidance to take informed decision for their business growth and sustainability. At FHM, our core objective is to continuously exceed our clients' expectations while providing outstanding services.



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 (IIR) 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 IIR Framework. This report incorporates all Content Elements of the IIR Framework which includes the following sections:



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 01, 2024, to June 30, 2025, and provides a comprehensive overview of FHM.

External Assurance

To ensure impartiality and objectivity as required by regulatory bodies, our independent external auditors

M/s. BDO Ebrahim & Co. has carefully examined the First Habib Modaraba's Financial Statements. The external auditors are regularly rotated every five years, guaranteeing their independence and unbiased assessment.

Contact

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



ABOUT

FIRST HABIB MODARABA

First Habib Modaraba (FHM) a subsidiary of Habib Metropolitan Bank, Limited, established in 1985, and has completed 40th years of successful business operation. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBFI and Modaraba sector of Pakistan.

It is journey of 40 years of Dedication, Passion and Achievement through Legacy of Trust, Integrity and Innovation of First Habib Modaraba. Our commitment to excellence has enabled us to navigate challenges, seize opportunities, and achieve remarkable success. It is a testament to our institution's resilience and adaptability.

Our pledge to enhance value for our stakeholders, driven through resilience of our business model and determination of our team members made us sound and leading Modaraba within the Modaraba sector. The Relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive 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 NBFI and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC. Furthermore, since last 17 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 of Allah (SWT) and hard and dedicated 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.

We value dedicated and hard work of incredible team for their tireless efforts and commitment to our mission. Their true dedication has been driving force of success.

As we celebrate this milestone, we are excited about the future and the opportunities that lie ahead. We are committed to continue our journey of success with focus approach, dedication, commitment and innovation.



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.1,500 billion with branch network of over 550+ as at December 31, 2024 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.

CODE OF BUSINESS CONDUCT AND ETHICS

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

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

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

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

[BCR 1.01]

Core Values



AWARDS & RECOGNITION

The most successful and effective teamwork is achieved when all members of the institution work diligently to achieve a shared objective. The development of a successful team is consistently facilitated by hard work, dedication, and commitment. The recognition and awards we have received are a direct result of the collaborative efforts of our team. Currently, First Habib Modaraba (FHM) is the most highly regarded Modaraba in the Modaraba sector of Pakistan, thanks to the collaboration of its team and the blessings of Allah (SWT).

"THE HIGHEST AWARD WINNING MODARABA WITHIN THE MODARABA SECTOR OF PAKISTAN"

FHM has received numerous accolades and awards for its corporate excellence, best corporate report, best corporate disclosure, and best performance from established organizations, including the Management Association of Pakistan, NBF and Modaraba Association, FPCCI, ICAP and ICMAP, and SAFA, the apex body of SAARC.

Award and accolades are not only a mark of distinction and a great standing, but they also serve to inspire and motivate all team members to make additional efforts and strive for even greater accomplishments as an individual or as an organization.

ICAP and ICMAP	FHM has received "Best Corporate Report (BCR) 2023" under the category of NBFs 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

LAST 5 YEARS ACKNOWLEDGMENTS



CORPORATE EXCELLENCE AWARD



BEST PERFORMING MODARABA AWARD

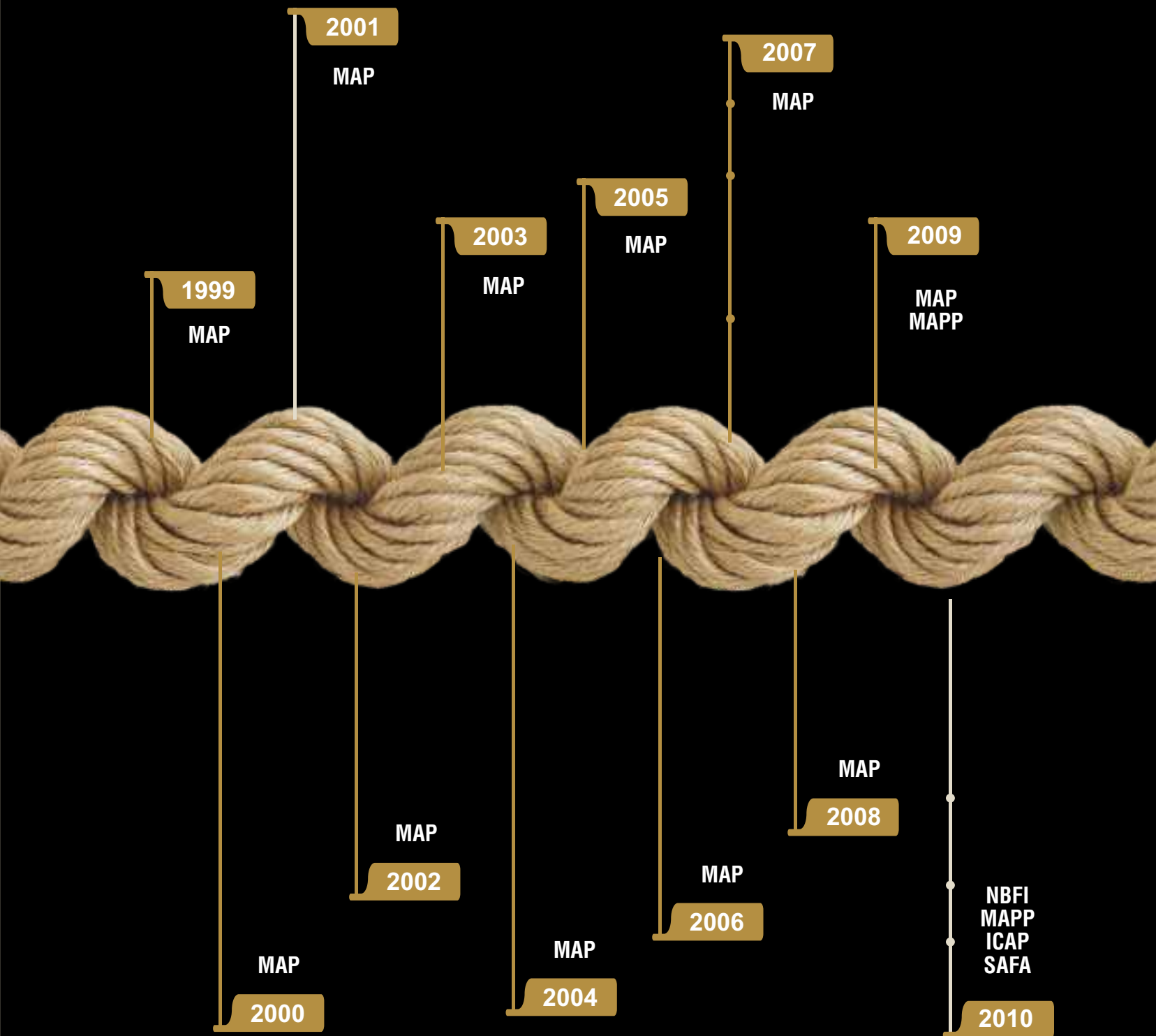


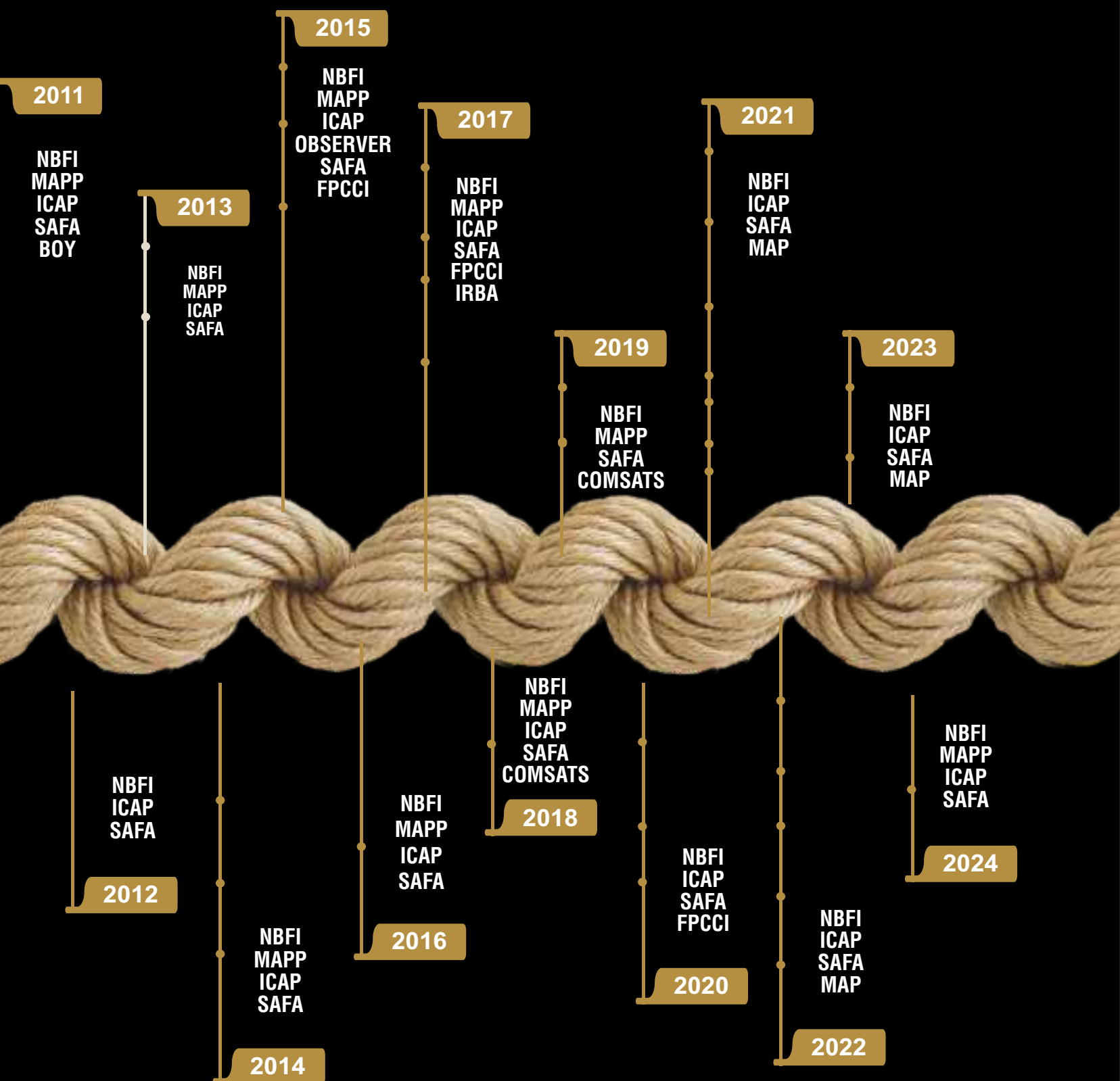
SAFA AWARD



BEST CORPORATE REPORT AWARD

FHM AWARDS CALENDAR





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

KEY HIGHLIGHTS FOR THE YEAR

Disbursement

19.6

RUPEES IN BILLION

INCREASED BY

29%



Balance Sheet Size

34.7

RUPEES IN BILLION

INCREASED BY

32%



Fund Mobilization reached to

27.1

RUPEES IN BILLION

INCREASED BY

40%



Total Financing Assets

32.7

RUPEES IN BILLION

INCREASED BY

30%



Profit Before Tax

1.2

RUPEES IN BILLION

INCREASED BY

5%



Profit After Tax

901.5

RUPEES IN MILLION

INCREASED BY

31%



Reserves

4.6

RUPEES IN BILLION

INCREASED BY

17%



Equity

5.7

RUPEES IN BILLION

INCREASED BY

13%



Return on Equity

15.7

PERCENTAGE

INCREASED BY

16%



Return on Assets

3%

PERCENTAGE

INCREASED BY

0.1%



Total Assets

34.8

RUPEES IN BILLION

INCREASED BY

32%



Earning per Certificate

8.13

RUPEES

INCREASED BY

31%



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

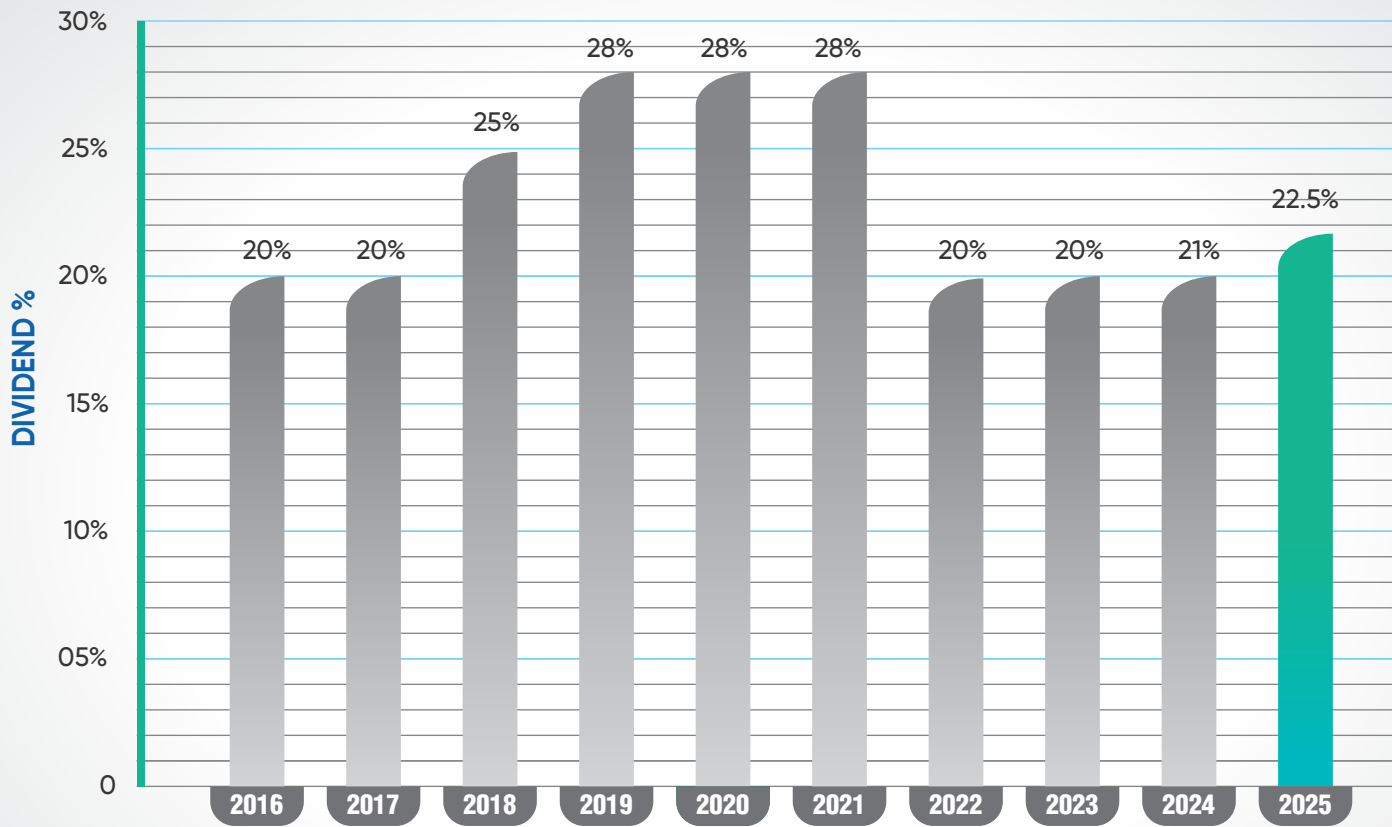
The management of FHM make sure that entire team has an obligation to know and understand not only the guidance contained in the Code of Conduct but also the core objectives and core values which are the basic spirit of entity

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.



LAST 10 YEARS AVERAGE DIVIDEND PAYMENT 23.25% PER ANNUM (BCR 10.08)



40 YEARS OF UNBROKEN DIVIDEND PAYOUT FHM NEVER SKIPPED DIVIDEND SINCE INCEPTION

Financial Performance and Value Appreciation

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

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

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

dividend of 22.5% (Rs. 2.25 per Modaraba Certificate of Rs. 10/- each) for the financial year ended June 30, 2025.

Commitment to Long-term Growth

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

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

CHAIRMAN'S REVIEW REPORT (BCR 5.04)



It is my pleasure to present before you the annual financial report of First Habib Modaraba (FHM) for the year ended 30th June, 2025 and on the effectiveness of the role played by the Board & its overall performance in achieving the Modaraba's strategic objectives.

Effectiveness of the role played by the Board

The Board has set the strategic direction for FHM ensuring the execution of its vision, mission, and core values while upholding the highest standards of business ethics and professional conduct in supervising and managing the Modaraba's affairs.

The Board actively monitors the Modaraba's internal control framework to ensure a robust risk management and regulatory compliance. FHM's governance structure establishes a clear distinction between the roles of the Board and CEO/ Management, reinforcing independent oversight. Additionally, the Modaraba adheres to a well-defined Code of Conduct for employees and directors, fostering best ethical business practices and regulatory compliance.

The Board remains committed to protecting the best interests of the Modaraba's shareholders and high standard of Corporate Governance. To this end, Board actively plays its role duly assisted by the Board's Committees with well-defined objectives and clear Terms of Reference, ensuring effective and efficient governance. In course of discharging its responsibilities, the Board acts in good faith with due diligence & care and in best interest of the Modaraba and its shareholders. Furthermore, Board considers human capital development by nurturing a high-performance culture through talent acquisition, on/off job training, and leadership development an important element for success & sustainability of an organization and this continues to receive due attention of the FHM's management team.

During the year, the Board conducted an in-house performance evaluation covering the Board, its Committees, the Chairman, CEO, and Individual/ Independent Directors. In 2024, an independent external evaluation was carried out by M/s Pakistan Institute of Corporate Governance (PICG), in line with the requirement for such review every three years.

In 2025, we operate in an environment where the Pakistani economy is experiencing a gradual recovery with a focus on sustainable growth, aiming to avoid repeat of boom and bust cycles. Pakistan's economic landscape has been undergoing significant transformations in recent years, with both challenges and opportunities shaping its future roadmap.

Performance of Modaraba

I am glad to report to you that FHM delivered another year of outstanding financial performance, recording handsome growth in Balance Sheet, Financing Assets and Profitability. Alhamdulillah, all key business targets have been achieved with good growth. Balance sheet size grew by around 32% with significant increase in financing assets base due to disbursement of around Rs.19.6 billion during the year which is the highest disbursement in any single year/operational history of Modaraba. FHM's focus on expanding its financing portfolio in diversified good sector of the economy is remarkable and also minimize concentration risk.

Alhamdulillah, FHM has completed 40 years since its existence with the conclusion of FY2024-25. We celebrate this milestone with remarkable story of success – consistent growth, profit and becoming top most player within modaraba sector of the country. In these regard and good governance recognition, the FHM has secured several awards from national & international Prestigious institutions on Best Corporate Report Award from ICAP & ICMA, Corporate Excellence Award from the Management Association of Pakistan (MAP), SAFA Certificate of Merit & Best Performing Modaraba Award of NBFI & Modaraba Association of Pakistan. We continue to be rated AA+ & A1+ by Pakistan Credit Rating Agency Ltd., (PACRA), which is best within our sector. These achievements are testament of the hard work, dedication, diligence, and commitment to excellence of the FHM leadership, his management team/ staff members and guidance/ oversight by the Board members. Over the past four decades, FHMs has built a legacy of trust, integrity, transparency and customer satisfaction. Our commitment to excellence has enabled us to navigate through the challenges, grab opportunities and achieve remarkable success. We're proud of what we have accomplished and grateful for the support of our stakeholder & the blessings of Allah-Subhanahoo-Taala.

Tireless efforts of each FHM team members, enabled institutions to build a strong reputation, deliver exceptional customer experiences, and stay ahead of the curve. I also would like to express my heartfelt gratitude to our customers, partners, and investors for their unwavering support and trust. Their confidence in our vision and strategy has been instrumental in our success. We are really honoured to have them as part of our journey.

ESG approach and Sustainability Initiatives

Besides, financial soundness and high performance of the entity, our commitment to Environmental, Social, and Governance (ESG) principles remains our core objective and strategic priority. During the year we encouraged solar equipment financing, paperless engagement through technological advancement and encouragement of diversity and inclusion. On social front, we encourage

enhancement of CSR (corporate social responsibility) related activities, also emphasis on activities of environment protection including financial support for education to staff members and their children. On governance side, a strong emphasis is also placed on enhancing compliance culture, strong internal control, transparency and accountability.

These strategic commitments reflect our determination to remain a reputable and responsible corporate entity, encourage to deliver meaningful impact across financial sector of Pakistan for environment protection, social engagement and good governance.

Corporate Social Responsibility (CSR)

FHM Expanding initiatives in financial inclusion, education, healthcare, and community development & Corporate Social Responsibility (CSR) efforts, reflect our commitment to best ethical practices, environmental stewardship, social inclusion, and sustainable development. FHM remains committed to supporting those in need by contributing to various reputable charitable and welfare organizations. We supported projects in education, healthcare, and community development. Our aim to redevelop communities in a balanced, equitable, and financially inclusive way pave the path for sustainable progress.

Board Statement on Internal Control System

Strong corporate governance and a commitment to compliance have always been central to our operations. As members of the Board of Directors, we remain committed in upholding the highest standards of ethical conduct, transparency, and accountability to protect the interest of our investors, employees, customers, and other stakeholders. The Board fully acknowledges its responsibility for establishing and maintaining a robust system of internal controls to safeguard the FHM's assets and ensure the reliability of financial reporting.

Regular reviews conducted by the Internal Audit function ensure that any weaknesses or compliance gaps are identified & promptly addressed and reported/ referred to the Board audit committee in its quarterly meetings. The Board is confident that the FHM's internal control system remains satisfactory providing reasonable assurance in achieving Operational efficiency and Regulatory compliance including unwavering importance to Shariah governance & Risk management.

Way forward

Looking ahead, the Board continue to take a long term view of FHM's progress against strategic objectives while closely tracking the short-term performance. Pakistan's economic scenario has been going through with significant transformations in recent years with both challenges and opportunities. Reduction in SBP policy rates will impact future profitability of FHM, however, same will support to boosts credit expansion our main earning asset.

I am immensely proud of the FHM's team for their resilience, focus on strategy and proactive approach which play a vital role for business growth. I am confident that strong leadership with experienced management team members are well-positioned to navigate future challenges, capitalize on emerging opportunities and drive sustainable growth. With optimism and determination, we look forward for economic prosperity, continued excellence with growth and long term sustainability.

Acknowledgment

In conclusion, I must take this opportunity to thank the Board members for their active participation in Board meetings and their input/ guidance and vigilance that helped the Modaraba to be sound and sustainable entity within the financial market. The Board's commitment towards fostering a culture of transparency, accountability and internal control safeguards has been commendable. By promoting a forward-thinking mindset, the Board along with management have been able to proactively identify risks and opportunities, highlight areas of improvement and thereby safeguard the organization's long-term sustainability.

I also wish to commend FHM's senior team and other staff members for their dedication, hard work and perseverance leading the organization to exceptional performance and producing excellent results. I also place my sincere appreciation to our certificate holders, business partners and all other valued stakeholders for their belief and the confidence they 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.

Mohammad Shams Izhar
Chairman

ای ایس جی نقطہ نظر اور عبوری اقدامات:

اس کے علاوہ، مالیاتی بحالی تہذیبی اور ادارے کی اعلیٰ کارکردگی، ماحولیاتی، سماجی، اور گورننس (ESG) اصولوں سے ہماری وابستگی ہمارا بنیادی مقصد اور اسٹریٹجک ترجیح ہے۔ سال کے دوران، ہم نے شمسی آلات کی فنانسنگ، تکنیکی ترقی کے ذریعے کاغذ کے بغیر کام کرنے، اور تنوع اور شامل ہونے کی حوصلہ افزائی کی۔ سماجی محاذ پر، ہم CSR (کارپوریٹ سماجی ذمہ داری) سے متعلق سرگرمیوں کو بڑھانے کی حوصلہ افزائی کرتے ہیں، اور ماحولیاتی تحفظ کی سرگرمیوں پر بھی زور دیتے ہیں، بشمول عملے کے اراکین اور ان کے بچوں کی تعلیم کے لیے مالی تعاون۔ گورننس کی طرف، تعمیل کلچر، مضبوط اندرونی کنٹرول، شفافیت اور جوابدہی کو بڑھانے پر بھی زور دیا جاتا ہے۔

یہ اسٹریٹجک وعدے ایک باوقار اور ذمہ دار کارپوریٹ ادارے کے رہنے کے ہمارے عزم کی عکاسی کرتے ہیں، جو ہمیں پاکستان کے مالیاتی شعبے میں ماحولیاتی تحفظ، سماجی مشغولیت اور اچھی حکمرانی کے لیے با معنی اثرات مرتب کرنے کی ترغیب دیتے ہیں۔

کارپوریٹ سماجی ذمہ داری (CSR):

FHM مالی شمولیت، تعلیم، صحت کی دیکھ بھال، اور کمیونٹی کی ترقی اور کارپوریٹ سماجی ذمہ داری (CSR) کی کوششوں میں توسیعی اقدامات، بہترین اخلاقی طریقوں، ماحولیاتی ذمہ داری، سماجی شمولیت، اور پائیدار ترقی کے لیے ہماری وابستگی کی عکاسی کرتا ہے۔ FHM مختلف معروف خیراتی اور فلاحی تنظیموں میں اپنا حصہ ڈال کر ضرورت مندوں کی مدد کے لیے پر عزم ہے۔ ہم نے تعلیم، صحت کی دیکھ بھال، اور کمیونٹی کی ترقی کے منصوبوں کی حمایت کی۔ ہمارا مقصد کمیونٹی کو متوازن، مساوی، اور مالیاتی طور پر جامع طریقے سے دوبارہ ترقی دینے کا مقصد پائیدار ترقی کی راہ ہموار کرتا ہے۔

بورڈ کا بیانیہ اندرونی کنٹرول سسٹم پر:

مضبوط کارپوریٹ گورننس اور تعمیل کا عزم ہمیشہ ہمارے کاموں میں مرکزی حیثیت رکھتا ہے۔ بورڈ آف ڈائریکٹرز کے اراکین کے طور پر، ہم اپنے سرمایہ کاروں، ملازمین، صارفین اور دیگر اسٹیک ہولڈرز کے مفادات کے تحفظ کے لیے اخلاقی طرز عمل، شفافیت، اور جوابدہی کے اعلیٰ ترین معیارات کو برقرار رکھنے کے لیے پر عزم ہیں۔ بورڈ FHM کے اثاثوں کی حفاظت اور مالیاتی رپورٹنگ کو یقینی بنانے کے لیے اندرونی کنٹرول کے ایک مضبوط نظام کے قیام اور اسے برقرار رکھنے کے لیے اپنی ذمہ داری کو پوری طرح تسلیم کرتا ہے۔

انٹرنل آڈٹ فنکشن کے ذریعے کیے جانے والے باقاعدہ جائزے اس بات کو یقینی بناتے ہیں کہ کسی بھی کمزوری یا تعمیل کے خلاء کی نشاندہی کی جائے اور اسے فوری طور پر دور کیا جائے اور اس کی سہ ماہی میٹنگز میں بورڈ آڈٹ کمیٹی کو رپورٹ / ریفر کیا جائے۔ بورڈ کو یقین ہے کہ FHM کا انٹرنل کنٹرول سسٹم تسلی بخش ہے، جو شریعہ گورننس اور رسک مینجمنٹ کو غیر متزلزل اہمیت سمیت آپریشنل کارکردگی اور ریگولیٹری تعمیل کے حصول میں معقول یقین دہانی فراہم کرتا ہے۔

آگے بڑھتے ہوئے:

آگے بڑھتے ہوئے، بورڈ مختصر مدت کی کارکردگی کو قریب سے ٹریک کرتے ہوئے اسٹریٹجک مقاصد کے لئے FHM کی پیشرفت کا ایک طویل مدتی نقطہ نظر رکھتا ہے۔ پاکستان کا معاشی منظر نامہ حالیہ برسوں میں جھلجھلاہٹ اور مواقع دونوں کے ساتھ اہم تبدیلیوں سے گزر رہا ہے۔ اسٹیٹ بینک کی پالیسی ریٹ میں کمی FHM کے مستقبل کے منافع کو متاثر کرے گی۔ تاہم، وہی کریڈٹ کی توسیع کو بڑھانے میں مدد کرے گا، جو ہمارا اہم کمائی اثاثہ ہے۔

مجھے FHM کی ٹیم پر ان کی لچک، حکمت عملی پر توجہ، اور فعال نقطہ نظر پر بے حد فخر ہے، جو کاروبار کی ترقی میں اہم کردار ادا کرتی ہے۔ مجھے یقین ہے کہ ایک تجربہ کار انتظامی ٹیم کے ساتھ مضبوط قیادت مستقبل کے چیلنجز کو نبھائیگی، ابھرتے ہوئے مواقع سے فائدہ اٹھانے اور پائیدار ترقی کو آگے بڑھانے کے لیے اچھی پوزیشن میں ہے۔ خلوص اور عزم کے ساتھ، ہم اقتصادی خوشحالی، ترقی کے ساتھ مسلسل عہدگی، اور طویل مدتی پائیداری کے منتظر ہیں۔

اعتراف:

آخر میں، مجھے اس موقع پر بورڈ کے ممبران کی بورڈ میٹنگز میں ان کی فعال شرکت اور ان کے ان پٹ / رہنمائی، اور چوکنار بننے کے لیے شکریہ ادا کرنا چاہتا ہوں جس نے مضاربہ کو مالیاتی منڈی میں ایک مستحکم اور پائیدار ادارہ بننے میں مدد دی۔ شفافیت، جوابدہی اور اندرونی کنٹرول کے تحفظات کے کلچر کو فروغ دینے کے لیے بورڈ کا عزم قابل تعریف ہے۔ آگے بڑھ کر سوچنے والی ذہنیت کو فروغ دے کر، بورڈ، انتظامیہ کے ساتھ، خطرات اور مواقع کو فعال طور پر شناخت کرنے، بہتری کے شعبوں کو نمایاں کرنے، اور اس طرح تنظیم کی طویل مدتی پائیداری کی حفاظت کرنے میں کامیاب رہا ہے۔

میں FHM کی سینئر ٹیم اور دیگر عملے کے اراکان کی بھی ان کی لگن، محنت اور استقامت کے لیے تعریف کرنا چاہتا ہوں، جس نے تنظیم کو غیر معمولی کارکردگی کی طرف لے جایا اور بہترین نتائج دیے۔ میں اپنے سرٹیفکیٹ ہولڈرز، کاروباری شرکاء داروں، اور دیگر تمام قابل قدر اسٹیک ہولڈرز کو ان کے یقین اور ہماری تنظیم پر جس اعتماد کا اظہار کرتا ہے، ان کی بھی تہہ دل سے تعریف کرتا ہوں۔ میں اس موقع پر مضاربہ رجسٹرار، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، پاکستان اسٹاک ایکسچینج، اور دیگر متعلقہ ریگولیٹری اداروں کا شکریہ ادا کرتا ہوں کہ ان کی مسلسل رہنمائی نے ہماری آگے بڑھنے میں مدد کی۔

محمد شمس اظہار

چیئر مین

چیمبر مین جائزہ رپورٹ

مجھے 30 جون 2025 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 رپورٹ کو پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

بورڈ کی طرف سے ادا کئے گئے کردار کا اثر:

بورڈ نے مضاربہ کے امور کی نگرانی اور نظم و نسق میں کاروباری اخلاقیات اور پیشہ ورانہ طرز عمل کے اعلیٰ ترین معیارات کو برقرار رکھتے ہوئے اپنے وٹن، مشن اور بنیادی اقدار کے نفاذ کو یقینی بناتے ہوئے FHM کے لیے اسٹریٹجک سمت کا تعین کیا ہے۔

بورڈ مضاربہ کے اندرونی کنٹرول فریم ورک کی فعال طور پر نگرانی کرتا ہے تاکہ مضبوط رسک مینجمنٹ اور ریگولیٹری تعمیل کو یقینی بنایا جاسکے۔ FHM کا گورننس ڈھانچہ بورڈ اور CEO / انتظامیہ کے کردار کے درمیان واضح فرق قائم کرتا ہے، آزاد نگرانی کو تقویت دیتا ہے۔ مزید برآں، مضاربہ ملازمین اور ڈائریکٹرز کے لیے ایک اچھی طرح سے طے شدہ ضابطہ اخلاق کی پابندی کرتا ہے، بہترین اخلاقی کاروباری طریقوں اور ریگولیٹری تعمیل کو فروغ دیتا ہے۔

بورڈ مضاربہ کے شیئر ہولڈرز کے بہترین مفادات اور کارپوریٹ گورننس کے اعلیٰ معیار کے تحفظ کے لیے پرعزم ہے۔ اس مقصد کے لیے، بورڈ فعال طور پر اپنا کردار ادا کرتا ہے، جس میں بورڈ کی کمیٹیوں کی جانب سے اچھی طرح سے طے شدہ مقاصد اور واضح شرائط کے ساتھ مدد کی جاتی ہے، جس سے موثر اور منظم نگرانی کو یقینی بنایا جاتا ہے۔ اپنی ذمہ داریوں کو نبھانے کے دوران، بورڈ پوری تبدیلی اور دیکھ بھال کے ساتھ اور مضاربہ اور اس کے شیئر ہولڈرز کے بہترین مفادات میں نیک نیتی سے کام کرتا ہے۔ مزید برآں، بورڈ ٹیلنٹ کے حصول، آن / آف جاب ٹریننگ، اور لیڈرشپ کی ترقی کو کسی تنظیم کی کامیابی اور پائیداری کے لیے ایک اہم عنصر کے ذریعے اعلیٰ کارکردگی کے کلچر کو پروان چڑھاتے ہوئے افرادی قوت کی ترقی پر غور کرتا ہے، اور اس پر FHM کی انتظامی ٹیم کی طرف سے مسلسل توجہ دی جاتی ہے۔

سال کے دوران، بورڈ نے اندرون خانہ کارکردگی کا جائزہ لیا جس میں بورڈ، اس کی کمیٹیوں، چیئرمین، سی ای او، اور افرادی / آزاد ڈائریکٹرز شامل تھے۔ 2024 میں، میسرز پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG) کی طرف سے ہر تین سال بعد اس طرح کے جائزے کی ضرورت کے مطابق ایک آزاد دیرینی جائزہ کیا گیا۔

2025 میں، ہم ایک ایسے ماحول میں کام کر رہے ہیں جہاں پاکستانی معیشت پائیدار ترقی پر توجہ مرکوز کرتے ہوئے بتدریج بحالی کا تجربہ کر رہی ہے، جس کا مقصد تیزی اور مندی کے چکروں سے بچنا ہے۔ پاکستان کا معاشی منظر نامہ حالیہ برسوں میں اہم تبدیلیوں سے گزر رہا ہے، چیلنجز اور مواقع دونوں ہی اس کے مستقبل کے روڈ میپ کو تشکیل دے رہے ہیں۔

مضاربہ کی کارکردگی:

یہ میرے لئے باعث مسرت ہے کہ میں آپ کو بتاؤں کہ FHM نے اپنی بیلنس شیٹ، مالیاتی اثاثوں اور منافع میں خاطر خواہ اضافہ ریکارڈ کرتے ہوئے شاندار مالی کارکردگی کا ایک اور سال پیش کروا۔ الحمد للہ، ہم نے تمام اہم کاروباری اہداف حاصل کر لیے گئے ہیں، جس کے نتیجے میں اچھی ترقی ہوئی۔ بیلنس شیٹ کے سائز میں تقریباً 32 فیصد اضافہ ہوا جس میں مالیاتی اثاثوں کی بنیاد میں تقریباً سال کے دوران 19.6 بلین روپے کی تقسیم کی وجہ سے نمایاں اضافہ ہوا۔ جو کہ مضاربہ کی کسی ایک سال / آپریشنل تاریخ میں سب سے زیادہ تقسیم ہے۔ معیشت کے متنوع اشیاء کے شعبے میں اپنے فنانسنگ پورٹ فولیو کو بڑھانے پر FHM کی توجہ قابل ذکر ہے اور کنسنٹریشن کے خطرے کو بھی کم کرتی ہے۔

الحمد للہ، FHM نے مالی سال 2024-25 کے اختتام کے ساتھ اپنے قیام کے 40 سال مکمل کر لیے ہیں۔ ہم اس کامیابی کے سنگ میل کو ایک قابل ذکر کہانی کی طرح مناتے ہیں۔ مسلسل ترقی، منافع، اور ملک کے مضاربہ سیکٹر میں سب سے ٹاپ کھلاڑی بننا۔ اس سلسلے میں اور گلد گورننس کے اعتراف میں، FHM نے قومی اور بین الاقوامی معتبر اداروں سے کئی ایوارڈز حاصل کیے ہیں، جن میں ICAP اور ICMA کی جانب سے بہترین کارپوریٹ رپورٹ ایوارڈ، مینجمنٹ ایسوسی ایشن آف پاکستان (MAP) کی جانب سے کارپوریٹ ایکیس لینس ایوارڈ، SAFA سرٹیفیکیٹ آف میرٹ اور NBFI ایسوسی ایشن آف پاکستان اور Modaraba کا بہترین کارکردگی کا مضاربہ ایوارڈ شامل ہیں۔ ہمیں پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ، (PACRA) کے ذریعے AA+ اور A1+ کی درجہ بندی کرنا جاری ہے، جو ہمارے شعبے میں بہترین ہے۔ یہ کامیابیاں FHM قیادت (CEO)، اس کی انتظامی ٹیم / عملے کے اراکین، اور بورڈ کے اراکین کی رہنمائی / نگرانی کی سخت محنت، لگن، تبدیلی اور عزم کا ثبوت ہیں۔ گزشتہ چار دہائیوں کے دوران، FHMs نے اعتماد، دیاننداری، شفافیت، اور صارفین کی اطمینان کی میراث بنائی ہے۔ عہدگی سے ہماری وابستگی نے ہمیں چیلنجوں سے گزرنے، مواقع حاصل کرنے اور قابل ذکر کامیابی حاصل کرنے کے قابل بنایا ہے۔ ہمیں اس پر فخر ہے جو ہم نے حاصل کیا ہے اور اپنے اسٹیک ہولڈرز کی حمایت اور اللہ سبحانہ و تعالیٰ کی نعمتوں کے شکر گزار ہیں۔

FHM ٹیم کے ہر رکن کی انتھک کوششوں نے اداروں کو ایک مضبوط ساکھ بنانے، غیر معمولی کسٹمر کے تجربات فراہم کرنے اور دائرے سے بڑھ کر رہنے کے قابل بنایا۔ میں اپنے صارفین، شراکت داروں، اور سرمایہ کاروں کا ان کی غیر متزلزل حمایت اور اعتماد کے لیے تہہ دل سے شکریہ ادا کرنا چاہوں گا۔ ہمارے وٹن اور حکمت عملی پر ان کا اعتماد ہماری کامیابی میں اہم کردار ادا کرتا ہے۔ ہمیں اپنے سفر کے ایک حصے کے طور پر ان کو حاصل کرنے پر واقعی فخر ہے۔



CEO's MESSAGE

Alhamdulillah, we have competed 40 years of continuous journey of success. The accomplishment of 4 decades truly reflects our dedication, passion and achievement through dedicated team efforts with strong commitment of sponsors and Board of directors for progress and sustainable growth of the organization.

The financial year 2024-25 ended with outstanding performance with achievement of significant growth in all our key areas. We must say that again above year proved one of the best and exceptional years in the operational history of First Habib Modaraba (FHM) in terms of disbursement, new client engagement, size of balance sheet and overall business growth. I am proud that with sincere efforts of team members, together, we achieve remarkable growth and significantly increased our market share within Modaraba and NBFI sector.

Our total disbursement during the year touched to Rs.19.6 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.34.7 billion as compared Rs.26.4 billion of last year. Our profit after tax has increased to Rs.901 million as compared to Rs.690 million of last year with growth of 31% which is the again highest profit after tax earning in the history of Modaraba.

Consistently satisfactory performance reflects the strength of our business fundamentals and validate the soundness of our strategic decisions. It reaffirms our position as a resilient financial institution, grounded in strong fundamentals and driven by a commitment to long-term value creation and prudent financial leadership. This success is not merely a reflection of numbers, but a demonstration of resilience, strategic far-sightedness, and shared belief in our resolve to be the best financial brand in the country.

While celebrating 40 years of journey of continuous business success, I would like to extend my deepest gratitude to our customers, partners and investors for their unwavering support and trust. Their confidence in

“
Through focus strategy and with strong business vision, we have successfully encountered with several challenges and shifting economic landscape. With these uncertainties, our dedicated team showed untiring support and our core values served as guiding tool toward sustainable and impactful decisions.”

our vision and strategy have been instrumental in our success. We are deeply honored to have them as part of our journey. I also value dedicated and hard work of incredible team for their tireless efforts and commitment to our mission. Their true dedication and commitment always remain driving force of success.

Looking ahead, the outlook for 2025-26 remains cautiously optimistic, we acknowledge the need for sustained reforms, consistent policy implementation, and structural investments to support durable economic recovery. Over the longer term, we will focus on expanding our presence in new cities and markets with deepening our engagement in sound assets booking. We will further strengthen our green and sustainable financing initiatives with increased reliance on digital tools for operational efficiency and excellent customer support. Our core values and objectives align with our long term vision of building a more inclusive and resilient non-banking financial institutions that contributes meaningfully for national development.

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

Muhammad Shoaib Ibrahim

Managing Director and CEO

DIRECTORS' PROFILE (BCR 5.01)



MOHAMMAD SHAMS IZHAR

Chairman Non-Executive Director

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



SYED RASHEED AKHTAR

Non-Executive Independent Director

Syed Rasheed Akhtar has rich experience in the banking field. His vast banking career spans over 37 years. He possesses masters in statistics degree from University of Karachi. He started his banking career from Habib Bank Limited in the year 1974 and carried diversified experience on very senior positions. He has been associated with Bank Indosuez, Habib Bank AG Zurich, HBZ Bank Limited, South Africa. He also headed an independent Islamic Banking Division of HBZ Bank Limited, South Africa from 2006-2010. He successfully completed Certificate on Islamic Banking arranged by N.I.B.A.F. State Bank of Pakistan. He has also completed Certification of Director Training Program conducted by Institute of Chartered Accountants of Pakistan.



SAEED UDDIN KHAN

Non-Executive Independent Director

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



USMAN NURUL ABEDIN

Non-Executive Director

Mr. Usman Nurul Abedin has graduated from University of Karachi he possesses about of 45 years of diversified experience in the field of banking and finance. He has a vast experience in banking particularly in treasury operations international branch banking. He served Habib Metropolitan Bank for about 32 years at senior management positions and also well versed with risk of credit management policy making and administration. Before joining Habib Metropolitan Bank he was associated with Bank of Credit & commerce international (BCCI) for about 11 years and served as Manager international Operations / Overseas Banking / Credit and Marketing in Hong Kong and South Korea.



DR. IRUM SABA

Non-Executive Director

Dr. Irum Saba has more than 20 years of progressive regulatory, research, training, and teaching experience with organizations of international repute. She has recently appointed as the Director of the Centre for Excellence in Islamic Finance (IBA). She is chairperson of Islamic Capital Market Committee of Securities and Exchange Commission of Pakistan. She received numerous in Pakistan and out of Pakistan for her leadership and contribution in Islamic Finance Industry. This year she received the prestigious "Queen of Kindness" award from (IBA). 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, organizational development and Islamic banking and Finance. She is a Shari'ah-registered financial planner (Shari'ah RFP). She holds the Chartered Islamic Finance Professional (CIFP) credential from INCEIF with distinction and PhD in Islamic Finance from INCEIF, Malaysia. 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



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 Ulum), Karachi Pakistan.

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

- a) 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.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER [BCR 5.02]

Role of the Chairman

The Chairman of the Board holds a decisive role to lead and manage the Board of Directors and organization goal. The Chairman's role is essential in steering the strategic direction of the institution and ensuring long term sustainability and good corporate governance. The separation of the Chairman's role from that of the CEO implies that the Chairman should be independent from management and free from any interest or other relationship that could potentially interfere with the Chairman's independently formed judgment.

Mr. Shams Izhar is a Chairman of the Board. He is seasoned banker and carrying diversified banking experience of local and international banking. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control.

Key role of Chairman can be elaborated as follows:

- ◆ Lead the Board of Directors
- ◆ Strategic Planning and Oversight
- ◆ Ensuring Good Corporate Governance
- ◆ Liaise between Board and Management and facilitate effective communication with stakeholders [BCR 5.12 (i)]
- ◆ Focus on strategy, performance and value creation
- ◆ Foster active engagement of all Board members and promote culture of mutual respect.

Chief Executive Officer

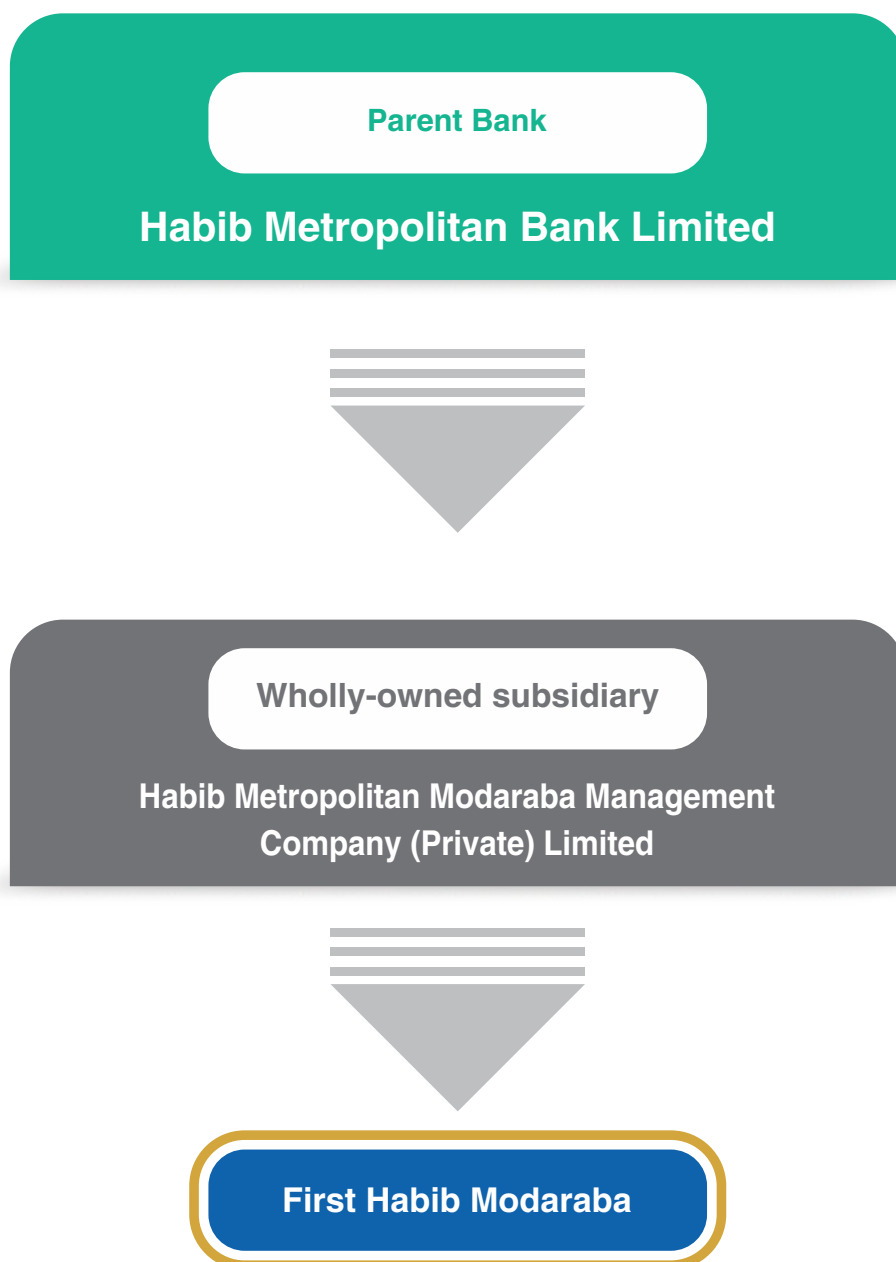
The Chief Executive Officer is the highest-ranking executive within the organization. He is responsible for overall leadership, strategic direction, sustainability and the effective management of the institution.

At present Mr. Muhammad Shoaib Ibrahim is the CEO of the company. He has a wealth of experience in Islamic banking and finance. As CEO, he is accountable for the management of Modaraba's operations within the scope of the Board's delegation of authority.

The following are his obligations:

- ◆ Setting vision and strategy.
- ◆ Make sure of long term sustainability.
- ◆ Managing entire operations with their alignment with overall strategic goals.
- ◆ Lead team members and motivate them to achieve strategic goal.
- ◆ Foster a corporate culture, encourage ethical moral, and enhance professional values.
- ◆ Ensure that FHM's resources are utilized at optimal efficiency.
- ◆ Make sure robust compliance and governance culture.
- ◆ To make available cordial working environment for team members.

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



MANAGEMENT TEAM



From Left to Right: **Mr. Muhammad Shoaib Ibrahim** Chief Executive Officer **Mr. Amir Kaleem** Head of Business Development **Mr. Tehsin Abbas** Chief Financial Officer **Mr. Zahid Hasan** Head of Information Technology



From Left to Right: **Mr. Danish Zahid** Head of Human Resouce **Mr. Fazal Abbas** Head of Credit
Mr. Azhar Hussain Head of Compliance **Mr. Muhammad Babar** Head of Internal Audit

DIRECTORS' REPORT



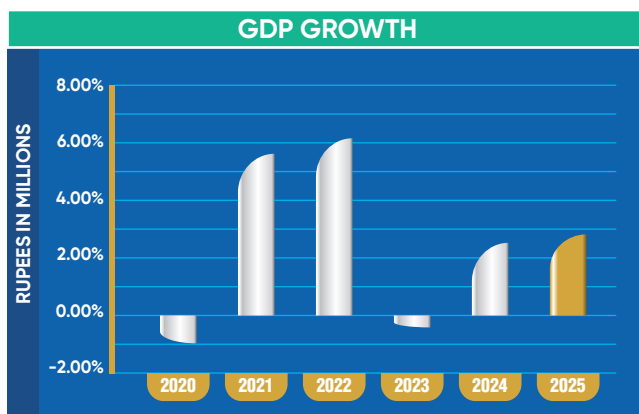
On behalf of the Board of Directors, we are pleased to present the Audited Financial Statements of the Modaraba for the year ended June 30, 2025.

	2025 (Rupees)	2024 (Rupees)
Profit before management fee	1,465,372,136	1,377,333,530
Profit before taxation and levy	1,270,917,253	1,197,260,940
Net Profit for the year	901,496,565	690,197,341
Appropriations		
Net Profit for the year	901,496,565	690,197,341
Add: Unappropriated profit brought forward	8,991,438	43,523,358
Less: Re-measurement of post-retirement benefit	4,284,905	1,985,211
Profit available for appropriation	906,203,098	731,735,488
Profit distribution @ 22.5% (2024 @ 21%)	249,368,625	232,744,050
General Reserve	500,000,000	490,000,000
Unappropriated profit carried forward	156,834,473	8,991,438

DIVIDEND

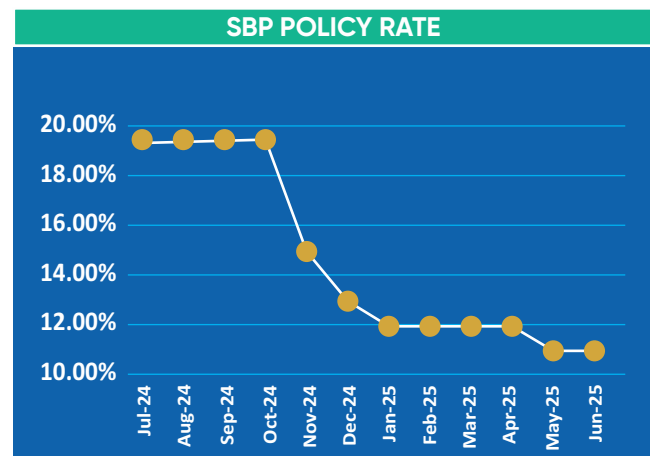
The Board of directors has pleased to declare cash dividend @ 22.5% i.e. Rs.2.25 per certificate of Rs.10/- each for the year ended 30th June, 2025.

Pakistan's economy has achieved macroeconomic stability in outgoing fiscal year, recovering from the challenges emerged in previous year, restoring economic confidence and have shown favorable economic outlook. The GDP growth achieved at 2.68% as compared to last year of 2.50%. The economy has emerged from the turbulence of FY2023-24, driven by easing inflation, satisfactory external balance, fiscal discipline including improved macroeconomic indicators along with fiscal consolidation have contributed to renewed economic confidence and positive business sentiments.



We have seen a significant decline in inflation, falling from 3.2 % for fiscal year ended on June 2025 on YoY basis as compared to 12.6% for preceding fiscal year. The last quarter of the fiscal year 2025 being most remarkable in this respect, wherein we witnessed a significant decline in inflation, falling from 29% to bottom level of 0.3% in April 2025. Several factors contributed to this decline, including fiscal consolidation, a stringent monetary policy, targeted relief measures, and efforts to stabilize the exchange rate.

Improved macroeconomic indicators have created space for monetary easing, supporting private sector credit growth and economic activity. The Central Bank gradually reduced policy rate from 19.5% at the beginning of year to 11% due to positive economic indicators and declining inflation rates. Simultaneously, steady remittance inflows continue to strengthen external stability and current account balance. According to report of State Bank of Pakistan, the country received record high remittances during fiscal year 2024-25 which supported well to ease down pressure on foreign exchange reserves.



Pakistan Stock Exchange index has reached a historically high level and hit a new all-time high record. The index has also seen significant growth throughout the year. The PSX has become a prominent symbol of economic stabilization and being recognized as one of the best-performing market globally during the outgoing fiscal year. Recently, Standard & Poor's (S&P) Credit Rating Agency upgraded Pakistan's rating by one notch after a gap of two and a half years. The revision was made due to the implementation of reforms and a reduction in sovereign default risks.

In recent Monetary policy meeting, the State Bank of Pakistan has maintained policy rate. According to committee statement, the inflation has been reduced due to lower food prices. However, committee noted that future outlook of inflation may worsen due to increase in energy prices especially gas tariffs. Trade deficit is expected to widen further in FY2025-26 due to pickup in economic activities and expected slowdown in global trade. Despite a sharper rise in imports relative to exports, stability in the external sector was supported by a significant increase in workers' remittances.

Going forward we expect economic activities will remain in positive zone subject to domestic political stability and peace in other critical jurisdictions including global tariff uncertainties. Presently, Pakistan's economy is passing through with several other challenges, including high debt levels, fiscal deficits, low exports growth and narrow tax base. In order to achieve sustainable economic growth, country need to focus on structural reforms, improving the ease of doing business and fostering an environment conducive to local and foreign investments. By addressing these key issues, Pakistan can move towards a more stable and prosperous economic future.

BUSINESS REVIEW OF FHM

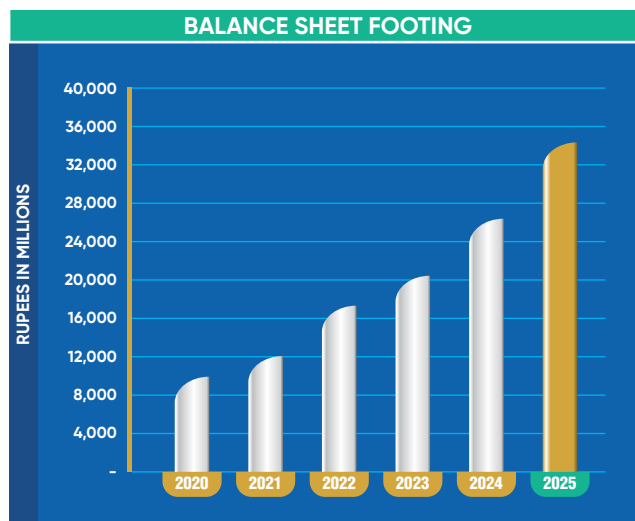
With completion of FY 2024-25, Alhamdulillah, we have competed 40 years of continuous journey of success. The accomplishment of 4 decades truly reflects our dedication, passion and achievement through dedicated team efforts with strong commitment of sponsors and Board of directors for progress and sustainable growth of the organization.

The financial year 2024-25 ended with outstanding performance with achievement of significant growth in all our key areas. We must say that again above year proved on of the best and exceptional years in the operational history of First Habib Modaraba (FHM) in terms of disbursement, new client engagement, size of balance sheet and overall business growth. The continuous success and excellent performance are due to blessing of Allah Subahanahu Wa Ta'ala and sincere and dedicated efforts of entire team members of FHM.

Our total disbursement during the year touched to Rs.19.6 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.34.7 billion as compared Rs.26.4 billion of last year. Our resource mobilization segment reached to Rs. 27.1 billion with a growth of 40%. Profit after tax has also increased to Rs.901 million as compared to Rs.690 million of last year.

Our main focus remained to add sound customer within our financing portfolio. In order to achieve prudent and steady growth, we adopted a proactive and forward looking approach. Keeping in view of downward adjustment of financing rates, we focused enhancement of financing book size while maintaining strict prudence in asset quality management and capital efficiency. As result, we were able to increase our asset base and maintained our leading position within Modaraba and NBFI sector, emphasizing our resilience and commitment to sustainable value creation.

As usual, our Karachi branch has made significant contribution for overall disbursement during the year and contributed around 57% followed by Lahore, Islamabad and Multan branch. During the year, we also concentrated on other cities including active industrial zones to explore new markets and add sound customers within our financing portfolio. In these cities, our business development team targeted Consumer, SME and corporate segment for assets financing such as motor vehicles, small machineries and equipment etc. We also encourage Solar Equipment financing to exiting sound customers to support green financing and engage with our commitment to support our ESG approach.



A significant enhancement has been made in consumer auto financing with growth of around 40%. Our team has successfully marketed few corporate employee deals to cater auto financing need of different cadre of management staff of sound entities. Recently, due to ease in financing rates, the auto financing segment has picked up and we foresee good addition in said portfolio in current years as well.

In last quarter of the year, we lost Mr. Intisar Usmani. He passed away due to his prolonged critical disease. Mr. Usmani (late) was part of our senior team member and served FHM for around 17 years. He was true professional, very caring, humble and upright person. He was more than a colleague, a mentor, a friend, and a pillar of our team. His dedication, expertise, and kindness will be deeply missed. We extend our deepest condolences to family members. Allah (SWT) may bless the departed soul and give strength and courage to their family members during this difficult time.

Government Policies Related to Modaraba's Business/Sector [BCR 5.22]

On Regulatory front, the Securities and Exchange Commission of Pakistan (SECP) is working on revision of entire Modaraba Ordinance, 1980. The initial consultation process has been completed and said draft is in approval process with relevant government authorities. Besides several important changes, few key changes such as introduction of private Modaraba and progressive increase in remuneration of management company will support for further growth of Modaraba sector of Pakistan.

CREDIT RATINGS

Due to FHM's strong and resilient financial position, M/s Pakistan Rating Agency (PACRA) has maintained entity credit rating of A1+ for short term and AA+ for long term. Despite of frequent disruptions of economic cycles and unforeseen shocks within the economy of Pakistan in past several years, the FHM is continuously delivering stable results on year on year basis. The ratings reflect FHM's sound business profile, emanating from a healthy asset base along with sustained profitability. The rating of AA+ of long term has been maintained by FHM since last 17 years which reflect institution's exceptional credit quality, financial stability and highest governance standards.

Business Outlook & Future Strategy

Pakistan's economic landscape has been going through with significant transformations in recent years with both challenges and opportunities. Reduction in SBP policy rates encourage borrowing and investment, potentially boosting industries and capital investment. However, economic experts caution that the effectiveness of this policy depends on complementary measures such as better fiscal discipline, enhancement of tax base, stable governance and prudent management of current account and including trade balance with effective policies to boosts exports

FHM is committed for sustainable growth by strengthening its market position and enhancing its value proposition. As our core objective, we keep on focusing expanding our market share, induction of sound customer base through new markets and cities. Furthermore, enhancing level of customer services will be our key priority. The same will be drive through with continued process of improvements, digitization, and technological advancement.

Moreover, effective risk management remains the crucial across all lines of businesses as environment remains challenging including strong focus on Shariah governance and robust compliances. Emphasis will be made to encourage our ESG approach for environmental protection, increase in community support & social welfare activities, good governance through best business practices, promotes ethical behavior, building trust and transparency for long term sustainability and prudent growth.

Keeping in view of present positive economic scenario and political stability, we are optimistic about our further business growth in prudent and careful manner. We are confident that Insha'Allah, we will achieve our business targets with improved performance and continue to add value for our Certificate Holders and maintain our leading position within Modaraba and NBFi sector.

Corporate Social Responsibility

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

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

Strategic Objectives on ESG

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

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

Directors Training & Orientation

[BCR 5.08, 5.09]

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 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 [BCR 5.12 (c,d)]

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 [BCR 5.12 (f)]

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 [BCR 5.12 (e)]

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, 2025 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, 2025 except for those disclosed in the financial statements.

Composition of the Board

The composition of the Board of Directors of the Company as on June 30, 2025 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 [BCR 5.16]

During the year, four Board meetings, four Board Audit Committee (BAC) meetings and one Human Resource & Remuneration Committee (HRRC) meetings were held. Attendance by each Director was as follows:

Name Of Directors	Board of Directors	BAC	HRRC
Syed Rasheed Akhtar	3	NA	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	4	NA

Auditors

Present auditor M/s. BDO Ebrahim & Co, Chartered Accountants, are being eligible to offer themselves for reappointment as auditors for the financial year ending June 30, 2026, however their appointment will be subject to approval of Registrar Modaraba.

Events Subsequent to the date of Financial Statements:

There have been no material changes and commitments, which affect the financial position of the company which has occurred between the end of the financial year to which the financial statements relate and the date of this Report.

Acknowledgement

We would like to express our 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. We also appreciate dedication, high level of professionalism and hard work of employees of FHM for smooth operations and achieving satisfactory results in extremely difficult business environment.

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

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

Karachi: August 07, 2025

- ایگزیکٹو ڈائریکٹر: ۱
- خاتون ڈائریکٹر: ۱

ڈائریکٹرز کی حاضری

سال کے دوران بورڈ کے چار اجلاس، آڈٹ کمیٹی کے چار اجلاس اور ایچ آر کمیٹی کا 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	NA	۱
جناب محمد شعیب ابراہیم	۴	NA	NA
جناب محمد شمس الظہر	۴	۴	۱
جناب سعید الدین خان	۴	۴	۱
جناب عثمان نورا لعابدین	۴	NA	NA
محترمہ ارم صبا	۴	۴	NA

آڈیٹرز

موجودہ آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس اہل ہوتے ہوئے اپنے آپ ۳۰ جون ۲۰۲۶ کو ختم ہونے والے سال کے لیے مضاربہ کے بیرونی آڈیٹرز کے طور پر خود کو پیش کرتا ہے۔ تاہم ان کی تقرری رجسٹرڈ مضاربہ آفس سے منظوری سے مشروط ہوگی۔

فائنل اسٹیٹمنٹ کی تاریخ کے بعد کے واقعات:

مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کوئی مادی تبدیلیاں واقع ہوئی ہے اور کوئی وعدے نہیں ہوئے ہیں، جو کمپنی کی مالی حالت کو متاثر کرتے ہیں۔

اظہار تشکر

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

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

محمد شمس الظہر
چیئر مین

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

کراچی: تاریخ: ۷ اگست، ۲۰۲۵

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

سرٹیفکیٹ ہولڈرز کا نمونہ / پیٹرن

۳۰ جون ۲۰۲۵ کو مضاربہ کے سرٹیفکیٹ ہولڈنگ کا پیٹرن اور اضافی معلومات اس رپورٹ میں شامل ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

ڈائریکٹرز مسرت کے ساتھ تصدیق کرتے ہیں کہ درج ذیل نکتوں پر سیکیورٹیز 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 بچ جانے والی مالیاتی رپورٹنگ کو IFRS کے معیار کے مطابق کریگی تاکہ صاف شفاف مالیاتی رپورٹنگ کو ترویج دی جاسکے۔

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

مالیاتی اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو لاگو کیا جائے گا۔ کھاتوں کا تخمینہ بہتر تجزیے اور صحیح وجہ کی بنیاد پر لگایا جائے گا۔

• اندرونی انتظام کو موثر طریقے سے نافذ العمل کیا جائے گا۔ اس نظام کو اندرونی احتساب / آڈٹ و دیگر ذرائع کے تحت مسلسل جائزہ لیا جائے گا۔

• بورڈ مضاربہ کی موجودہ جاری پیشرفت سے مطمئن ہے۔

• کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کا 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۔

• اہم آپریٹنگ اور گزشتہ ۶ سال کے مالی اعداد و شمار اس سالانہ رپورٹ میں خلاصہ کی شکل میں پیش کئے گئے ہیں۔

• کسی بھی قسم کے حکومتی ٹیکسز، ڈیوٹیز، لیویز اور دیگر چارجز وغیرہ ۳۰ جون ۲۰۲۵ تک قابل ادا نہیں ہیں سوائے جو کہ رپورٹ میں فراہم کئے گئے ہیں۔

بورڈ کی تشکیل

۳۰ جون ۲۰۲۵ء تک کمپنی کے بورڈ آف ڈائریکٹرز کی تشکیل درج ذیل ہے:

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

مرد:	۵
عورت:	۱

2. متعلقہ زمروں / کیٹیگریز کے تحت ڈائریکٹرز کی تعداد درج ذیل ہے:

آزاد ڈائریکٹرز:	۲
نان ایگزیکٹو ڈائریکٹرز:	۲

کوشش ہے کہ ماحولیات، معیشت اور ان لوگوں کے لیے حالات زندگی کو بہتر بنایا جائے جو کم خوش قسمت ہیں۔ اس بات کو یقینی بنانا ہماری بنیادی فکر رہی ہے کہ کمیونٹی کی ترقی میں تعاون کو مسلسل جاری رکھا جائے۔ اسی مناسبت سے، ہم نے اپنے کارپوریٹ سماجی ذمہ داری (CSR) کے اقدامات کو اس عزم کو پورا کرنے اور کمیونٹی کو باختیار بنانے اور ماحولیاتی انتظام کو پائیدار طریقے سے بڑھانے کے لیے ہم آہنگ کیا ہے۔

ESG پر اسٹریٹجک مقاصد

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

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

ڈائریکٹری 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 دیر دینی جائزہ کار کے طور پر شامل کیا ہے، جو بورڈ کی کارکردگی کا جائزہ لے رہا ہے۔ پروسس مکمل ہو چکا ہے اور اس کے مطابق سرٹیفکیٹ حاصل کئے جا چکے ہیں۔

ڈائریکٹرز کے اجلاس میں شرکت کے لئے فیس

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

پاکستان سے باہر بورڈ میٹنگ

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

فاران ڈائریکٹرز کی سکیورٹی کلیئرنس کی پالیسی

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

غیر ملکی ڈائریکٹرز

سال کی آخری سہ ماہی میں ہم نے جناب انتظار عثمانی کو کھودیا۔ وہ اپنی طویل علالت کے باعث انتقال کر گئے۔ جناب عثمانی (مرحوم) ہماری سینئر ٹیم کا حصہ تھے اور انہوں نے تقریباً ۱۷ سال تک FHM کی خدمات انجام دیں۔ وہ ایک حقیقی پیشہ ور، بہت خیال رکھنے والے، عاجز اور سیدھے آدمی تھے۔ وہ ایک ساتھی، ایک سرپرست، ایک دوست، اور ہماری ٹیم کا ایک ستون سے زیادہ تھے۔ اس کی لگن، مہارت اور مہربانی کی کمی محسوس کی جائے گی۔ ہم لواحقین سے گہری تعزیت کا اظہار کرتے ہیں۔ اللہ تعالیٰ مرحوم کی مغفرت فرمائے اور ان کے لواحقین کو اس مشکل وقت میں ہمت اور حوصلہ عطا فرمائے۔

ریگولیشن کے محاذ پر، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) پورے مضاربہ آرڈیننس ۱۹۸۰ پر نظر ثانی پر کام کر رہا ہے۔ ابتدائی مشاورتی عمل مکمل ہو چکا ہے، اور کہا کہ مسودہ متعلقہ سرکاری حکام کے ساتھ منظوری کے عمل میں ہے۔ کئی اہم تبدیلیوں کے علاوہ، چند اہم تبدیلیاں، جیسے پرائیویٹ مضاربہ کا تعارف اور انتظامی کمپنی کے معاوضے میں بتدریج اضافہ، پاکستان کے مضاربہ سیکٹر کی مزید ترقی میں معاون ثابت ہوں گے۔

کریڈٹ ریٹنگ

FHM کی مضبوط اور پیکڈ ارمالی پوزیشن کی وجہ سے، میسرز پاکستان ریٹنگ ایجنسی (PACRA) نے قلیل مدتی کے لیے +A1 اور طویل مدتی کے لیے +AA کی ہستی کریڈٹ ریٹنگ برقرار رکھی ہے۔ پاکستان کی معیشت کے اندر گزشتہ کئی سالوں میں بار بار آنے والے اقتصادی چکروں اور غیر متوقع جھٹکوں کے باوجود، FHM مسلسل سال بہ سال کی بنیاد پر مستحکم نتائج دے رہا ہے۔ ریٹنگز FHM کے اچھے کاروباری پروفائل کی عکاسی کرتی ہیں، جو کہ مستقل منافع کے ساتھ صحت مند اثاثہ کی بنیاد سے نکلتی ہیں۔ +AA طویل مدتی کی درجہ بندی کو FHM نے گزشتہ ۷ سالوں سے برقرار رکھا ہے، جو ادارے کے غیر معمولی کریڈٹ کے معیار، مالی استحکام، اور اعلیٰ ترین حکمرانی کے معیارات کی عکاسی کرتا ہے۔

کاروباری نقطہ نظر اور مستقبل کی حکمت عملی

پاکستان کا معاشی منظر نامہ حالیہ برسوں میں چیلنجوں اور مواقع دونوں کے ساتھ اہم تبدیلیوں سے گزر رہا ہے۔ SBP پالیسی کی شرحوں میں کمی قرض لینے اور سرمایہ کاری کی حوصلہ افزائی کرتی ہے، ممکنہ طور پر صنعتوں اور سرمایہ کاری کو فروغ دیتی ہے۔ تاہم، اقتصادی ماہرین نے خبردار کیا ہے کہ اس پالیسی کی تاثیر کا انحصار تکمیلی اقدامات پر ہے جیسے بہتر مالیاتی نظم و ضبط، ٹیکس کی بنیاد میں اضافہ، مستحکم گورننس، اور تجارتی توازن سمیت کرنٹ اکاؤنٹ کا محتاط انتظام، برآمدات کو بڑھانے کے لیے موثر پالیسیوں کے ساتھ۔

FHM اپنی مارکیٹ کی پوزیشن کو مضبوط بنا کر اور اپنی قیمت کی تجویز کو بڑھا کر پائیدار ترقی کے لیے پرعزم ہے۔ اپنے بنیادی مقصد کے طور پر، ہم اپنے مارکیٹ شیئر کو بڑھانے، نئی مارکیٹوں اور شہروں کے ذریعے ایک مضبوط کسٹمر بیس کی شمولیت پر توجہ مرکوز کرتے رہتے ہیں۔ مزید برآں، کسٹمر سروس کی سطح کو بڑھانا ہماری کلیدی ترجیح ہوگی۔ بہتری، ڈیجیٹائزیشن، اور تکنیکی ترقی کے مسلسل عمل کے ذریعے اسی کو آگے بڑھایا جائے گا۔

مزید برآں، کاروبار کی تمام خطوط پر مؤثر رسک مینجمنٹ بہت ضروری ہے کیونکہ ماحول اب بھی چیلنجنگ ہے، جس میں شریعہ گورننس اور مضبوط تعمیل پر مضبوط توجہ شامل ہے۔ ماحولیاتی تحفظ، کمیونٹی سپورٹ اور سماجی بہبود کی سرگرمیوں میں اضافہ، بہترین کاروباری طریقوں کے ذریعے اچھی حکمرانی، اخلاقی رویے کو فروغ دینے، طویل مدتی پائیداری اور دانشمندانہ ترقی کے لیے اعتماد اور شفافیت پیدا کرنے کے لیے ہمارے ESG پروجیکٹ کی حوصلہ افزائی پر زور دیا جائے گا۔

موجودہ مثبت معاشی منظر نامے اور سیاسی استحکام کو مد نظر رکھتے ہوئے، ہم محتاط اور محتاط انداز میں اپنے کاروبار میں مزید اضافے کے لیے پرامید ہیں۔ ہمیں یقین ہے کہ انشاء اللہ، ہم بہتر کارکردگی کے ساتھ اپنے کاروباری اہداف حاصل کریں گے اور اپنے سرٹیفیکیٹ ہولڈرز کے لیے قدر میں اضافہ کرتے رہیں گے اور مضاربہ اور NBFI سیکٹر میں اپنی نمایاں پوزیشن کو برقرار رکھیں گے۔

کارپوریٹ سماجی ذمہ داری

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

ایک بنیادی مقصد کے طور پر، FHM متعدد قابل احترام خیراتی تنظیموں اور فلاحی تنظیموں میں اپنا حصہ ڈال کر ہمیشہ ضرورت مندوں کے لیے ضروری مدد فراہم کرتا ہے۔ یہ ہماری مخلصانہ

پاکستان اسٹاک ایکسچینج کا انڈیکس تاریخی طور پر بلند ترین سطح پر پہنچ گیا ہے اور اب تک کا ایک نئی بلند ترین سطح پر پہنچ گیا ہے۔ انڈیکس میں بھی سال بھر نمایاں اضافہ دیکھنے میں آیا ہے۔ PSX معاشی استحکام کی ایک نمایاں علامت بن گیا ہے اور گزرنے والی سال کے دوران عالمی سطح پر بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ میں سے ایک کے طور پر جانا جاتا ہے۔ حال ہی میں، اسٹینڈرڈ اینڈ پورز (S&P) کریڈٹ ریٹنگ ایجنسی نے ڈھائی سال کے وقفے کے بعد پاکستان کی ریٹنگ کو ایک درجے تک اپ گریڈ کیا۔ یہ نظر ثانی اصلاحات کے نفاذ اور ڈیفالٹ خطرات میں کمی کی وجہ سے کی گئی۔

حالیہ مانیٹری پالیسی اجلاس میں اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو برقرار رکھا ہے۔ کمیٹی کے بیان کے مطابق اشیائے خورد و نوش کی قیمتوں میں کمی کی وجہ سے مہنگائی میں کمی ہوئی ہے۔ تاہم، کمیٹی نے نوٹ کیا کہ توانائی کی قیمتوں بالخصوص گیس کے نرخوں میں اضافے کی وجہ سے مستقبل میں مہنگائی بڑھ سکتی ہے۔ اقتصادی سرگرمیوں میں تیزی اور عالمی تجارت میں متوقع سست روی کی وجہ سے مالی سال ۲۰۲۵-۲۶ میں تجارتی خسارہ مزید بڑھنے کی توقع ہے۔ برآمدات کی نسبت درآمدات میں تیزی سے اضافے کے باوجود، ورکرز کی ترسیلات زر میں نمایاں اضافے سے بیرونی شعبے میں استحکام کو سہارا ملا۔

آگے بڑھتے ہوئے ہم توقع کرتے ہیں کہ ملکی سیاسی استحکام اور عالمی ٹریف کی غیر یقینی صورتحال سمیت دیگر اہم دائرہ اختیار میں امن کے ساتھ معاشی سرگرمیاں مثبت زون میں رہیں گی۔ اس وقت پاکستان کی معیشت کئی دیگر چیلنجز سے گزر رہی ہے، جن میں قرضوں کی بلند سطح، مالیاتی خسارہ، کم برآمدات میں اضافہ اور ٹیکس کی تنگی بنیادی وجہ شامل ہیں۔ پائیدار اقتصادی ترقی کے حصول کے لیے، ملک کو انسپکچر اصلاحات، کاروبار کرنے میں آسانی کو بہتر بنانے اور مقامی اور غیر ملکی سرمایہ کاری کے لیے سازگار ماحول کو فروغ دینے کی ضرورت ہے۔ ان اہم مسائل کو حل کر کے پاکستان مزید مستحکم اور خوشحال معاشی مستقبل کی طرف بڑھ سکتا ہے۔

فرسٹ حبیب مضاربہ کا معاشی جائزہ

مالی سال ۲۰۲۳-۲۵ کی تکمیل کے ساتھ، الحمد للہ، ہم نے کامیابی کے مسلسل سفر کے ۴۰ سال مکمل کر لیے ہیں۔ ۴۲ دہائیوں کی کامیابی تنظیم کی ترقی اور پائیدار ترقی کے لیے اسپانسرز اور بورڈ آف ڈائریکٹرز کے مضبوط عزم کے ساتھ سرشار ٹیم کی کوششوں کے ذریعے ہمارے لگن، جذبے اور کامیابی کی صحیح معنوں میں عکاسی کرتی ہے۔

مالی سال ۲۰۲۳-۲۵ ہمارے تمام اہم شعبوں میں نمایاں ترقی کی کامیابی کے ساتھ شاندار کارکردگی کے ساتھ ختم ہوا۔ ہمیں یہ کہنا ضروری ہے کہ پچھلے سال فرسٹ حبیب مضاربہ (FHM) کی آپریشنل تاریخ میں ادا کی گئیوں، نئے کلائنٹ کی شمولیت، بیلنس شیٹ کے سائز، اور مجموعی کاروباری ترقی کے لحاظ سے ایک بار پھر بہترین اور غیر معمولی سال ثابت ہوئے۔ مسلسل کامیابی اور بہترین کارکردگی اللہ سبحانہ و تعالیٰ کے فضل و کرم اور FHM کی پوری ٹیم ممبران کی مخلصانہ اور سرشار کوششوں کی بدولت ہے۔

سال کے دوران ہماری کل ادائیگی ۱۹۶ بلین روپے کو چھو گئی۔ جو ایف ایچ ایم کی آپریشنل تاریخ میں اب تک کی سب سے زیادہ ہے۔ بیلنس شیٹ کا سائز بھی ۱۳۴ ارب روپے کے مقابلے میں گزشتہ سال کے ۲۶۴ بلین روپے تک پہنچ گیا ہے۔ ہمارا ریورس موبلائزیشن سیگنٹ ۳۹۸ فیصد اضافے کے ساتھ ۲۰۶ بلین روپے تک پہنچ گیا۔ بعد ازاں ٹیکس منافع بھی بڑھ کر ۹۰ بلین روپے کے مقابلے میں پچھلے سال ۶۹۰ بلین روپے ہو گیا ہے۔

ہماری اصل توجہ ہمارے فنانسنگ پورٹ فولیو میں اچھے صارفین کو شامل کرنا رہی۔ محتاط اور مستحکم ترقی حاصل کرنے کے لیے، ہم نے ایک فعال اور مستقبل کے حوالے سے نظر یہ اپنایا۔ قرضے کی شرح میں کمی کو مد نظر رکھتے ہوئے، ہم نے اثاثوں کے معیار کے انتظام اور سرمائے کی کارکردگی میں سخت سمجھداری کو برقرار رکھتے ہوئے فنانسنگ بک کے سائز کو بڑھانے پر توجہ مرکوز کی۔ نتیجے کے طور پر، ہم اپنے اثاثوں کی بنیاد کو بڑھانے اور مضاربہ اور NBFI شعبوں میں اپنی اہم پوزیشن کو برقرار رکھنے میں کامیاب ہوئے، اپنی چلک اور پائیدار قدر کو بنانے کے عزم پر زور دیا۔

ہمیشہ کی طرح، ہماری کراچی برانچ نے اس عرصے کے دوران مجموعی طور پر تقسیم میں نمایاں حصہ ڈالا ہے اور تقریباً ۵۵ فیصد حصہ ڈالا ہے جس کے بعد لاہور، اسلام آباد اور ملتان کی برانچیں ہیں۔ سال کے دوران، ہم نے دیگر شہروں پر بھی توجہ مرکوز کی، بشمول فعال صنعتی زون، نئی منڈیوں کو تلاش کرنے اور اپنے فنانسنگ پورٹ فولیو میں اچھے صارفین کو شامل کرنے کے لیے۔ ان شہروں میں، ہماری بزنس ڈیولپمنٹ ٹیم نے کنزومر، ایس ایم ای، اور کارپوریٹ طبقہ کو اثاثہ جات کی مالی اعانت کے لیے نشانہ بنایا جیسے کہ موٹر گاڑیاں، چھوٹی مشینری اور آلات وغیرہ۔ ہم باہر نکلنے والے اچھے صارفین کے لیے شمسی آلات کی فنانسنگ کی حوصلہ افزائی کرتے ہیں تاکہ وہ گرین فنانسنگ کو سپورٹ کریں اور ہمارے ESG پروچ کو سپورٹ کرنے کے عزم کے ساتھ مشغول ہوں۔

کنزومر آؤٹ فنانسنگ میں تقریباً ۴۰ فیصد کی نمو کے ساتھ نمایاں اضافہ کیا گیا ہے۔ ہماری ٹیم نے کامیاب اداروں کے انتظامی عملے کے مختلف کیڈرز کی آؤٹ فنانسنگ کی ضروریات کو پورا کرنے کے لیے کارپوریٹ ملازمین کے چند سودوں کی کامیابی کے ساتھ مارکیٹنگ کی ہے۔ حال ہی میں، قرضے کی شرحوں میں آسانی کی وجہ سے، آؤٹ فنانسنگ سیگمنٹ میں تیزی آئی ہے، اور ہم موجودہ سالوں میں بھی مذکورہ پورٹ فولیو میں اچھے اضافے کی پیش گوئی کر رہے ہیں۔

ڈائریکٹر رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ جون ۲۰۲۵ کو ختم ہونے والے سال کے لئے مضاربہ کے آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے خوشی ہو رہی ہے۔

۲۰۲۴	۲۰۲۵	
(پاکستانی روپے)	(پاکستانی روپے)	
۱۳۷۷۳۳۳۵۳۰	۱۴۶۵۳۷۲۱۳۶	میںجمنٹ فیس سے قبل منافع
۱۱۹۷۲۶۰۹۴۰	۱۲۷۰۹۱۷۲۵۳	منافع قبل از ٹیکس
۶۹۰۱۹۷۳۴۱	۹۰۱۴۹۶۵۶۵	سال کا خالص منافع
		مختص / اپرپرائیٹرز
۶۹۰۱۹۷۳۴۱	۹۰۱۴۹۶۵۶۵	سال کا خالص منافع
۴۳۵۲۳۳۵۸	۸۹۹۱۴۳۸	جمع کیا: مختص منافع کو آگے لایا گیا
۱۹۸۵۲۱۱	۴۲۸۴۹۰۵	سرپلس کو ٹرانسفر کیا مختص منافع میں
۷۳۱۷۳۵۴۸۸	۹۰۶۲۰۳۰۹۸	مختص / اپرپرائیٹرز کیلئے موجود منافع
		منافع کی تقسیم @ ۲۱ فیصد
۲۳۲۷۴۴۰۵۰	۲۴۹۳۶۸۶۲۵	جزل ریورز
۴۹۰۰۰۰۰۰۰	۵۰۰۰۰۰۰۰۰	غیر مختص منافع آگے لاتے ہوئے
۸۹۹۱۴۳۸	۱۵۶۸۳۴۴۷۳	

تقسیم:

بورڈ ڈائریکٹرز انتہائی مسرت سے کیش ڈیویڈنڈ @ ۲۲.۵ فیصد جو کہ مبلغ ۲۵ روپے فی ۱۰ روپے شیئر برائے اختتامی مالی سال ۳۰ جون ۲۰۲۵ کا اعلان کرتے ہیں۔

معاشی جائزہ:

پاکستان کی معیشت نے گزشتہ مالی سال میں میکرو اکنامک استحکام حاصل کیا ہے، پچھلے سال میں پیدا ہونے والے چیلنجز سے نکل کر معاشی اعتماد بحال کیا ہے اور سازگار اقتصادی نقطہ نظر ظاہر کیا ہے۔ جی ڈی پی کی نمو گزشتہ سال ۲۰۵۰ فیصد کے مقابلے میں ۲۰۶۸ فیصد تک پہنچ گئی، معیشت مالی سال ۲۰۲۳-۲۴ کی افراط زر سے ابھری ہے، جس میں افراط زر میں کمی، تسلی بخش بیرونی توازن، مالیاتی نظم و ضبط بشمول میکرو اکنامک انڈیکسز میں بہتری کے ساتھ ساتھ مالیاتی استحکام اور معاشی استحکام کو مثبت اقتصادی استحکام بھیجا گیا ہے۔

ہم نے مہنگائی میں نمایاں کمی دیکھی ہے، جو کہ جون ۲۰۲۵ کو ختم ہونے والے مالی سال کے لیے ۳.۵ فیصد سے ۷.۷ کی بنیاد پر گر گئی ہے جبکہ پچھلے مالی سال کے لیے ۱۲.۶ فیصد تھی۔ مالی سال ۲۰۲۵ کی آخری سہ ماہی اس لحاظ سے سب سے زیادہ قابل ذکر رہی، جس میں ہم نے افراط زر میں نمایاں کمی دیکھی، جو اپریل ۲۰۲۵ میں ۲۹ فیصد سے نیچے کی سطح پر ۰.۳ فیصد تک گر گئی۔ کئی عوامل بشمول مالیاتی استحکام، ایک سخت پالیسی، ٹارگٹ ریلیف مانیٹری پالیسی، ٹارگٹ مانیٹری ریٹ کی پیمائش نے اس کی میں اہم کردار ادا کیا۔

بہتر میکرو اکنامک انڈیکسز نے مانیٹری نرمی کے لیے جگہ پیدا کی ہے، نجی شعبے کے قرضوں کی نمو اور اقتصادی سرگرمیوں میں مدد فراہم کی ہے۔ مرکزی بینک نے مثبت اقتصادی اشاریوں اور گرتی ہوئی افراط زر کی شرح کی وجہ سے بتدریج پالیسی ریٹ کو سال کے آغاز میں ۲۲ فیصد سے کم کر کے ۱۱ فیصد کر دیا۔ اس کے ساتھ ہی، ترسیلات زر کی مسلسل آمد بیرونی استحکام اور کرنٹ اکاؤنٹ بیلنس کو مستحکم کرتی ہے۔ اسٹیٹ بینک آف پاکستان کی رپورٹ کے مطابق، ملک نے مالی سال ۲۰۲۴-۲۵ کے دوران ریکارڈ بلند ترسیلات حاصل کیں جس سے زر مبادلہ کے ذخائر پر دباؤ کم کرنے میں مدد ملی۔

Organizational Overview & External Environment



40 Years of First Habib Modaraba

Since last 4 decades, First Habib Modaraba has been maintaining its position as a trusted leader in Pakistan's financial sector, navigating diverse economic cycles with resilience. Guided by Shariah principles, we have evolved in response to changing market dynamics, regulatory frameworks, and stakeholder expectations, while sustaining growth and stability in a competitive environment.

PRODUCT DETAIL [BCR 1.02]

Principle Business activities of the Modaraba

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

DIMINISHING MUSHARAKA

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



CONSUMER AUTO FINANCE

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



MURABAHA

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



SALAM

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



ISTISNA

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



Certificate of Investment (Musharaka)

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



GEOGRAPHICAL PRESENCE [BCR 1.03]



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:

Office # 707, 7th Floor,
United Mall, Abdali Road, Multan
Tel: 061-4500121-22-23

MAJOR & SIGNIFICANT EVENTS [BCR 1.16, 1.17]



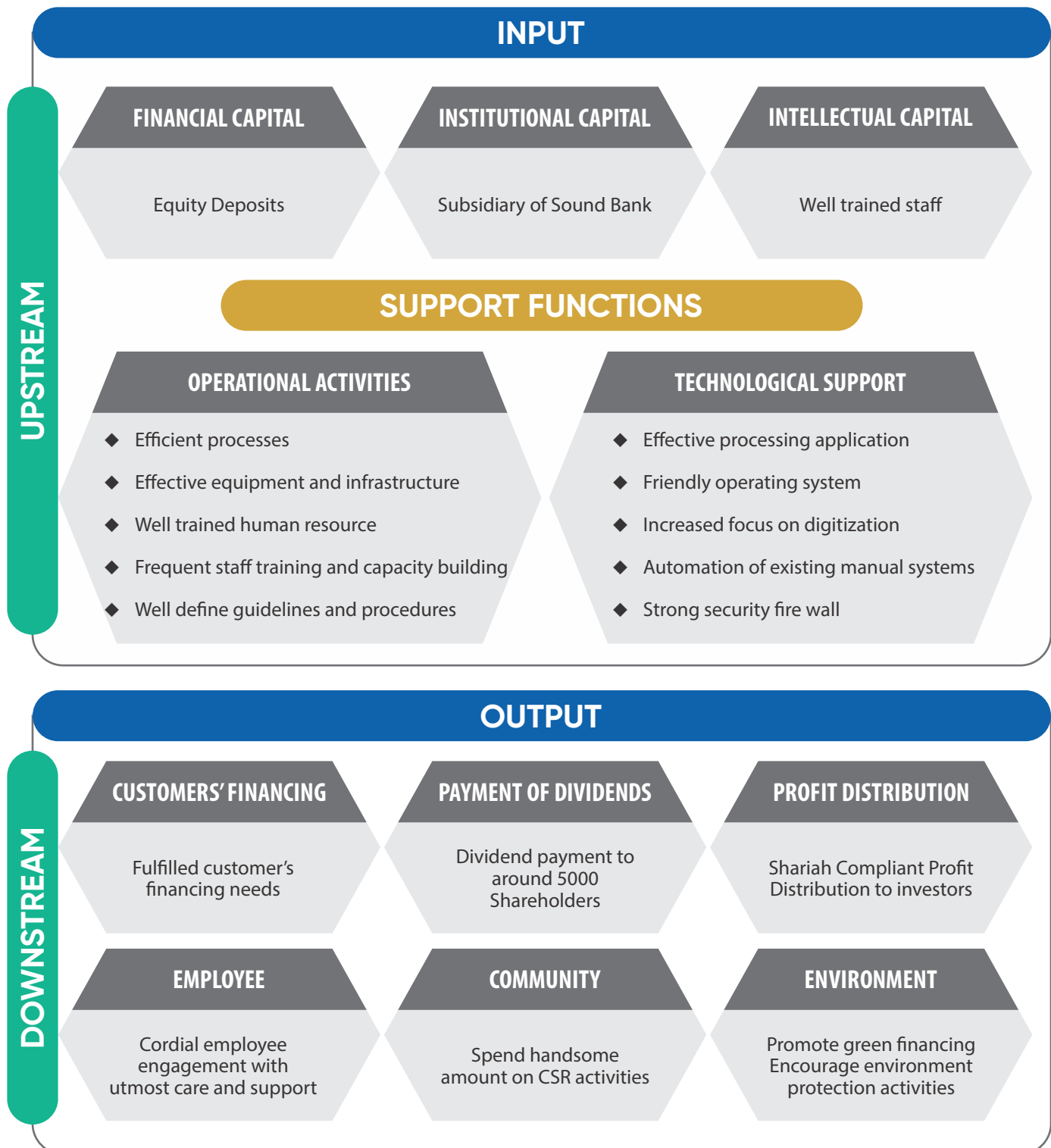
ORGANIZATIONAL STRUCTURE [BCR 1.08]





FHM VALUE CHAIN [BCR 1.11]

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



PERFORMANCE OF THE MODARABA

for the year and major improvements from last year. [BCR 1.09]

Performance of First Habib Modaraba (FHM) during the financial year 2024-25 remained remarkable and all key targets have not only achieved but also increased with good margins. We must say that again above year proved as one of the best and exceptional years in the operational history of FHM in terms of performance, disbursement, profitability and overall business growth.

Our total disbursement during the year touched to Rs.19.6 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.34.7 billion as compared Rs.26.5 billion of last year. Our deposit under Certificate of Investment (Musharaka) scheme and other resource mobilization also reached to Rs.27.1 billion with a growth of 40%.

The key performance indicators during year 2024-25 were as follows:



Performance of Activities, Products, Services, Segments of entity and group entities [BCR 1.10]

With regard to the performance of subsidiaries, FHM does not have any subsidiaries; consequently, the performance review does not apply to the segments in question. This is despite the fact that Habib Metropolitan Bank, which is both a parent and an associate bank, continued to demonstrate outstanding performance for the year ended 31 December 2024. The size of the bank's balance sheet reached to 1,500 billion with strong profitability and handsome return to shareholders through distribution of cash dividends.

PESTEL ANALYSIS [BCR 1.12 (a)]



Pakistan's economy has achieved macroeconomic stability in outgoing fiscal year, recovering from the challenges emerged due to political instability and other global unrest in previous years. Such positive outcomes are due to political stability and improved macroeconomic indicators.

Any type of unrest in political front could impact the business and performances. However, management of FHM has been able to encounter with such challenges and align business strategy and risk management in timely manner.



Currently, the economic indicators are showing recovery with positive business sentiments.

FHM's performance is definitely linked with positive economic outlook and local & geopolitical/economic stability. Any distress situation such as high inflation, pressure on foreign exchange and high taxation can impact performance of Modaraba.

In order to mitigate such type risk FHM has diversified customers' assets portfolio linked with quarterly review of pricing in line with prevailing rates. Effective liquidity management is also a critical task and management is always make sure for sufficient availability of liquidity across network in case of any distress situation.



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

HIGH MODERATE LOW



The management places a significant amount of importance on implementing the most recent technology in order to improve the company's operations and processes. FHM makes consistent investments in cutting-edge hardware and software in order to improve its information technology infrastructure and upgrade its systems.

Because of this ongoing investment, the modaraba is able to maintain its position at the forefront of technological advancements and maintain excellent operational efficiency. The Modaraba is also excited about the prospect of working together with fintech companies and other technology-focused solution providers in order to incorporate new features into its products and processes.



As a result of the significance that is placed on environmental, social, and governance (ESG) in the modern world and part of its commitment to fostering sustainable growth, FHM is committed to proactively managing environmental factors.

Emphasis will be made to encourage ESG approach for environmental protection, increase in community support & social welfare activities, good governance through best business practices, promotes ethical behavior, building trust and transparency for long term sustainability and prudent growth.



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

FHM adheres to all regulatory and statutory obligations, ensuring full compliance with all the Laws, Rules and Regulations applicable on it including Shariah governance. To support this, an independent compliance and internal audit department have been fully functional with competent resources at FHM. These departments make sure for robust compliance culture along with effective internal control to make sure better governance and fulfil all regulatory and other requirement including compliance requirements of parent bank.

The Effect of seasonality on business [BCR 1.12 (b)]

First Habib Modaraba operate in dynamic environments influenced by macroeconomic conditions, regulatory policies, and market volatility. In emerging economies like Pakistan where economic instability, inflation, and currency fluctuations are prevalent seasonality plays a significant role in shaping financial sector performance. Seasonal variations affect liquidity, credit demand, deposit inflows, and overall profitability.

Seasonality refers to periodic fluctuations in economic activity based on time-specific factors such as agricultural cycles, tax periods, and weather conditions. First Habib Modaraba has diversified portfolio and reduce over-reliance on any single sector.

The legitimate needs, interests of key stakeholders and industry trends [BCR 1.13]

a) Legitimate needs and interest of key stakeholders.

The level of interest and engagement shown by the stakeholders can shed light on the nature and quality of the relationship that the organization has with its most important stakeholders. Additionally, the aforementioned relationship demonstrates how and to what extent the organization comprehends, takes into account, and responds to the legitimate needs and interests of the individuals involved. The cordial and mutually beneficial relationships that FHM maintains with each and every stakeholder are always respected and valued. Furthermore, we are firmly of the belief that these relationships are of utmost significance and can impact growth momentum and long term sustainability.

For detailed review of FHM's relationship towards stakeholder engagement can be seen on page No. 196 and 74 in Strategy and Resource Allocation documents.

It is very crucial to maintained Stakeholder Enjoyment with focus attention for success of organization. It fosters strong relationship, image building and better decision making. In addition to adhering to all rules and regulations, Modaraba is also engaged in the best business practices as a responsible corporate entity within the financial market. Modaraba is a listed entity in the Pakistan market.

b) Industry trends

FHM is operating in Pakistan's financial market as non-banking Islamic financial institution. The demand of Shariah compliant products and services are increasing within the country. Both Bank and Non-bank segment are catering growing demand of end user. The combine share of Islamic finance within bank and non-bank segment is ranging around 30%. Still huge market is untapped and has good potential to grow particularly in Small and Medium enterprises and also support for financial inclusion.



S	W	O	T
STRENGTH	WEAKNESS	OPPORTUNITY	THREAT
◆ Successful business journey of 4 decades ◆ Strong financial position and profitability ◆ Well respected and reputable brand within Non-Banking Islamic Financial Sector ◆ Sound equity base and high Capital Adequacy Ratio ◆ Subsidiary of one the well reputed and sound institution of Pakistan i.e., Habib Metropolitan Bank ◆ Leading Modaraba within the Modaraba sector ◆ Highest market shares within Modaraba sector ◆ Highest credit rating within Modaraba sector i.e., AA+ of long term. ◆ Prudent and Sustainable Business Policies. ◆ Diversified financing portfolio with stable sectors of the country.	◆ Lack of availability of low cost funds ◆ Slow moving litigation processes ◆ Limited products of resource mobilization ◆ Shortage of human resources having specialized knowledge of Islamic banking	◆ Growing demand of Islamic finance products. ◆ Increase credit demand due to low profit rates. ◆ Huge potential in Shariah based financing within the SME sector. ◆ Strong support of entire network of Habib Metro Bank. ◆ Avenues for digital based financing through technological advancement	◆ Rising operating cost ◆ Macro and micro instability ◆ Excessive taxation on businesses ◆ Economic uncertainty



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 17 years.
- ◆ Secured large number of awards from various national and international bodies.
- ◆ Highest in assets size in financial category modaraba.
- ◆ Highest in auto financing numbers within the modaraba sector.
- ◆ Continuous payment of dividend to certificate holders every year since 1985.

Competitors:

FHM has direct competition with 20 other Modarabas providing financial services. Moreover, Islamic banks are also offering same Islamic financial products.

Market Trends:

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

Barriers to Entry:

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

Supplier power:

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

Customer preferences:

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

Market Positioning:

Target Audience:

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

Value Proposition:

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

Competitive analysis:

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

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



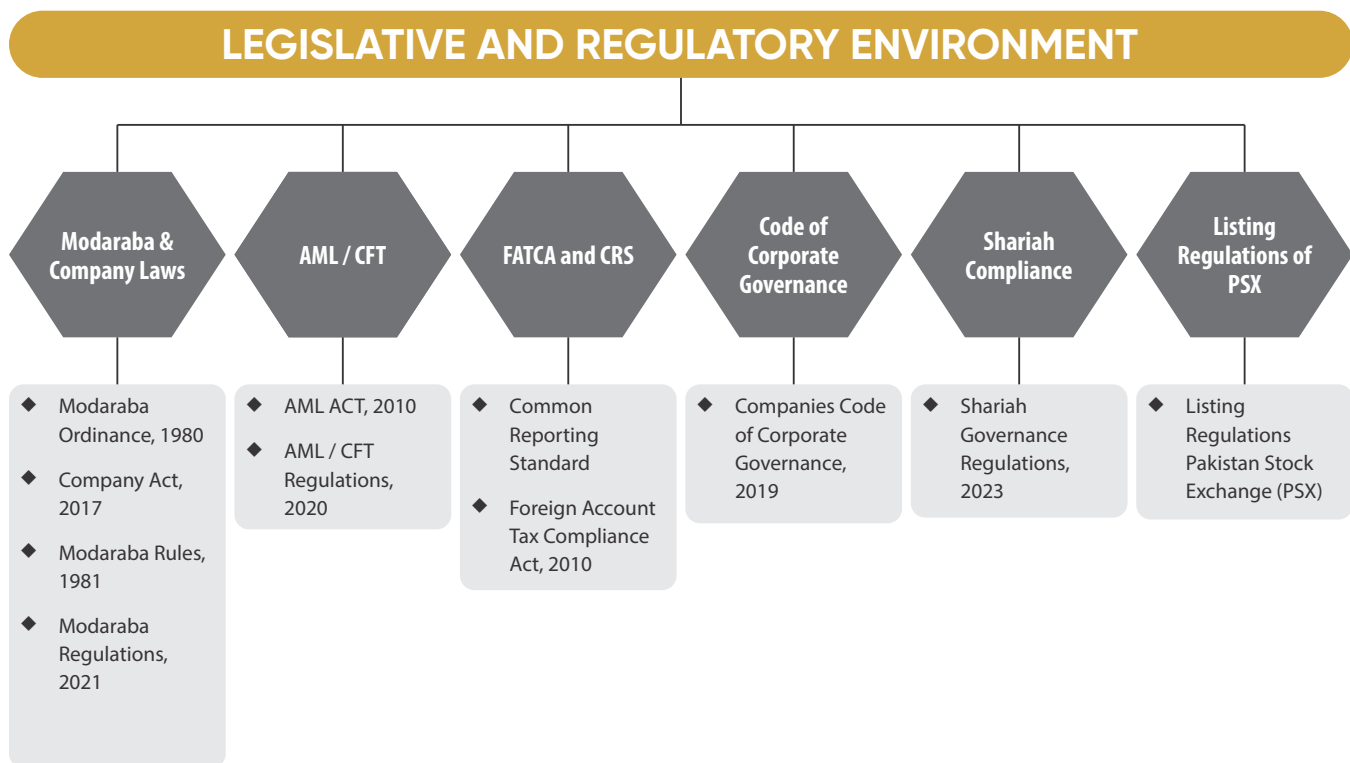
LEGISLATIVE AND REGULATORY ENVIRONMENT (BCR 1.04)

First Habib Modaraba (FHM) is a Non-Bank Islamic Financial Institution that is regulated by the Securities & Exchange Commission of Pakistan as listed entity at Pakistan Stock Exchange. Modarabas have been instrumental in the acceleration and igniting the Islamization of Pakistan's financial system.

These Modarabas not only established the trend of Islamic modes of financing in a conventional financial system that was dominant in Pakistan, but they also fostered confidence in the general public regarding the practice of Islamic modes of financing.

Currently, approximately 20 Modarabas are in operation in the Pakistani market. These Modarabas are listed on the Pakistan Stock Exchange.

At present, Modarabas are subject to a various laws and regulations, including the Modaraba Ordinance, Modaraba Rules, Modaraba Regulation, AML Regulation, and Listing Regulations. Following chart shows a comprehensive legislative and regulatory environment on Modaraba sector of Pakistan through different regulatory authorities.



FHM is dedicated to maintaining the highest standards of ethical conduct, transparency, and regulatory compliance as a responsible listed corporate entity. Our adherence to regulatory mandates and best business practices support for better performance, stakeholders' satisfaction and long term sustainability.

Strategy and Resource Allocation

A hand in a dark suit jacket points upwards towards a large, glowing hexagonal icon labeled "ALLOCATION OF RESOURCES". The background is a dark blue digital interface with a network of lines and various business-related icons, including a group of people, a gear, a globe, a dollar sign with a circular arrow, a bar chart, and a magnifying glass over a bar chart. The overall aesthetic is high-tech and professional.

**ALLOCATION
OF RESOURCES**

Celebrating Four Decades of Excellence

Our 40-year journey is defined by a clear strategic direction that balances sustainable growth with prudent resource management. We have invested in human capital, technology, and market diversification to strengthen our business foundation, enhance operational efficiency and grow our market share.

STRATEGIC OBJECTIVES [BCR 2.01]

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.

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

- ◆ Grow market share by adding new sector, cities and sound customers
- ◆ Explore digital based financing 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.
- ◆ Careful watch impact of climate change on environment and customer businesses.
- ◆ Support Financial inclusion drive of government.
- ◆ ESG approach

LONG TERM

- ◆ Maintain leading position within the Modaraba and NBFi 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

As one of leading non-banking Islamic financial institutions, our core corporate objective always drives 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.

Keeping in view of present positive economic scenario and political stability, we are optimistic about our further business growth in prudent and careful manner. We are confident that Insha'Allah, we will achieve our business targets with improved performance and continue to add value for our Certificate Holders and maintain our leading position within Modaraba and NBFi sector.

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



Financial Resources

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

Intellectual Resources

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

Human Resources

In prevailing situation, the most important tasks of HR department to make sure the health safety of staff members of FHM during pandemic. FHM has team of professional in their related respective fields for smooth business operations. Our HR department takes utmost care to ensure that our induction strategies, training and development methodologies, compensation strategies and performance appraisal systems remain robust and in line with best practices. The management also encourage diversity to promote a diverse workforce and develop a cordial and inclusive working environment.

Manufactured Capital

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

Natural Capital

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

Information Resources

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

Key Resources and Capabilities of the Modaraba

which provide Sustainable Competitive Advantage [BCR 2.03]

FHM, which stands for First Habib Modaraba, has successfully run its business operations within the Modaraba sector of Pakistan for the past 40 years.

Our determination to improve the value that we provide to our stakeholders, which was driven by the core values of our business model and the determination of our team members, has enabled us to become a successful and leading Modaraba within the Modaraba industry. Through the cultivation of relationships that go beyond the scope of typical business operations, we have been able to achieve the position that we currently hold as the most forward-thinking Modaraba, receiving the devotion and confidence of thousands of stakeholders all over the nation. In the Modaraba, our accomplishments are evidence of the strong business fundamentals and consistent financial management policies that are practiced throughout the organization. We are able to remain firmly on the path of sustainable growth and profitability thanks to our business strategy that is focused.

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

Primary Resources and Capabilities

Obtainable resources having a solid financial foundation and a robust equity structure, FHM has maintained a long-term credit rating of AA+ for the past 17 years in a row.

Being a parent body, Habib Metropolitan Bank provides support for its branch network, which is characterized by a strong branch network, a sound customer portfolio, professional and committed human capital, and a strong customer portfolio.

- ◆ Trained human resource for quality service to customer.
- ◆ 40 years of successful journey of business operation
- ◆ Strong Institutional Foundation
- ◆ Strong brand within Modaraba and Non-Banking Financial sector
- ◆ Established brand name across the country
- ◆ Subsidiary of one of the well reputed and sound institution of Pakistan i.e., Habib Metropolitan Bank Limited
- ◆ Robust customer confidence and loyalty
- ◆ Leading Modaraba within the Modaraba sector
- ◆ Highest credit rating within Modaraba sector
- ◆ Quality assets financing portfolio
- ◆ Highest award recipient within the NBFI sector

Modaraba's strategy on market, products and service development [BCR 2.04]

By the end of FY2024-25, FHM has competed 40 years of continuous journey of success. The accomplishment of 4 decades truly reflects our dedication, passion and achievement through dedicated team efforts with strong commitment of sponsors and Board of directors for progress and sustainable growth of the organization.

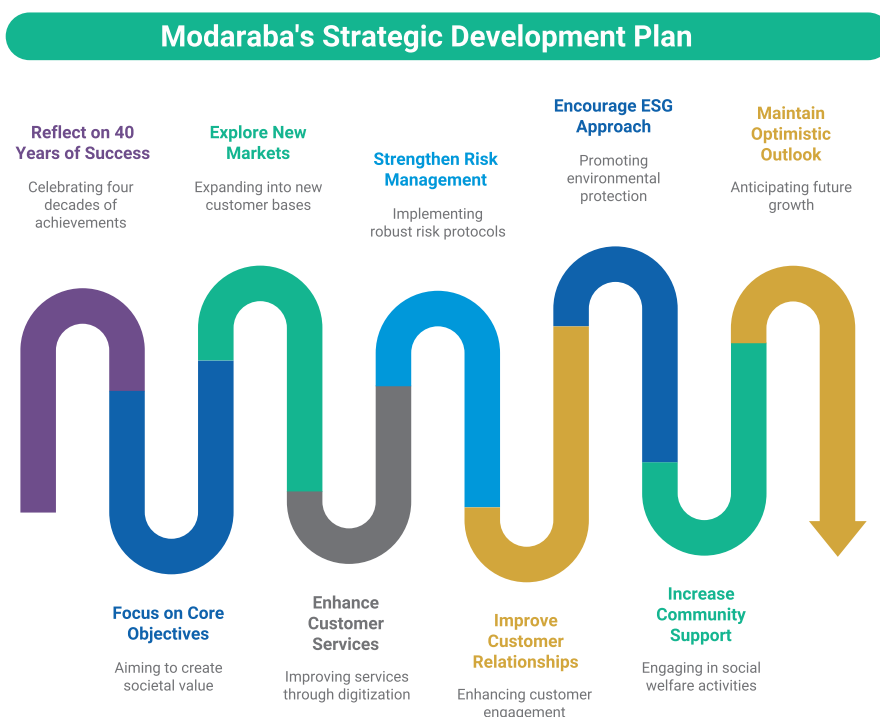
As one of leading non-banking Islamic financial institution, our core corporate objective always drives to create value for the society at large. Our financial strength, risk management protocols, governance framework and aspirations for sustainable growth are directly attributable to a discipline that 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.

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

- ◆ We continue to focus on expanding our market share and building a strong customer base through new markets and cities.
- ◆ Enhance level of customer services with continued process of improvements, digitization, and technological advancement.
- ◆ Further strengthening effective risk management process across all levels of operations including Shariah governance.
- ◆ Further enhance customer relationship management and state of art services.
- ◆ Enhance credit processing tools.
- ◆ Emphasis will be made to encourage our ESG approach for environmental protection.
- ◆ Increase in community support & social welfare activities.

Keeping in view of present positive economic scenario and political stability, we are optimistic about our further business growth in prudent and careful manner. We are confident that Insha'Allah, we will achieve our business targets with improved performance and continue to add value for our Certificate Holders and maintain our leading position within Modaraba and NBFi sector.



The effects of the given factors on Modaraba Strategy and Resource Allocation [BCR 2.05]

Technological Changes

Impact on Strategy

Digital Transformation

Technological changes play a pivotal role in shaping strategy and resource allocation. With rapid digital transformation & automation.

Commitment to ESG Excellence

At FHM, we recognize the critical role of Environmental, Social, and Governance (ESG) principles in shaping a sustainable future. Our strategy integrates proactive measures to minimize environmental impact, foster social equity, and uphold strong governance.

Environmental Stewardship

We are accelerating our transition to a paperless ecosystem, reducing deforestation, lowering carbon emissions, and enhancing efficiency through seamless digital document management.

Social Responsibility

Through targeted community outreach, employee welfare and support programs, and initiatives promoting diversity and inclusion, we strive to create meaningful societal impact. Our commitment extends to philanthropic efforts that support underserved communities.

Sustainable Growth

Embedding ESG into our core business strategy ensures long-term resilience, stakeholder trust, and alignment with evolving customer expectations. We are dedicated to continuous improvement, transparent reporting, and measurable progress in our sustainability journey.

Sustainability Reporting Challenges

Navigating a complex operational landscape, the Modaraba has embedded sustainability at the core of its strategy, fostering innovation, collaboration, and incremental yet impactful sustainable initiatives to drive long-term growth.

By capitalizing on emerging opportunities, we continue to demonstrate that resilience and strategic focus can turn challenges into catalysts for progress.

Moving forward, FHM is dedicated to advancing sustainable practices, promoting innovation, and strengthening partnerships to overcome operational hurdles while delivering lasting value to our stakeholders.

Initiatives taken by the Modaraba in promoting and enabling innovation:

FHM prioritize investments in IT infrastructure, data security, and automation to stay competitive. FHM also reallocate budgets toward digital platforms, application development, and business intelligence solutions to strengthen operational efficiency and support informed decision-making. Ultimately, technology drives FHM to align its strategies with innovation, efficiency, and long-term sustainability.

Key Resource Constraints

Skilled Workforce scarcity specially towards AI, and data analytics experts remain key challenge. However, FHM is committed to investing in resource-efficient technologies and upskilling our workforce to enhance productivity and operational efficiency.

Performance of First Habib Modaraba (FHM) during the financial year 2024-25 remained remarkable and all key targets have not only achieved but also increased with good margins. We must say that again above year proved as one of the best and exceptional years in the operational history of FHM in terms of performance, disbursement, profitability and overall business growth.

Our total disbursement during the year touched to Rs.19.6 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.34.7 billion as compared Rs.26.5 billion of last year. Our deposit under Certificate of Investment (Musharaka) scheme and other resource mobilization also reached to Rs.27.1 billion with a growth of 40%.

The key performance indicators during year 2024-25 were as follows:

- ◆ 32% growth in Balance Sheet size.
- ◆ 29% growth in yearly disbursement.
- ◆ 40% growth in resource mobilization including Certificate of Investment (Musharaka).
- ◆ 30% growth in financing portfolio.
- ◆ 31% growth in profit after tax.

Strategic Objectives	Strategies to meeting objectives	KPI	Future relevance
To make sure of strong Shariah governance	Continuous training for staff members and through other relevant training centers	Sound Shariah Compliance culture	The KPI shall remain relevant in future
To attain sizeable growth in financing assets	Increase market outreach, expand business promotion sales force and quality customers within the financing portfolio	Balance Sheet growth	The KPI shall remain relevant in future
Good quality financing assets portfolio	Add quality financing assets through strong credit appraisal and robust proposals evolution 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 (As on 30th June, 2025 our CAR was 20%)	The KPI shall remain relevant in future
To make FHM a profitable venture	Channelize resources in profitable segments for better and long term earnings.	Sound profits every year	The KPI shall remain relevant in future

Strategic Objectives	Strategies to meeting objectives	KPI	Future relevance
To make sure sound and robust compliance culture	Strengthen the capacity of relevant departments through job trainings and develop better coordination within the departments	Sound compliance culture	The KPI shall remain relevant in future
Strengthening of Risk Management segment.	Revisit policies and processes of risk management functions and procedures	Better controlled environment	The KPI shall remain relevant in future
Sound credit ratings	Follow good governance and best business practices, built sound assets quality, better profitability, strong internal control and compliance culture	Maintaining rating scales of AA+ for long term and A1+ for short term since last 17 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 22.5% which is more than last year distribution.	The KPI shall remain relevant in future

Strategies to be followed to further strengthen key performance indicators in 2025-26

- ◆ We keep on focusing expanding our market share, induction of sound customer base through new markets and cities.
- ◆ Enhance level of customer services with continued process of improvements, digitization, and technological advancement.
- ◆ Further strengthening effective risk management process across all levels of operations including Shariah governance.
- ◆ Further enhance customer relationship management and state of art services.
- ◆ Enhance credit processing tools.
- ◆ Emphasis will be made to encourage our ESG approach for environmental protection.
- ◆ Increase in community support & social welfare activities.

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.

Linkage of Strategic Objectives with Mission, Vision and Core Values [BCR 2.07]

First Habib Modaraba has completed 40th years of successful business operation. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBFI and Modaraba sector of Pakistan.

Alhamdulillah, as per **Vision**, we are maintaining our leading position within the Modaraba sector since several years by securing significant market share within Modaraba and NBFI Sector of Pakistan. With each passing year, we continue to expand and enhance our business outreach by following our Vision to be a leading Islamic Financial Institution within the Modaraba sector.

In accordance with our **Mission** to grow our institutions with Trust, Integrity and Good Governance, it is well reflected in journey of 40 years of dedication, passion, and achievements as most trusted and reliable financial institutions. Our commitment to excellence has enabled us to navigate challenges, seize opportunities, and achieve remarkable success.

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 core values are also well reflected with its strategic alignment with our operational journey. Our core values are:



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. 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 with commitment, responsibility and excellent team work which have FHM as most respected and financially sound Modaraba within the non-banking sector.

BOARD'S STATEMENT [BCR 2.09]

Significant Plans and Decisions

The FHM currently has no plans for corporate restructuring or discontinuation of any business operations. However, for business expansion, the management will follow business strategy as elaborated in our director's report and maintained our growth momentum through expanding market share, induction of sound customer base through new markets and cities. Furthermore, enhancing level of customer services will be our key priority. The same will be drive through with continued process of improvements, digitization, and technological advancement.

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 [BCR 2.10 (a)]

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

BOARD STRATEGY TO OVERCOME LIQUIDITY PROBLEM [BCR 2.10 (b)]

The balance sheet size of FHM surpassed at Rs.34.75 billion marked a milestone and we are proud to see our resource mobilization segment touching to Rs.27.10 billion. The Assets Liability Management Committee (ALCO) plays a crucial role in formulating and managing the overall liquidity position at FHM. Our governance structure ensures that we can provide continuous support for business requirements and have backup arrangements available to avoid any unexpected liquidity issues.

Due to sound credit rating of AA+, generally FHM does not have challenges of liquidity management even in any economical distress situation. The management always strive to maintain reasonable liquidity within the system, as was demonstrated during the challenging period of FY2024-25.

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 in case of any sudden or unplanned withdrawals. Our treasury department has also 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.

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



Risks & Opportunities



Strengthening Our Legacy Over 40 Years

Over the past four decades, we have established a strong risk management framework that enables us to identify and address potential challenges. By leveraging market insights and industry trends, we have strengthened our risk management tools in order to encounter with any contingencies and ensure our continued business presence and long term sustainability.

RISK MANAGEMENT FRAMEWORK STAGES (METHODOLOGY) [BCR 3.03]

1. Risk Identification

Integral to FHM strategy is the continuous identification of emerging risks. Guided by the Risk Management Policy, FHM management maintain a forward-looking stance, systematically pinpointing relevant risks through the constant evaluation of internal processes, market conditions, and the regulatory environment. This ensures that the business remains resilient and well-positioned for sustainable growth.

2. Risk Assessment & Evaluation

Following identification, each risk undergoes a rigorous assessment to determine its potential impact on FHM strategic objectives and its likelihood of occurrence. FHM management employ a blend of quantitative and qualitative assessments, including expert judgment, to ensure a holistic view. This disciplined evaluation is consistently applied against a defined risk appetite framework, allowing to categorize and prioritize risks effectively. The output is a risk profile that highlights exposures with the most significant potential to affect FHM's operations, financial stability, or reputation. This prioritized view is critical, as it directly informs mitigation strategies and resource allocation, ensuring that efforts are focused on the areas of greatest consequence. Ultimately, this process provides the Management and Board with the actionable intelligence needed to make informed decisions that safeguard stakeholder value and ensure long-term resilience.



3. Risk Mitigation

Upon the completion of rigorous risk assessment, FHM develop and deploy targeted strategies and robust controls to mitigate identified risks within defined appetite. FHM approach is multifaceted and tailored to the specific nature of each threat. This includes the design and continuous enhancement of internal controls to strengthen the operational integrity and prevent lapses. For financial and strategic risks, FHM actively pursue diversification across investments, sectors, and funding sources to avoid concentration. Furthermore, FHM develop comprehensive contingency and business continuity plans to ensure organizational resilience and swift recovery in the face of unforeseen events. The selection of each mitigation tactic is a deliberate decision, carefully balanced against cost-effectiveness and the strategic importance of the underlying objective. These measures are not static; they are subject to ongoing monitoring and are refined regularly through management review and internal audit feedback. This dynamic and proactive process ensures that risk mitigation framework remains effective, agile, and fully aligned with FHM mission to protect capital and ensure sustainable growth for FHM stakeholders.

4. Risk Reporting and Monitoring

The enterprise risk framework is brought to life through a disciplined cycle of continuous monitoring, where all material risks are actively tracked against Board approved risk appetite statements. This is not a passive exercise; FHM employ dashboards and key risk indicators (KRIs) to provide real-time visibility into FHM risk profile. Any deviation from established thresholds is triggering a response from relevant function who conduct a root-cause analysis, develop a corrective action plan, and execute timely mitigation. The status of these deviations, along with comprehensive analysis of risk exposures, the performance of mitigation measures, and the overall effectiveness of the control environment, is synthesized into monthly reports and executive dashboards. These materials are presented regularly to senior management, providing the transparent, data-driven insight necessary for informed strategic guidance and robust governance. This closed loop process ensures that risk management is an integral, dynamic, and actionable component of executive and Board-level decision-making.

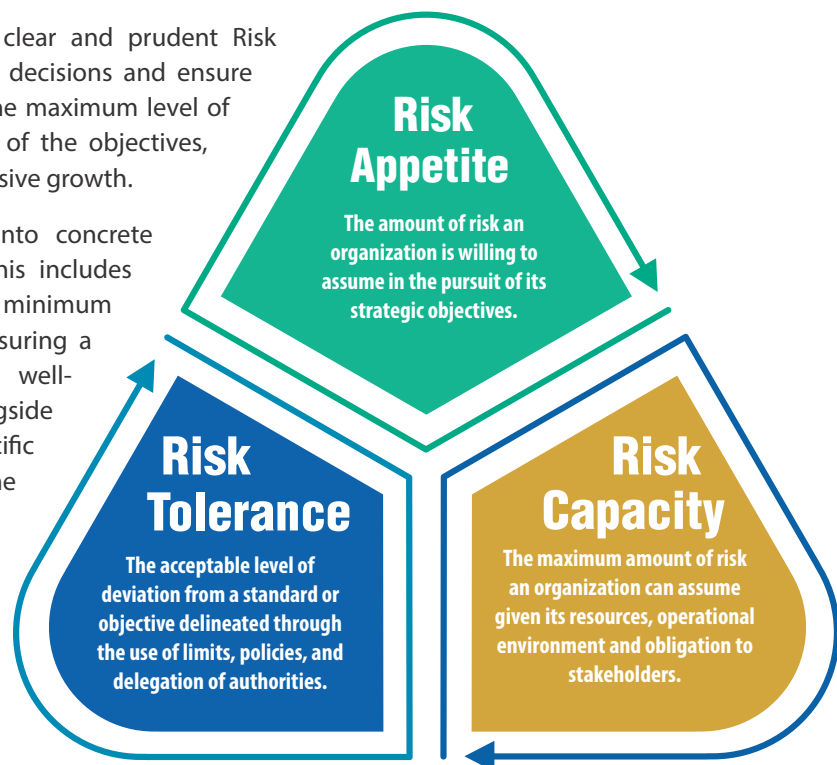
5. Risk Governance

To ensure the enduring efficacy and relevance of FHM risk management framework, a holistic review is being made by management to rigorously evaluates the design, integration, and operational effectiveness of all risk processes, controls, and reporting structures against leading industry practices and evolving regulatory requirements. The findings from this assessment, supplemented by internal audit results and management feedback, are analyzed to identify gaps, inefficiencies, and opportunities for enhancement. Based on this analysis, FHM develop and implement a targeted action plan for the subsequent year, which may include refining policy documents, upgrading technological tools, enhancing staff training programs, or re-engineering specific control activities. This commitment to continuous cyclical improvement ensures that FHM risk management framework remains robust, agile, and fully capable of supporting FHM's strategic objectives in a dynamic business environment.

RISK APPETITE

The Board of Directors has established a clear and prudent Risk Appetite Statement to guide FHM strategic decisions and ensure long-term stability. This statement defines the maximum level of risk FHM is willing to undertake in pursuit of the objectives, consciously prioritizing resilience over aggressive growth.

FHM risk appetite is actively translated into concrete thresholds that govern FHM operations. This includes maintaining bad debts within a strict minimum threshold to preserve asset quality, and ensuring a consistent liquidity supply through a well-diversified and stable deposit base alongside reliable financing lines. By setting these specific tolerance levels and limits, FHM ensure the effective allocation of capital and resources, keeping all activities within the boundaries of FHM risk management framework. Ultimately, this disciplined approach strikes a deliberate balance between the growth aspirations and unwavering commitment to capital protection, regulatory compliance, and safeguarding the interests of FHM stakeholders.



Risk Appetite: Risk appetite is the maximum level of risk an organization is willing to accept in pursuit of its strategic objectives

Risk Tolerance: The tolerable range of deviation from an expected outcome, governed by established limits and controls.

Risk Capacity: The maximum level of risk an organization is able to assume, as constrained by its available capital, operational capacity, and fiduciary duties to stakeholders.

KEY RISK & OPPORTUNITIES AND SPECIFIC STEPS TO MITIGATE THE RISK [3.01, 3.04]

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

1 CREDIT RISK

Source: EXTERNAL



RISK IDENTIFIED

1. Credit Risk: Credit risk is the possibility of incurring a loss due to the default or deterioration in the creditworthiness of a obligor. This risk arises when an obligated party fails to perform on its payment or delivery commitments as contractually agreed

MITIGATING TECHNIQUES

The Credit function is responsible for the end-to-end management of credit risk, encompassing its identification, measurement, and mitigation. Our proactive identification process is driven by the continuous monitoring of macroeconomic trends, regulatory developments, and their potential impact on specific sectors. For individual obligors, risk is quantified through robust scoring tools that integrate both quantitative and qualitative factors. This analytical foundation is enhanced by the application of expert judgment and overriding factors, ensuring a balanced, pragmatic, and realistic approach to credit decision-making that reflects on-the-ground realities.

LIKELIHOOD

MEDIUM

MAGNITUDE

HIGH

IMPACTED CAPITAL

Financial

2 LIQUIDITY RISK

Source: EXTERNAL



RISK IDENTIFIED

Liquidity risk is the risk potential that the Modaraba will be unable to meet its financial obligations as they fall due, or can do so only at an unfavorable cost, without incurring unacceptable losses.

MITIGATING TECHNIQUES

FHM's Treasury function ensures financial stability by proactively managing daily and intraday liquidity requirements, optimizing funding lines, and maintaining active dialogue with stakeholders. Our strategic funding approach prioritizes diversification and stability, anchored by a robust mix of core equity, Certificate of Investment (Musharaka) and financing facilities from Islamic Financial Institutions.

LIKELIHOOD

MEDIUM

MAGNITUDE

HIGH

IMPACTED CAPITAL

Internal/External

3 MARKET RISK

Source: EXTERNAL



RISK IDENTIFIED

Market risk is a potential for adverse movements in market variables primarily Policy rates to affect profitability and economic value from financing and investment activities.

MITIGATING TECHNIQUES

FHM adopts a proactive and prudent approach to market risk management. While our predominantly matched floating-rate financing book being revise on short interval provides a foundational natural hedge against parallel policy rate shifts.

Our primary strategic focus is the active management of the benchmark rates used to price our assets and liabilities. This ensures stable revenue stream and protects profitability from compression during periods of market volatility or divergent monetary policy movements. This disciplined approach is governed by the Asset & Liability Committee (ALCO), which meets regularly to oversee the entire risk framework.

LIKELIHOOD

MEDIUM

MAGNITUDE

HIGH

IMPACTED CAPITAL

Financial

4 OPERATIONAL RISK

Source: INTERNAL/EXTERNAL



RISK IDENTIFIED

Operational Risk is the potential of loss resulting from inadequate or failed internal processes, people, technology and infrastructure supporting or from external events

MITIGATING TECHNIQUES

FHM conducts proper Risk and Control Self-Assessment (RCSA) exercise covering all critical functions of FHM and monitor KRIs and Risk events on regular basis. The Modaraba's operational risk mitigation strategy is anchored in a robust system of integrated technological and procedural controls, designed to ensure accuracy, compliance, and efficiency across all activities. A core operational platform is FHM system which features built-in controls with automated processes, significantly reducing risks associated with human error, unauthorized actions, and process deviations.

LIKELIHOOD

LOW

MAGNITUDE

MEDIUM

IMPACTED CAPITAL

Financial, Intellectual & Reputational

5 REGULATORY & COMPLIANCE RISK

Source: INTERNAL



RISK IDENTIFIED

Regulatory & Compliance Risk refers to the possibility of financial loss, reputational damage, or operational disruption arising from non-compliance with laws, regulations, codes, and directives issued by relevant authorities.

MITIGATING TECHNIQUES

The team of Modaraba remain vigilant on Regulatory & Compliance Risk through a comprehensive governance framework, underpinned by rigorous policies, systematic monitoring, and a dedicated compliance function. This structure ensures strict adherence to all applicable regulatory obligations.

Formal oversight is maintained through scheduled internal audits, structured reporting to the Board, and periodic policy reviews. Complementing these formal procedures, the Modaraba also adopt proactive practices such as, Cross-functional compliance check-ins to discuss emerging regulatory developments in real time interactive sessions with the compliance team in order to maintain robust compliance culture.

LIKELIHOOD

MEDIUM

MAGNITUDE

HIGH

IMPACTED CAPITAL

Financial & Reputational

6 REPUTATIONAL RISK

Source: EXTERNAL



RISK IDENTIFIED

Reputational risk in financial institutions is associated with losing investors and other stakeholders trust. The said risk can be with potential decline in profits, financial soundness, capital erosion and negative public perception of institutions integrity, competence and trust worthiness. This risk may arise from a wide range of sources, including operational failures, regulatory non-compliance, customer dissatisfaction, etc.

MITIGATING TECHNIQUES

Proactive management of reputational risk is integral to FHM's governance approach. We employ continuous stakeholder engagement, and swift incident response protocols to identify and mitigate potential threats. By aligning our actions with strong ethical standards, transparent communication, and consistent delivery on our commitments, we seek to preserve and enhance the trust placed in us by our clients, investors, partners and community at large.

LIKELIHOOD

LOW

MAGNITUDE

HIGH

IMPACTED CAPITAL

Reputational

7 TECHNOLOGICAL RISK

Source: INTERNAL / EXTERNAL



RISK IDENTIFIED

Technological risk refers to potential loss or disruption in operations due to error/ failure in technology systems, infrastructure, or processes.

MITIGATING TECHNIQUES

FHM's information security framework is built upon a foundation of modern IT controls and advanced firewall protections. This defensive architecture is actively strengthened through a continuous cycle of systematic updates, proactive security measures, and ongoing employee engagement.

Our comprehensive approach includes regular penetration testing and independent IT audits to validate system integrity, complemented by mandatory cybersecurity training and awareness campaigns designed to equip our staff as a first line of defense against evolving threats. Together, these disciplined, layered practices ensure the confidentiality, integrity, and availability of critical data, thereby effectively monitoring and mitigating IT risk across the organization.

LIKELIHOOD

MEDIUM

MAGNITUDE

MEDIUM

IMPACTED CAPITAL

Financial & Intellectual

8 SHARIAH GOVERNANCE RISK

Source: INTERNAL / EXTERNAL



RISK IDENTIFIED

Shariah Non-Compliance Risk refers to the potential for financial loss, legal repercussions, reputational damage, or loss of stakeholder trust arising from the failure of the Modaraba to conduct its operations in accordance with the principles of Islamic Shariah, as prescribed by the Securities and Exchange Commission of Pakistan and the Shariah Advisor.

MITIGATING TECHNIQUES

Shariah non-compliance risk is always prime concern of the management of FHM. Our mitigation strategy is embedded within a multi-layered Shariah governance framework designed to ensure strict adherence to Islamic principles of finance at all levels of the organization. These comprehensive assessments provide an objective evaluation of our operations, offering assurance to stakeholders and identifying need for enhancing our compliance protocols. Furthermore, we foster a deeply ingrained culture of compliance through mandatory, ongoing training and awareness programs for all employees.

LIKELIHOOD

MEDIUM

MAGNITUDE

LOW

IMPACTED CAPITAL

Financial & Reputational

9 CLIMATE RISK

Source: INTERNAL / EXTERNAL



RISK IDENTIFIED

Climate-related risks arising from both physical impacts of climate change, refers to climate change vulnerabilities, physical risks of assets losses or operational disruptions due to weather related disasters and the transition to a lower-carbon economy. These risks manifest across our financing assets and liability structure

MITIGATING TECHNIQUES

The Modaraba mitigates climate-related risks through a strategic focus on sustainable financing, operational efficiency, and community engagement, including offering Shariah-compliant financing for renewable energy solutions such as solar equipment to support the transition to a low-carbon economy; implementing paperless digital operations to reduce environmental footprint and enhance efficiency; and organizing CSR initiatives like tree plantation drives to promote ecological awareness and resilience. These efforts, integrated into our broader risk governance framework, demonstrate our commitment to environmental stewardship and sustainable development.

LIKELIHOOD

LOW

MAGNITUDE

MEDIUM

IMPACTED CAPITAL

Natural and Social Capital

Opportunities

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

CREDIT RISK

ASSOCIATED OBJECTIVES

To safeguard asset quality by ensuring prudent financing decisions through rigorous due diligence, robust credit appraisal, and continuous portfolio monitoring, thereby minimizing the probability of default and preserving stakeholders' confidence

OPPORTUNITY

"Our disciplined approach to credit risk management is a strategic enabler for growth and stability. By leveraging advanced data analytics and robust underwriting standards, we are positioned to identify and capitalize on financing opportunities with high-quality clients while prudently avoiding undue exposures. This selective expansion not only improves portfolio yields but also mitigates concentration risk and enhances long-term asset performance. This commitment to prudent risk management strengthens our reputation, deepens trust with depositors, financiers and regulators, and creates a sustainable foundation for scalable, profitable growth in Pakistan's dynamic financial landscape."



LIQUIDITY RISK

ASSOCIATED OBJECTIVES

To maintain adequate liquidity buffers and diversified funding sources, ensuring the Modaraba can efficiently meet its financial obligations and support business growth under both normal and stressed market conditions.

OPPORTUNITY

Effective liquidity risk management enables the Modaraba to optimize its financial resilience and capitalize on strategic opportunities. By maintaining a robust liquidity buffer and diversifying funding sources including stable deposits, and strategic lines from Islamic financial institutions the Modaraba ensures prudent liquidity management which also supports competitive pricing for financing products and fosters regulatory confidence, while sustaining long-term growth.



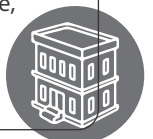
MARKET RISK

ASSOCIATED OBJECTIVES

To proactively manage exposure to changes in benchmark profit rates and market conditions through effective monitoring, stress testing, and alignment of asset-liability re-pricing, thereby protecting margins and ensuring financial stability.

OPPORTUNITY

By closely monitoring and strategically responding to fluctuations in interest rates and other market variables, the Modaraba can optimize its profit rates on both financing and deposit products, enhancing net income while maintaining competitiveness. This disciplined approach not only mitigates potential downsides but also unlocks avenues for sustainable growth, strengthens investor confidence, and reinforces the Modaraba's role as a resilient leader in Modaraba sector.



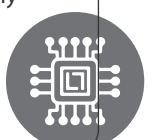
TECHNOLOGICAL RISK

ASSOCIATED OBJECTIVES

To ensure the reliability, security, and efficiency of the Modaraba's technology infrastructure by adopting robust IT governance, strengthening cybersecurity measures, investing in system resilience, and promoting innovation, thereby enabling seamless operations and safeguarding stakeholder interests in a rapidly evolving digital landscape.

OPPORTUNITY

By proactively addressing vulnerabilities through advanced cybersecurity measures, strong data protection protocols, and continuous system upgrade, the Modaraba can build a secure and agile digital infrastructure. Embracing technology not only mitigates risks but also opens new avenues for reaching underserved markets, improving efficiency, and reducing costs.



OPERATIONAL RISK

ASSOCIATED OBJECTIVES

To minimize the likelihood and impact of losses arising from inadequate or failed internal processes, systems, human errors, or external events by strengthening internal controls, enhancing process efficiency, leveraging technology, and fostering a strong culture of accountability and compliance across the organization

OPPORTUNITY

A robust approach to operational risk management allows the Modaraba to enhance efficiency, build resilience, and foster innovation. By implementing advanced technology solutions such as system controlled modules, the Modaraba can streamline processes, reduce human error, and lower operational costs. These improvements strengthen internal controls. This commitment to operational excellence enhances the Modaraba's reputation, increases stakeholder trust, and positions it as a modern, secure, and customer-focused institution in Pakistan's evolving Islamic financial landscape.



REGULATORY & COMPLIANCE RISK

ASSOCIATED OBJECTIVES

To ensure full adherence to all applicable laws, regulations, and directives issued by SECP, PSX, FBR, and other relevant authorities by maintaining a strong compliance framework, promoting a culture of integrity, and proactively adapting to regulatory developments, thereby safeguarding the Modaraba's license to operate and protecting stakeholder trust.

OPPORTUNITY

A proactive and strategic approach to regulatory and compliance risk positions the Modaraba to strengthen its market standing, build trust, and drive innovation. Modaraba focused to adapt quickly, align its operations with evolving standards, and even influence policy development through constructive engagement. Furthermore, robust compliance frameworks enhance the Modaraba's reputation for integrity and transparency, attracting ethically conscious investors, depositors, and customers. By embedding compliance into its culture and operations, the Modaraba not only mitigates risks but also unlocks opportunities for growth, differentiation, and long-term resilience in Pakistan's dynamic Islamic finance sector.



REPUTATIONAL RISK

ASSOCIATED OBJECTIVES

To protect and enhance the Modaraba's reputation by upholding the highest standards of ethical conduct, transparency, and customer service, while ensuring proactive communication and swift resolution of stakeholder concerns, thereby sustaining long-term trust and confidence in the organization.

OPPORTUNITY

By consistently upholding Shariah compliance, good governance, integrity and transparency the Modaraba can differentiate itself as a responsible and trustworthy Islamic financial institution within non-banking sector. The said approach not only mitigate potential reputational risk, but also enhance trust and confidence of investors and other stakeholders.



Sources of Risks and Opportunities (Internal and External) (BCR 3.01)

The Modaraba's commitment to sustainable growth is underpinned by a sophisticated risk management strategy, seamlessly integrated with our corporate governance and enterprise risk management framework. This systematic approach empowers us to anticipate challenges, capitalize on opportunities, and protect investor capital. By fostering a culture of informed risk-awareness, we ensure the resilience necessary to deliver enduring value to our stakeholders.

Risk Management: A Foundation for Resilience and Sustainable Growth

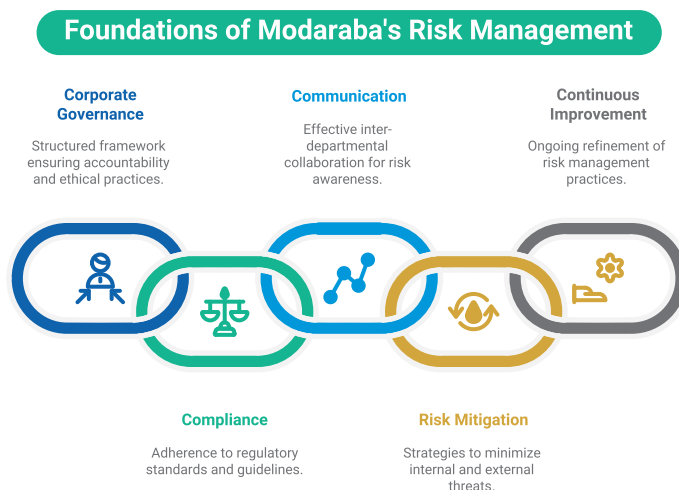
At the Board level, risk management is embedded within a meticulously structured governance and management framework. This system is reinforced by advanced information systems and comprehensive policies, which collectively ensure the proactive identification, assessment, and mitigation of risk. The Modaraba maintains compliance with all rules, regulations, and guidelines prescribed by the Securities and Exchange Commission of Pakistan (SECP). By this way Modaraba enhances operational transparency and strengthens our structured, forward-looking approach to risk.

A central pillar of our framework is its emphasis on effective inter-departmental communication and collaboration. Seamless coordination among revenue-generating units, control functions, support teams, specialized committees, and senior management fosters a deeply ingrained, risk-aware culture. This structured communication ensures the real-time identification and assessment of risks, enabling decisions that are strategically aligned, well-informed, and responsive to evolving market dynamics.

Operating within dynamic financial markets, the Modaraba navigates a diverse spectrum of risks. Internally, these include operational inadequacies, compliance deviations, and technology-related emerging threats. Externally, we monitor market volatility, economic cycles, environmental changes, regulatory updates, and geopolitical developments. Our approach to mitigating these risks is built into our daily rhythm. Management doesn't just review formal reports; they're constantly checking the vital signs of the business through live data feeds and having informal huddles to discuss potential bumps in the road. Strategic plans are routinely subjected to rigorous challenge and scenario analysis in executive sessions. This process of deliberate contingency planning is designed to mitigate operational surprise and fortify our strategic position against volatility. It's all about fostering a culture where everyone is empowered to flag risks and opportunities as they see them. This vigilant approach allows us to anticipate potential disruptions and take proactive measures to protect the interests of our investors and stakeholders.

Our commitment to robust risk management is further demonstrated through the ongoing enhancement of our mitigation strategies. The annual comprehensive review and update of the Risk & Control Self-Assessment (RCSA) by all stakeholders, supported by the monthly monitoring of Key Risk Indicators (KRIs), form the cornerstone of our mitigation framework. These disciplined practices ensure the early identification of emerging risks and the prompt implementation of corrective measures.

By continually refining a durable, risk-conscious culture, the Modaraba not only ensures operational integrity but also secures its resilience and capacity for sustainable long-term value creation in an increasingly complex financial environment.



SPECIFIC STEPS TO MITIGATE KEY RISKS & CREATE VALUE [BCR 3.04]

FHM maintains firm commitment to a proactive and sophisticated risk management culture, designed not only to safeguard assets but also to strategically identify and capitalize on opportunities that create sustainable value for all stakeholders. This objective is realized through a disciplined, multi-faceted approach. We have implemented suite of tailored strategies, comprehensive policies, and detailed procedures, all meticulously aligned with our core strategic objectives. These measures facilitate the effective mitigation of identified threats while providing the agile framework necessary to exploit emerging opportunities. This integrated practice is fundamental to ensuring the long-term resilience, stability, and prosperity of the organization. By embedding risk intelligence into our strategic decision-making, we are positioned to deliver better returns and uphold our fiduciary duties. A granular discussion of specific risk exposures and their corresponding mitigation actions is detailed within our Risk Management Framework.



This integrated practice is fundamental to ensuring the long-term resilience, stability, and prosperity of the organization. By embedding risk intelligence into our strategic decision-making, we are positioned to deliver better returns and uphold our fiduciary duties. A granular discussion of specific risk exposures and their corresponding mitigation actions is detailed within our Risk Management Framework.

Customer Satisfaction

In alignment with our strategic objective to enhance customer satisfaction and capture market share within a highly competitive environment, we are executing a focused strategy centered on delivering personalized customer support. This commitment is operationalized through sophisticated customer feedback mechanisms, continuous service improvement initiatives. Underpinning these efforts is a core policy that embeds a customer centric approach into our organizational culture, ensuring every decision prioritizes the customer experience. Our progress is measured against clear targets to increase customer retention rates and boost referral business, with performance directly tracked through key performance indicators (KPIs), dashboards and Turnaround Time (TAT) and growing the volume of repeat business from our valued clientele.

Leveraging Technology

Aligned with our strategic objective to minimize operational costs and advance our sustainability goals without compromising on quality, FHM is prioritizing technological innovation and adoption. Our core strategy to achieve this is the systematic automation of key processes and the agile adaptation of emerging technologies to meet evolving market requirements. This is being actioned through proactive plans to explore and evaluate cutting-edge market options in the technology sector. These efforts are supported by an internal culture of innovation, empowering our teams to seek efficient, forward-thinking solutions. The targets for this initiative are twofold: to generate significant value by expanding our business reach and to achieve substantial cost optimization across our operations. Our success will be quantitatively measured through key performance indicators (KPIs) focused on improving turnaround times and implementing more objective, data-driven performance parameters.

FHM, remain committed to diligently managing risks while capitalizing on opportunities to deliver sustainable value to our clients and stakeholders. Through adherence to our strategic objectives and rigorous planning, FHM strive for excellence in all aspects of its operations.

The Board of Directors, in conjunction with management, made a comprehensive review of the company's key risk exposures including Credit, Market, Operational, and Liquidity Risk. To safeguard the Company's objectives, performance, and financial sustainability, policies, procedures, systems, controls, and risk management frameworks have been developed and effectively implemented.

- ◆ The Board provides strategic guidance to management in evaluating the primary risks faced by FHM and in defining the Company's risk tolerance levels
- ◆ The Board has established a comprehensive risk management framework, mandating policies that proactively identify, assess, and mitigate risks in direct alignment with the Modaraba's strategic objectives.
- ◆ Modaraba management identify and evaluate principal risks through structured communication across all departments and disciplined collaboration between revenue-generating and support functions. This integrated approach ensures the development of robust and effective risk-mitigation strategies.
- ◆ A critical component of governance process involves the regular assessment of management's risk mitigation strategies by BOD. This entails obtaining feedback on the control frameworks and procedures implemented to mitigate the Modaraba's key risks, ensuring they operate effectively and as intended.
- ◆ The Board maintains diligent oversight of the Modaraba's risk profile by continuously monitoring residual risk levels that is, the risk remaining after the application of management's mitigation efforts against the Board's pre-defined risk appetite thresholds. This process ensures that the Modaraba's exposure remains within acceptable limits and that management's control measures are effectively aligned with our strategic objectives and tolerance for risk.

Through these initiatives, Modaraba established a robust, infrastructure-supported risk management framework, fortified by rigorous internal controls. This proactive governance safeguards the Modaraba's assets, protects its reputation, and secures shareholder value a commitment validated by our consistently strong credit ratings maintained since last 16 years.

Entity Ratings: AA (long-term) and A1+ (short-term).

Robust Assessment of Principal Risks [BCR 3.02]

The FHM Board of Directors is steadfastly committed to the highest standards of governance and transparent risk oversight. BOD guides the management to operates prudently and resiliently to protect stakeholder value and ensure long-term viability.

To this end, there is a forceful framework for identifying, monitoring, and mitigating material risks. This framework is dynamic, allowing to adapt the strategies and operations proactively in response to a changing risk landscape.

BOD oversight is exercised through structured processes, including detailed quarterly reviews of:

- ◆ Financing facilities,
- ◆ Liquidity sources,
- ◆ Market, credit, and recovery risk exposures,
- ◆ Significant legal proceedings.

Furthermore, the Board verifies that management has embedded a strong culture of risk awareness throughout the organization, supported by effective training and enterprise wide mitigation tools. A key strategic priority is leveraging technology including advanced capacity planning, infrastructure modernization, and resilient disaster recovery systems to enhance customer service and competitive advantage. Management is tasked with continuously evaluating the political, economic, and technological risks associated with these innovations and presenting this analysis to the Board. This ensures Modaraba's strategic investments are not only ambitious but also secure and aligned with the long-term objectives of the Modaraba.

Proactive Risk Management for Sustainable Growth

At FHM, risk management is a dynamic and integral process, essential to secure stakeholder value and achieving the strategic objectives. Management of FHM proactively identify, assess, measure, and control threats, transforming potential challenges into opportunities for sound decision-making and sustainable growth.

Board Oversight and Robust Risk Governance

The Board of Directors exercises diligent oversight of our risk landscape. It reviews the Company's principal risks including those that could impact our business model, future performance, solvency, and liquidity. This disciplined review ensures the FHM strategy remain resilient and that risk appetite is clearly defined and aligned with the FHM long-term goals.

A Culture of Collaboration and Active Management

Guided by the Board, management actively implements and maintains a comprehensive Risk Management Framework. This framework is powered by a strong governance structure, sound information systems, and an effective risk rating methodology. FHM management foster a culture of collaboration where open, inter-departmental communication on risk factors is standard practice, ensuring risk-aware decision-making is embedded across all operations.

Framework: Protecting Stakeholder Interests

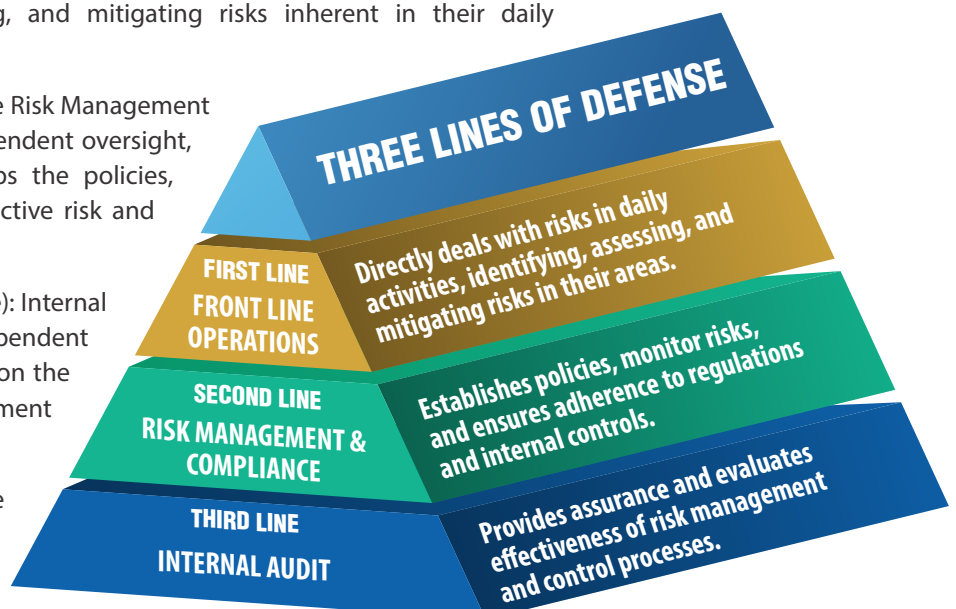
An integrated Risk Management Framework combines policy, people, and processes to manage significant risks effectively. It is designed to:

- Safeguard the interests of all stakeholders.
- Ensure strict adherence to Shariah principles and regulatory requirements.
- Guarantee the long-term sustainability and resilience of FHM operations

Modaraba's risk management is structured around the proven Three Lines of Defense (LOD) model, ensuring clear accountability and robust, objective decision-making across Modaraba.

- ◆ 1st Line of Defense (Owns Risk): FHM business and operational units are the first line, directly responsible for identifying, managing, and mitigating risks inherent in their daily activities.
- ◆ 2nd Line of Defense (Oversees Risk): The Risk Management & Compliance function provides independent oversight, challenges the first line, and develops the policies, frameworks, and tools needed for effective risk and compliance control.
- ◆ 3rd Line of Defense (Provides Assurance): Internal and External Audit deliver independent assurance to the Board and regulators on the effectiveness of the entire risk management framework, including the first two lines.

This cohesive structure ensures risks are managed at the source, scrutinized by experts, and validated independently.



Tolerance of level of risk

The Board of Directors is the ultimate governing body of the Modaraba and overseeing risk management governance to make sure that the systems, procedures, and culture are in place to handle the major risks to the business posed by FHM. combined with a strong management framework, robust data and risk assessment tools, and carefully thought-out risk governance guidelines. Under the direction of the Board, we make sure that the proactive approach addresses issues that affect the financial health, sustainable earning, and maximizing the value of the certificate holders.

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

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



Robust assessment of principal risks [BCR 3.02]

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

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

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

SUPPLY CHAIN DISRUPTION AND STRATEGY TO MITIGATE ITS RISK [BCR 3.05]

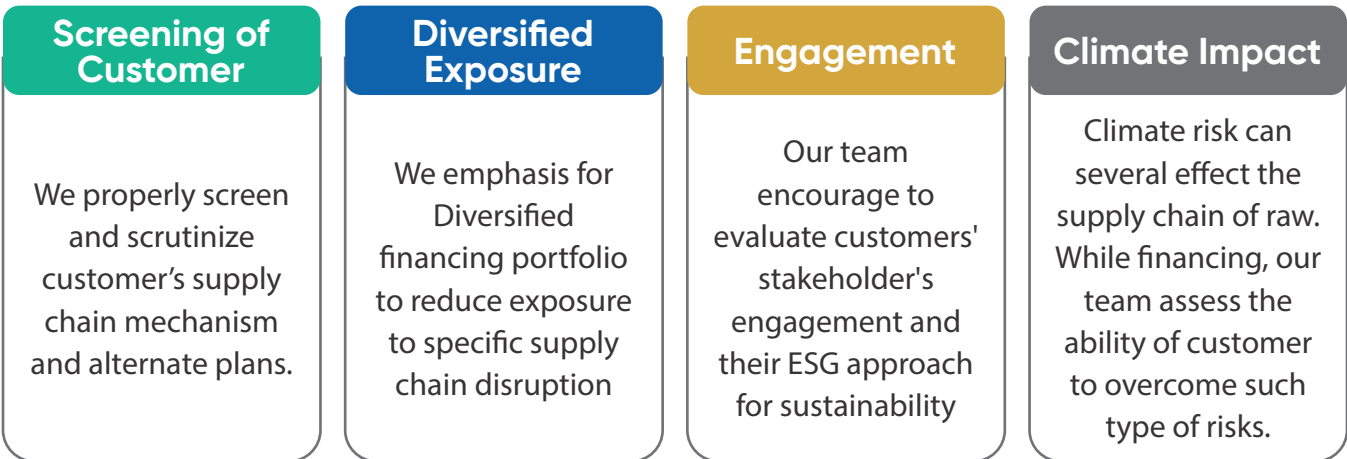
Issues of supply chain management include poor coordination, lack of transparency, and delays in procurement processes. Many logistics firms struggle with real-time tracking of shipments and inventory management, leading to inefficiencies. A disruption in the supply chain can have serious consequences for businesses, ranging from financial losses to customer dissatisfaction.

First Habib Modaraba (FHM) being non-banking Islamic Financial Institution may be facing supply chain disruption issues due to issues of their beyond control. Furthermore, we also recognize that environmental, social, and governance (ESG) occurrences can impact the operations and sustainability of any commercial organization.

Broadly, FHM has following risk due to supply chain disruption from customer side.

- ◆ Risk of delay in repayments of credit facility.
- ◆ Risk of default in credit facilities.
- ◆ Minimize credit intact.

How FHM devise the strategy to mitigate risk of supply chain disruption



ESG Related Supply Chain Disruptions and Risk Mitigation

Climate change induced natural disasters transfer losses to the financial sector in various ways. These include direct damage to payment service facilities. Said risks can affect business performance through asset damage, operational disruptions and ultimately impacting the ability to repay debt. To mitigate ESG risks, we encourage companies can adopt various measures thorough conducting ESG risk assessments and its mitigates.

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.



Sustainability & CSR



Four Decades of Responsible Growth

Since inception, FHM has integrated sustainability into its core business model. Over 40 years, we have supported social and environmental initiatives that promote education, community development, and environmental protection, reaffirming our role as a responsible and ethical corporate citizen.

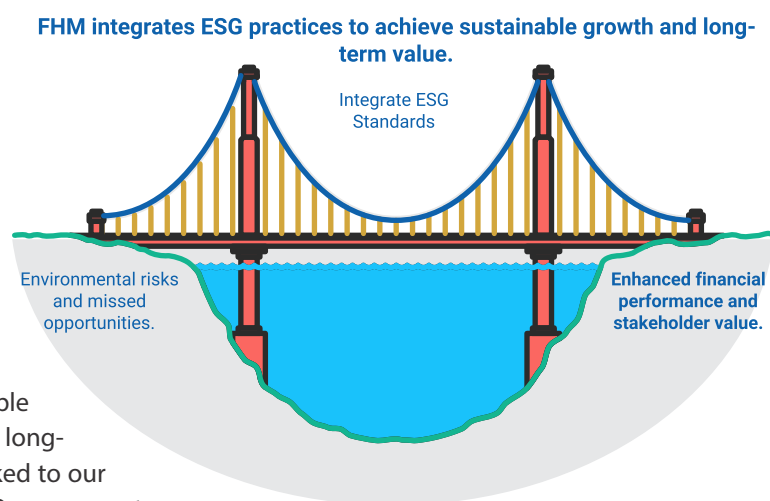


MODARABA'S SUSTAINABILITY-RELATED RISKS and OPPORTUNITIES [BCR 4.01 (a, b, c, d)]

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

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

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



Climate Action and Resource Efficiency

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

Product Innovation and Circular Economy

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

Social Responsibility and Governance

Our approach to sustainability also encompasses strong governance and a commitment to social responsibility. We aim to foster diversity, equity, and inclusion in our workforce and ensure transparent, ethical business practices. In the short term, this enhances employee engagement and reduces reputational risks. In the medium to long term, it leads to a more innovative, competitive, and resilient organization.

Stakeholder Engagement and Transparency

We recognize the importance of engaging with our stakeholders, including investors, employees, customers, and communities, to align our sustainability objectives with their expectations. We are committed to transparency in reporting our sustainability performance and progress. In the short term, this builds trust and enhances our reputation;

in the medium to long term, it strengthens our stakeholder relationships and ensures continued support for our strategic objectives.

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

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

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

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

Strategy and Business Model

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

Environmental Impact: Focusing hiring on energy-efficient and low-emission resources

Social Responsibility: We work to uphold best practices in our Modaraba contracts and support diversity across the system of operations.

Risk Management

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

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

Metrics and Targets

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

Energy Efficiency: tracking energy efficiency of financed assets and encouraging the purchase of more efficient models amongst our customers.

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

Effect on Financial Results

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

Forward-Looking Statements

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

CLIMATE-RELATED DISCLOSURES

Climate Change: Risks & Opportunities for FHM

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

Climate Risks

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

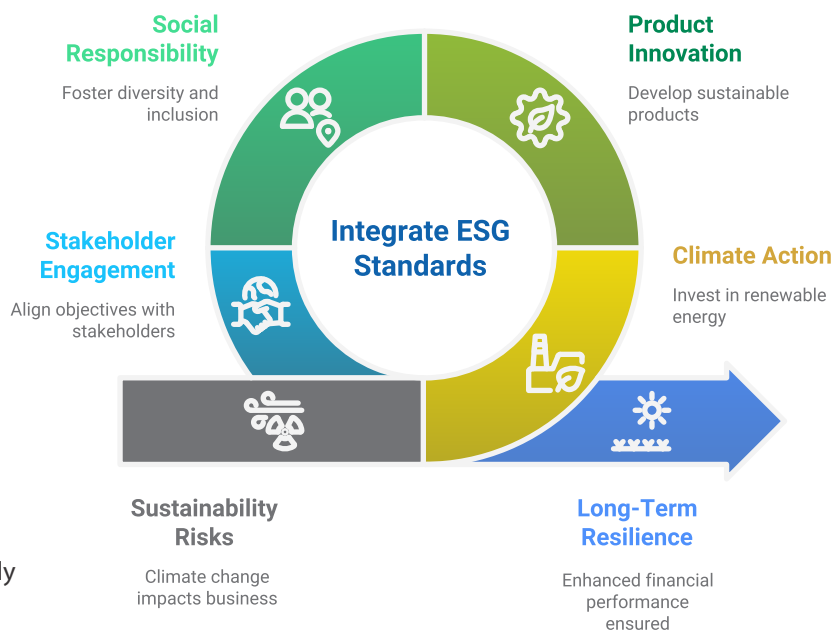
Climate Opportunities

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

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

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

Embedding Sustainability for Long-Term Value



DISCLOSURE OF SUSTAINABILITY & DE&I STRATEGIES, PRIORITIES, AND TARGETS

First Habib Modaraba is deeply committed to integrating sustainable and inclusive practices into the core of its business operations. We believe that long-term value creation for all our stakeholders is intrinsically linked to our environmental, social, and governance (ESG) performance and our dedication to fostering a diverse, equitable, and inclusive (DE&I) workplace.

Our strategic approach is defined as follows:

Strategy & Priorities:

Our sustainability strategy is guided by a structured framework focused on key ESG pillars relevant to our sector. In parallel, our DE&I strategy is centered on cultivating a workplace culture that embraces diversity and provides equitable opportunities for professional growth and development for all employees.

Targets:

We have established clear, measurable targets aligned with our strategic priorities in both sustainability and DE&I. These objectives are designed to drive continuous improvement, manage our impact, and track our progress in these critical areas.

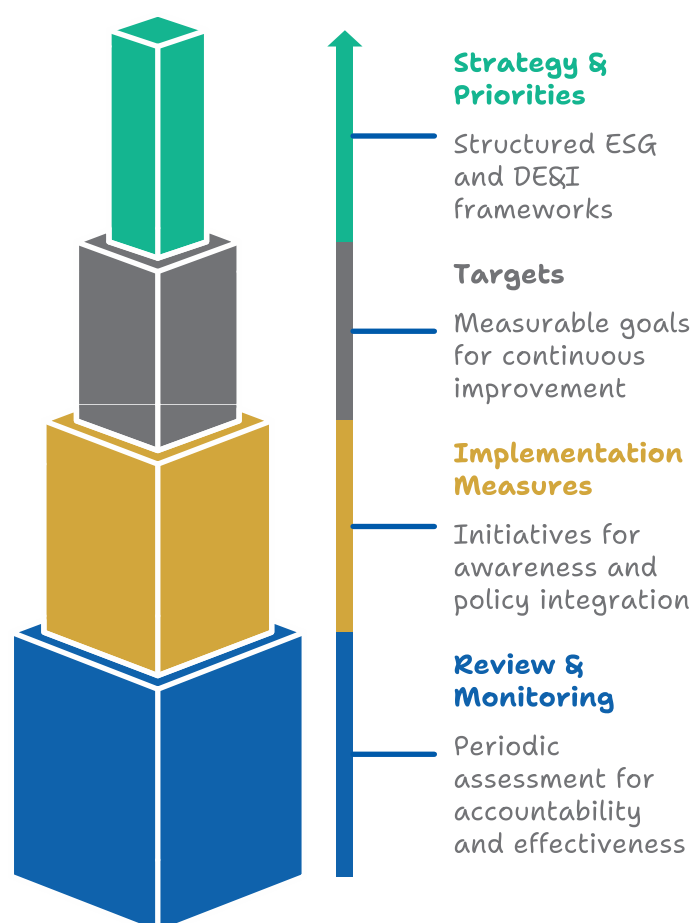
Implementation Measures:

To promote these goals, we actively implement a range of initiatives. This includes Modaraba-wide awareness programs, integration of relevant principles into our corporate policies, and leadership-led advocacy to embed these values across the organization.

Review & Monitoring:

The performance against these established strategies and targets is subject to a rigorous periodic review process. This monitoring is conducted at the senior management and Board levels to ensure accountability, assess effectiveness, and inform our future strategic direction in sustainability and DE&I.

Sustainable and Inclusive Growth



ADOPTION OF SECP'S ESG DISCLOSURE GUIDELINES BY BOARDS



First Habib Modaraba (FHM) welcomes and strongly supports the SECP's initiative in issuing the ESG Disclosure Guidelines. We view these guidelines not merely as a regulatory recommendation but as a vital framework for fostering sustainable and responsible business practices that align with global standards.

While the adoption of these guidelines is currently voluntary, FHM's Board of Directors is proactively moving towards their formal integration into our corporate reporting structure. Our commitment to Environmental, Social, and Governance (ESG) principles is already evident in our existing voluntary practices, which serve as a strong foundation for this transition. These include:

Environmental:

Initiatives such as promoting a paperless culture, exploring green financing opportunities, and planning plantation drives across our network.

Social:

A long-standing dedication to corporate social responsibility (CSR) through significant charitable donations, robust staff welfare programs, community support, and maintaining gender diversity.

Governance:

Exemplary corporate governance practices, including external Board evaluations, transparent stakeholder engagement, and stringent data protection policies.

The Board recognizes that structured ESG reporting enhances transparency, manages long-term risk, and creates sustainable value for all stakeholders. Therefore, we are actively evaluating the specific metrics and disclosures outlined in the SECP's guidelines to ensure our future reporting is comprehensive, comparable, and meaningful.

First Habib Modaraba is committed to evolving its practices and intends to be a leader in ESG disclosure within the Non-Banking Financial Company (NBFC) sector, demonstrating our dedication to building a resilient and ethically grounded institution.

STATEMENT ON SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

[BCR 4.02]

Our Strategic Commitment to Sustainability

At FHM, sustainability is not an initiative; it is a core tenet of our corporate DNA and a critical driver of long-term value creation. We are dedicated to building a legacy of resilience, equity, and responsible growth that benefits our stakeholders and safeguards our planet for future generations. Our commitment to sustainable development fortifies our brand reputation, catalyzes innovation, and secures our license to operate, ensuring enduring success for our business and the communities we serve.



Energy Management & Conservation

Fulfilling our national duty and environmental responsibility, FHM has embarked on a strategic journey towards energy excellence. We are proactively integrating energy-smart and economically efficient practices across our operations. Our vision is to be a catalyst for market transformation by championing environmentally responsible policies. We empower our employees to eliminate resource waste and are pioneering financial solutions to encourage our clients' transition to renewable energy sources, such as solar power, thereby fostering a greener economy.



Customer Protection & Ethical Engagement

Trust is the cornerstone of our customer relationships. We earn and maintain this trust by consistently placing our customers' interests at the forefront, ensuring fair treatment through unparalleled service standards, transparency, and ethical conduct. Customer protection is a fundamental pillar of a robust financial system, crucial for retaining existing clients and building confidence with future stakeholders.



FHM is unwaveringly committed to delivering secure and superior services. We enforce a strict protocol of confidentiality and data integrity. Our multi-layered IT security framework ensures the protection of sensitive customer information through:

- ◆ **Role-Based Access Control:** Granting authorized personnel access only to information essential for their specific duties.
- ◆ **Advanced Data Encryption:** Employing state-of-the-art encryption for all electronically held personal data to prevent compromise.
- ◆ **Secure Data Disposal:** Utilizing certified methods to irrevocably destroy all data on decommissioned hardware.

Environmental Stewardship & Resource Management

Our corporate objective is to minimize our ecological footprint by conserving natural resources and reducing emissions and waste. We actively integrate environmental criteria into our client assessment processes. A key focus is on pioneering a paper-light operational model through:



- ◆ Implementation of a comprehensive Electronic Document Management System (EDMS).
- ◆ Prioritizing digital correspondence with customers and stakeholders.
- ◆ Promoting a pervasive culture of digital-first communication and discouraging non-essential printing.

Water Preservation & Pollution Mitigation

In response to our nation's critical water challenges, FHM is committed to raising awareness and driving action on water preservation and pollution abatement. We engage with our clients to advocate for sustainable water management practices, discouraging the release of harmful effluents and industrial waste to protect our vital water resources for the community.



Complaint Management & Resolution

We view customer feedback as a valuable opportunity for improvement. All complaints and inquiries are managed through a dedicated, transparent web portal. Designated officers ensure immediate retrieval and systematic resolution of all issues. In collaboration with our share registrar, Central Depository Company (CDC), we are committed to the expedient and fair resolution of all certificate holder grievances.



Business Ethics & Anti-Corruption

Integrity is the bedrock of our institution. We believe that the ethical conduct of every employee is paramount to safeguarding our reputation and ensuring sustainable development. This principle extends to all our stakeholders, including suppliers, investors, and partners.



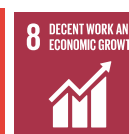
FHM's Code of Ethics clearly delineates expected standards of behavior, providing explicit guidance on permissible and prohibited conduct. It establishes a robust framework for identifying, addressing, and reporting any malpractices. Our strict adherence to local laws and regulations, combined with our unwavering ethical code, is a strategic asset that builds enduring trust across all segments of society.

Our guiding principles for sustainable performance include:

- ◆ Full compliance with all applicable laws and regulations.
- ◆ Adherence to robust Shariah governance.
- ◆ Conducting business with fairness and transparency for investors and customers.
- ◆ Safeguarding the confidentiality of customer information.
- ◆ Discouraging environmentally harmful activities.
- ◆ Prohibiting speculative transactions.

Equal Opportunity Employer

FHM is an equal opportunity employer. We are committed to fostering a diverse and inclusive workplace free from discrimination based on race, gender, age, or disability. Our Human Resources department ensures transparency and meritocracy in all processes, from recruitment to compensation. The rights and responsibilities of all staff are clearly defined and communicated through our company-wide Code of Conduct.



Occupational Health, Safety & Well-being

The health, safety, and well-being of our employees are among our highest priorities. FHM is dedicated to providing a safe, congenial, and supportive work environment. We proactively implement programs that encourage healthy lifestyles and adopt preventive measures to minimize occupational hazards. We recognize that a healthy workforce is a productive and valuable asset, which is why all staff are covered under comprehensive life and medical insurance policies.



Contributions to the National Exchequer [BCR 5.23]

As a responsible corporate citizen, FHM contributes significantly to the national exchequer through the discharge of all applicable taxes, including withholding tax on dividends and profit payments. Our substantial financing activities, particularly in assets like motor vehicles and machinery, further stimulate economic growth and development.



Corporate Social Responsibility (CSR)

As a leading Modaraba, our business strategy is built on a strong ethical foundation and a commitment to sustainable value creation. Our holistic CSR model focuses on three key areas: Our People, Our Organization, and Our Planet.



Aligned with this model, our initiatives are designed to empower communities and promote responsible environmental management. We strategically support and encourage projects that drive improvement in essential areas such as education and healthcare, with a focused emphasis on supporting underprivileged members of society. FHM remains a steadfast contributor to sustainable community development.

Social Initiatives

The Modaraba is committed to advancing social well-being through a range of initiatives that address critical areas such as financial inclusion, research and development, employment generation, community health and education, and the health and safety of our staff.



Financial Inclusion

The Modaraba recognizes financial inclusion as a cornerstone of sustainable development and community empowerment. By extending access to financial services, we aim to create opportunities, reduce inequalities, and support long-term economic growth. Our financial inclusion initiatives are designed to enhance accessibility, affordability, and awareness of financial solutions for underserved communities.



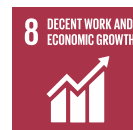
Research & Development Initiatives

Our R&D initiatives focus on the systematic study of societies, social relationships, and behavioral patterns to better understand community needs. Insights gained through this research are applied in designing and implementing programs and policies that foster social progress, equity, and inclusiveness.



Employment Generation

The Modaraba remains dedicated to creating employment opportunities that contribute to economic growth and sustainable development. These initiatives not only strengthen our workforce but also enhance livelihoods within the communities we serve.



Community Health & Education

We recognize that community health and education are vital to improving quality of life. Our efforts are directed toward:

- ◆ Reducing health disparities.
- ◆ Promoting healthy lifestyles.
- ◆ Enhancing access to healthcare.
- ◆ Empowering individuals with knowledge and skills for long-term well-being.



Health & Safety of Staff

The health, safety, and overall well-being of our employees remain a top priority. Key measures include:

- ◆ Comprehensive health benefits covering physical, mental, and emotional health services.
- ◆ Regularly updated emergency preparedness and response plans.
- ◆ Initiatives to foster work-life balance through flexible schedules and leave policies.
- ◆ Promoting a positive and inclusive workplace culture.



Environmental Initiatives

In alignment with global sustainability goals, the Modaraba undertakes initiatives to mitigate climate change, conserve resources, and reduce environmental impact. Our efforts emphasize the principles of the “3Rs”: **Reduce, Reuse, and Recycle**.



- ◆ **Reduce:** Minimize waste generation by reducing consumption and optimizing material usage.
- ◆ **Reuse:** Extend the lifecycle of products and materials through reuse strategies.
- ◆ **Recycle:** Reprocess used materials such as paper, plastics, and metals into new products, thereby conserving resources.

To further minimize pollution, depletion, and degradation of natural resources, we have adopted the following strategies:

- ◆ Deployment of energy-efficient technologies and practices.
- ◆ Implementation of water-saving solutions across operations.
- ◆ Adoption of lean manufacturing processes to reduce waste.
- ◆ Support for local environmental education and awareness programs.

These initiatives not only safeguard the environment but also strengthen our reputation, ensure regulatory compliance, and reduce operating costs.

Technological Innovation

The Modaraba leverages technological advancement to promote sustainability and operational efficiency.



Green Technologies

Investment in research and development of eco-friendly technologies and processes.



Digital Transformation

- ◆ Use of digital tools and advanced analytics to optimize resource utilization and reduce waste.
- ◆ Implementation of smart energy management systems and process automation for efficiency gains.



Resource Management

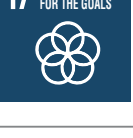
Responsible consumption and management of materials, energy, water, emissions, and waste form an integral part of our sustainability framework. Key measures include:



- ◆ **Materials:** Increasing reliance on recycled and renewable inputs while enhancing internal recycling and reuse programs.
- ◆ **Energy:** Utilizing diverse energy sources, including renewable options, and continuously monitoring consumption patterns.
- ◆ **Water:** Measuring usage across all operational areas—production, cooling, and sanitation—while adopting conservation technologies.
- ◆ **Emissions & Waste:** Implementing programs to minimize emissions and waste, supported by recycling initiatives and compliance with environmental regulations.

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

AND THE MODARABA'S CONTRIBUTION

SDGS GOAL No.	FHM'S CONTRIBUTION	SDGS GOAL No.	FHM'S CONTRIBUTION
 1 NO POVERTY	- Provides microfinance to small businesses and entrepreneurs in underserved communities. - Funds new and expanding businesses to create jobs and reduce poverty.	 3 GOOD HEALTH AND WELL-BEING	Provides financial security for medical treatments, healthcare initiatives, and employee wellness programs.
 4 QUALITY EDUCATION	Conducts training and capacity-building initiatives for employees and business partners.	 5 GENDER EQUALITY	- Encourages women's inclusion in leadership roles. - Promotes diversity and equal pay policies within the organization.
 6 CLEAN WATER AND SANITATION	Promotes water conservation projects that use water-efficient technologies and practices.	 7 AFFORDABLE AND CLEAN ENERGY	- Promotes clean energy and reduces reliance on fossil fuels. - Improves energy efficiency in buildings, industries, and transportation.
 8 DECENT WORK AND ECONOMIC GROWTH	- Offers employment opportunities and fosters professional growth. - Implements sustainable business practices to contribute to economic development.	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	- Invests in digital transformation and AI. - Supports SMEs to safeguard their businesses.
 10 REDUCED INEQUALITIES	Reducing financial exclusion and promoting economic equality.	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Encourages businesses to source materials ethically and responsibly, ensuring fair labor practices and environmental protection.
 13 CLIMATE ACTION	Implements green policies to reduce its carbon footprint.	 14 LIFE BELOW WATER	Implements policies and practices to protect ocean ecosystems affected by end-to-end operations.
 15 LIFE ON LAND	Ensures that resources are directed to conserve and use biodiversity and ecosystems responsibly.	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	- Ensures ethical governance and transparency in corporate operations. - Strengthens risk management and compliance measures to align with regulatory standards.
 17 PARTNERSHIPS FOR THE GOALS	- Collaborates with government bodies, NGOs, and private sector partners to drive sustainability initiatives. - Participates in industry-wide forums on ESG and sustainability reporting.		



Adoption of Best Practices for Corporate Social Responsibility (CSR)

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

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

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

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

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

Achieving CSR Excellence



Board Oversight on Governance, ESG, and Sustainable Finance

Modaraba Board is keeping oversight for governance and sustainability risks and opportunities, including environmental, social, and governance (ESG) considerations. BOD of Modaraba encouraged the management to adopt SECP's ESG Disclosure Guidelines on proactive basis. BOD encourage gender equality, and participation of women in the Board, management, and workforce and ratio is improved significantly during last couple of years. Modaraba BOD also oversee and monitor the KRIs position and RCSA and management Risk Committee functions also support to achieve the objective. There is Board sustainability committee with a female director and said committee start oversight on compliance with relevant laws and disclosures.

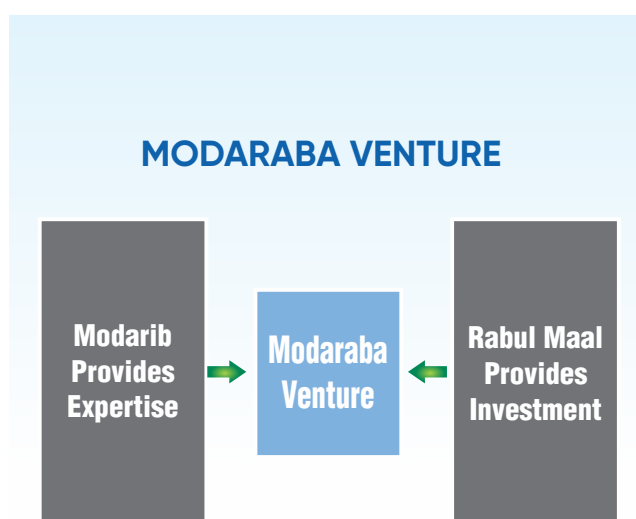
Finance serves as a critical enabler of sustainability and long-term development, extending beyond economic performance to include social well-being and environmental stewardship. True sustainability is achieved by integrating ethical principles into financial practices a commitment embodied by Islamic finance. Governed by Shariah principles, which promote fairness, transparency, and social responsibility, Islamic finance provides a structured framework for aligning financial activities with broader sustainable development goals. By adhering to these values, the Modaraba not only fosters inclusive growth and community resilience but also contributes to a more equitable and sustainable financial ecosystem.

Sustainability in Islamic Finance

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

Two aspects of Islamic finance must be singled out. First is the risk sharing philosophy which should reflect in financing products and solutions. Second is the promotion of economic and social development through specific business practices and through Charity, donations and Zakat.

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



Translating holistic understanding Islamic Finance into Action

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

Alhamdulillah, FHM has completed its 40 year of business operation. FHM is well on its way to realizing its VISION of "To be a leading Islamic Financial Institution within the Modaraba sector" and its mission "To become an institution built on trust, integrity, good governance with commitment to add value to all stakeholders".

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

Our Sustainability Priorities

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

While working on business growth we give equal importance to the eco system by restriction of participation of business deals which harmful to environment and society. To conduct responsible business and repay to society are main corporate objectives. Sharing of handsome Profits amongst investors and certificates holders are aspiration of FHM. It is matter of great satisfaction that FHM has been maintaining its history of continuous payment of dividend to its Certificate Holders for last 40 years with average pay out of more than 19%. This is due to sincere commitment of FHM towards wellbeing of society through sharing of profits.

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

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

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.

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

How we make sure sustainability in our Businesses

Financing	Credit creation of ownership, no exploitation and 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 40 years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan. According to last published results of Modaraba entities, the assets size of First Habib Modaraba ranked highest within the sector.

How we make sure Sustainability in our Businesses

We remained ambitious yet conservative with risk while chasing our growth momentum. We did not compromise our core objectives of prudent approaches for sensible progress. The composition of said strategies always support us for responsible and sustainable growth.

Consistently enriched value of our Certificate Holders

Journey of continuous improvement always remain a corporate motto and main driving force for progress within the FHM. With initial equity of Rs.25 million at the time inception, the same has reached to Rs.5.73 billion as on June 30, 2025. At present the net value of per certificate around Rs. 52 of face value of Rs.10/- each.

Profitable Venture since Inception

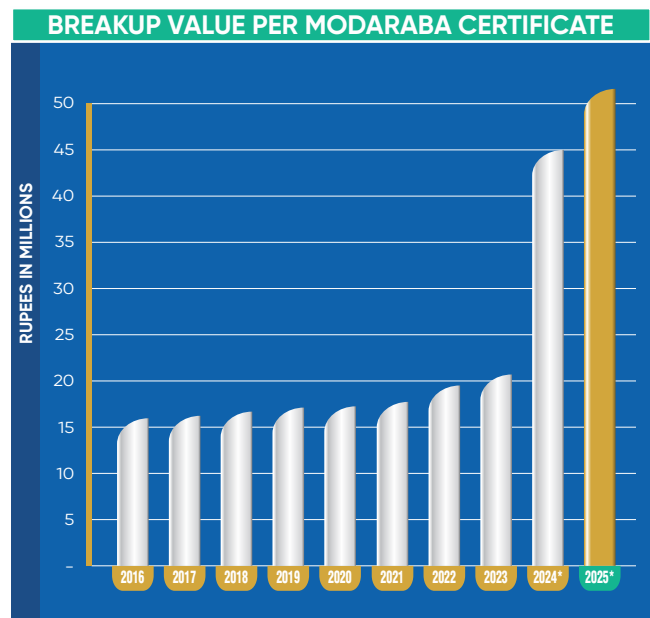
By the grace of Allah (SWT), due to unmatched business & finance skills of the management the FHM remain profitable venture since the beginning of business operations. By applying strict risk management policies and best business practices.

Continuous payment of dividends

FHM never failed to give dividend in any single year and profit has always been given in shape of cash dividend or stock dividend for the last 40 years of business operations without any fail. The average distribution of the dividends of last 10 years is more than 23%.

Shariah compliant profit distribution

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



Credit Rating

With continuing sound financial positions, FHM is maintaining “AA+” credit rating since last 17 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 NBFI and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC

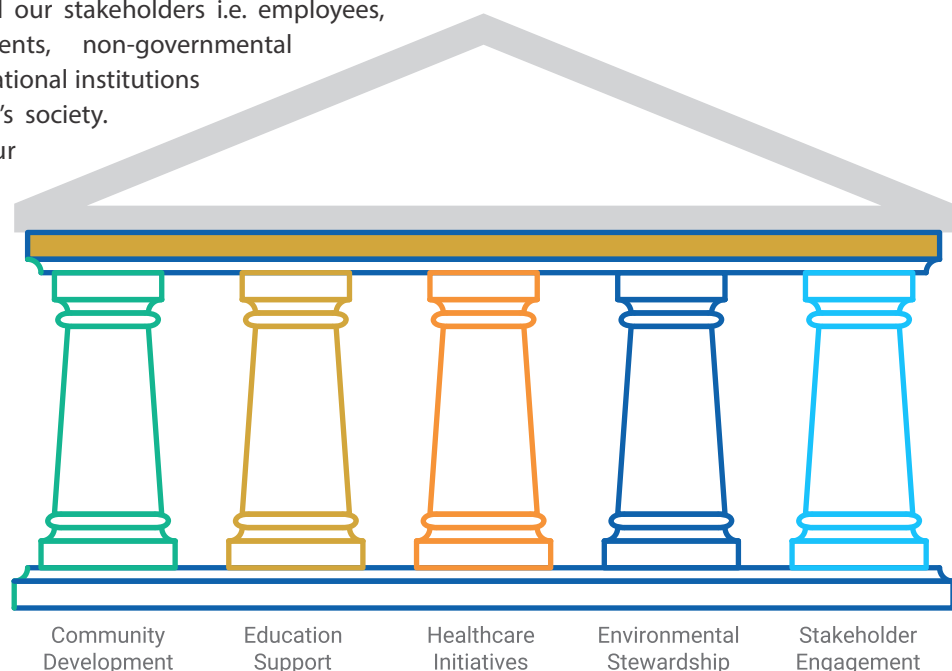
Contribution for well-being of community

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.



"Modaraba Performance & Initiatives for CSR

[BCR 4.05]

Corporate Social Responsibility (CSR) is a core component of our business model, reflecting our commitment to being socially accountable to our stakeholders, the public, and the environment. In the current year, we have moved beyond theory to implement a series of purposeful initiatives that demonstrate this commitment in action.

This year, our dedicated efforts were channeled through targeted activities led by our HR team and senior management. These were not merely visits, but strategic engagements designed to generate a tangible, positive impact. Our focus remained on creating sustainable value that addresses economic, social, and environmental needs within our community.

This proactive approach to corporate citizenship is essential in today's landscape, where it directly influences talent attraction, employee retention, and consumer trust. By consciously managing our societal impact, we not only fulfill our ethical obligations but also strengthen our corporate reputation and ensure long-term, sustainable success.

The commitment exhibited by our team has set a powerful example within the financial sector, inspiring others and leaving a lasting, positive imprint on the communities we serve.

Visit to Mohammadi Blood Bank



A visit to The Kidney Centre



Visit to TCF School



ANNUAL STAFF CONFERENCE

The FHM Annual Conference was a tremendous success! This year, we were thrilled to elevate the experience with new segments and highly rewarding announcements from senior leadership. In appreciation of your exceptional efforts, we were proud to unveil several key initiatives, including an additional annual bonus, a new performance bonus, performance awards, and a series of employee promotions.

We are thankful to every member of our team for your full participation and infectious excitement that lasted throughout the entire event. Your dedication is the core of our success. As we move forward, let's harness this positive energy and continue to work together with full commitment to achieve new heights of growth and progress for FHM.







WOMEN'S DAY CELEBRATION

Rise. Lead. Thrive.

The FHM family came together virtually to celebrate International Women's Day with a powerful event centered on empowerment and unity. Female staff from across our branches shared inspiring personal journeys, advocating for workplace equality and the critical importance of women's participation. Leaders highlighted the vital role women play in our success, fostering a strong sense of solidarity. In a gesture of deep appreciation, the management presented gift baskets to the female staff, marking a memorable conclusion to an impactful day of recognition and advocacy.



"Breast Cancer Awareness Session at FHM"

with the collaboration of Pink Ribbon Pakistan

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



Celebrating Eid al-Fitr 2025 with Our Valued Team

This Eid al-Fitr, FHM was delighted to celebrate the spirit of gratitude and community by distributing gifts to our employees across all branches. This initiative, led by our HR department, reflects our commitment to fostering a culture of appreciation and unity. We believe that recognizing these significant moments strengthens team morale and reinforces the shared sense of belonging that is fundamental to our organization. We extend our warmest wishes to everyone who celebrated and thank all teams for their participation. FHM remains dedicated to initiatives that uphold our core values of care and mutual respect.



INDEPENDENCE DAY CELEBRATION



Corporate Governance



Upholding 40 Years of Integrity and Trust

Our success over four decades has been rooted in robust corporate governance practices. Through transparency, accountability, and with ethical approach, we have successfully built an utmost trust and confidence of our investors and other stakeholders

Board's commitment to establish high level of ethics and compliance in the modaraba. [BCR 5.05]

Statement of Commitment

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

Core Principles

1. Integrity
2. Respect
3. Trust
4. Responsibility
5. Commitment
6. Teamwork

Commitment to Ethical Conduct

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

Commitment to Compliance

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

Continuous Improvement

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

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

Performance Evaluation of the Board [BCR 5.06]

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

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

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

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

Performance Evaluation of the Chief Executive Officer

The Chief Executive Officer (CEO) is the officer who has ultimate management responsibility for an organization. He is responsible for leading the development and execution of the 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?
- ◆ Has he served as an effective representative while communicating with all the stakeholders?
- ◆ Has he developed clear mission statement, policies, and strategic plans that harmoniously balance the needs of all the stakeholders?

Assessment by Board of Directors for CEO's Performance for FY 2024-25

Alhamdulillah, performance of financial year 2024-25 remained remarkable and all key targets have not only been achieved but also increased with good margins. It is observed that above year proved to be one of the best and exceptional years in the operational history of First Habib Modaraba (FHM) in terms of performance, disbursement, profitability and overall business growth.

Total disbursement during the year touched to Rs.19.6 billion which is the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.34.75 billion as compared Rs.26.41 billion of last year. Significant increase in profitability was also made. Profit after tax increased by 31% i.e., from Rs.901 million to Rs.690 million for the year ended June 30, 2025. Our fund mobilization has also reached to Rs.27.10 billion as compared to Rs.19.35 billion of last year with growth of around 40%. Our Karachi branch has made significant contribution for overall disbursement during the year and contributed around 57% followed by Lahore, Islamabad and Multan branches

The key performance indicators during year 2024-25 were as follows:

32%	growth in Balance Sheet size
29%	growth in yearly disbursement
30%	growth in total financing assets
5%	growth in profit before tax
40%	growth in Fund Mobilization

On above remarkable performance, Board has shown their great satisfaction on performance evaluation of the

CEO which covers quantitative as well as qualitative aspects conducted on said parameters. The team of FHM has done well in terms of new and repeat business engagement including excellent management of receivables of monthly installments under the leadership of Mr. Muhammad Shoaib Ibrahim, CEO of FHM. The all key business targets have been achieved and size of balance sheet reached to Rs.34.75 billion which the highest since the inception of FHM.

Independent Director

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

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

- Syed Rasheed Akhter
- Mr. Saeed uddin Khan

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

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

FHM's Dividend Policy [BCR 5.12 (j)]

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

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

Board's policy on diversity

We value and support the diverse backgrounds of our employees, including their age, color, ethnicity, family or marital status, gender identity or expression, language, national origin, religion, socio-economic status, and other traits that contribute to their individuality. The Modaraba is convinced that a diverse workforce significantly contributes to improving efficiency throughout the organization. FHM firmly believes that diversity plays a crucial role in the success of the Modaraba. Individuals with distinct characteristics in gender, knowledge, expertise, and skill sets enhance value and assist the organization in reaching its objectives. We are dedicated to fostering equity, guaranteeing that every individual has just access to opportunities, resources, and support according to their unique needs and situations, all while upholding the principles of justice and fairness in accordance with Shariah values.

Inclusion is at the heart of our culture—we aim to foster an environment where every employee feels welcomed, respected, supported, and valued. As an Islamic financial institution, we prioritize ethical responsibility and mutual respect in every interaction, cultivating a workplace that adheres to the principles of compassion, cooperation, and accountability.

The principles of diversity, equity, and inclusion serve as the foundation of the Modaraba's code of conduct and organizational culture, in accordance with the corporate governance standards and the ethical guidelines of Islamic Finance.

(BCR 5.12(b))

How the Board Operates

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

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

Decisions taken by the Management [BCR 5.03]

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

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

Description of external oversight of various functions taken to enhance credibility of internal controls and systems [BCR 5.10]

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

Related Parties Policy [BCR 5.11]

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

All related party transactions and information have been appropriately disclosed in note no.31 of the Financial Statements, including the name, basis of the relationship, percentage holding, nature, and amount.

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

There is no interest of any director in any related party transactions. [BCR 5.12 (b)]

There is no case of conflict which requires specific disclosure.

Board'S PERFORMANCE

EVALUATION BY EXTERNAL CONSULTANT [BCR 5.07]

First Habib Modaraba has conducted an annual evaluation of its Board of Director's, Board Committees, and individual Board Members performance in the year 2024. The Modaraba engaged Pakistan Institute of Corporate Governance (PICG), an independent external evaluator, to guarantee the evaluation's objectivity and impartiality.

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

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

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





The FHM 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 FHM.

Internal control considers as a backbone for any institution, and the effective control ensures that policies, procedures and processes are implemented as desired by the management, with increase in governance structure throughout financial sector which consider as 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 encompass with all the necessary vulnerability in order to detect any such risk. The management of FHM is always very keen in establishing a system of control in order to safeguard the interest of the entire stakeholders whether they are Regulators, Certificate Holders, Investors or Customers.

The FHM management 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, management has more focus on IT governance so that any IT breach can be handle proactively. The core objectives of internal control function are as follows:

- ◆ Financial policies are reviewed and updated.
- ◆ Effective reporting throughout the organization.
- ◆ Ensure that all required policies and procedures are in place & adhered to.
- ◆ Effectiveness and efficiency of operations.
- ◆ Board receives financial reports on regular interval.

- ◆ Board focuses on goals and results.
- ◆ Reliability of financial reporting with accuracy.
- ◆ Safeguard assets and resources of FHM.
- ◆ Assessment to ensure compliance with the code of ethics and corporate governance.

FHM has the vision to establish and maintain a strong compliance culture. The compliance department is fully equipped with the desire resource for effective implementation of compliance and is aligned with FHM core objective, the proactive mechanism inbuilt for smooth functioning of operations and ensures compliance of all regulatory and other statutory requirements.

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

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

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

Merit-Based Recruitment

- ◆ **Fairness and Equality** – Ensures all candidates have an equal opportunity to compete based solely on merit, regardless of personal background or connections.
- ◆ **Quality of Workforce** – By prioritizing skills and qualifications, the organization secures talent best suited for each role, enhancing overall workforce quality.
- ◆ **Motivation and Morale** – Employees recruited through transparent merit-based processes feel valued and motivated, knowing their abilities determined their selection.
- ◆ **Long-Term Benefits** – Merit-based recruitment strengthens organizational performance and fosters sustainable growth.



Performance-Based Appraisal System

At First Habib Modaraba (FHM), we have implemented an effective performance evaluation framework that includes quarterly assessments and annual reviews. Employees are rewarded and promoted based on fair and transparent evaluations.

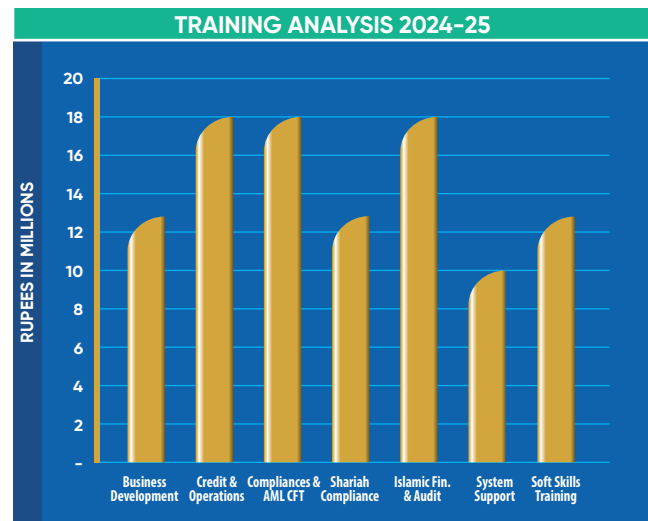
The primary purpose of this appraisal system is to measure efficiency, effectiveness, and quality of work, while identifying strengths, improvement areas, and developmental needs.

Promotion, Rewards, and Motivation

- ◆ **Promotion** – Promotions are strictly on merit-basis and linked directly to performance evaluations conducted throughout the year. FHM's management emphasizes fair advancement opportunities for all employees.
- ◆ **Rewards** – Incentives such as performance bonuses, salary revisions, recognition awards, and non-monetary acknowledgments (e.g., Employee of the Quarter or Outstanding Performer) are designed to reinforce desired performance and achievements.
- ◆ **Motivation** – FHM invests in employee development by providing training opportunities, career advancement pathways, and skill enhancement programs. A supportive workplace, emphasis on healthy work-life balance, and a culture of collaboration further strengthen employee motivation.

Training and Development

- ◆ **Needs Assessment** – Training requirements are identified through surveys, performance reviews, and market trends to ensure relevance and impact.
- ◆ **Clear Objectives** – Training goals are aligned with both organizational priorities and individual career aspirations.
- ◆ **Structured Training Plans** – Programs are designed with defined methods, materials, schedules, and evaluation mechanisms tailored to specific needs.
- ◆ **Diverse Learning Methods** –
 - On-the-job training for practical experience.
 - Formal education through workshops, seminars, and courses.
 - Tutorials and self-paced learning modules.
 - Mentoring and coaching for personalized growth.
 - Job rotation to broaden exposure across functions.



Diversity and Inclusion

- ◆ **Gender and Race Diversity** – We are committed to achieving gender balance at all organizational levels, particularly leadership, by setting measurable goals and tracking progress.
- ◆ **Inclusion of Persons with Disabilities** – By ensuring equal opportunities and fostering respect, FHM enables individuals with disabilities to contribute effectively, build confidence, and pursue personal and professional growth.

Employee Engagement and Feedback

FHM actively promotes employee engagement through cultural and team-building initiatives. Employees are encouraged to participate in engagement activities that strengthen collaboration and workplace harmony. Additionally, an annual Town Hall Meeting with 100% staff participation serves as a platform for open dialogue, feedback, and collective alignment on organizational goals.

Social and Environmental Responsibility

[BCR 5.12 (h)]

First Habib Modaraba (FHM), driven by its ambition to serve the community with professionalism and dedication, has consistently emphasized initiatives that promote environmental sustainability and social development. As a socially responsible corporate entity, FHM regularly contributes to society, making community development a core priority.

Over the years, FHM has supported non-profit organizations working in education, healthcare, and related fields. We continue to encourage projects and events that focus on children, health, and education, especially for underprivileged segments of society.

Key areas of focus include:

- ◆ Maintaining strong internal controls as a fundamental corporate objective.
- ◆ Promoting sound ethical practices across the Modaraba.

- ◆ Instilling the Risk & Reward concept among staff members.
- ◆ Encouraging employee participation in social projects, which serve as catalysts for institutional growth.
- ◆ Promoting responsible use of resources by minimizing waste, such as excessive energy and paper consumption.
- ◆ Motivating staff to engage in activities that contribute to environmental sustainability.
- ◆ Safeguarding customers' interests through regular feedback, grievance redressal, and periodic visits.
- ◆ Ensuring equal employment opportunities without discrimination on the basis of gender or disability, recognizing the unique potential of every individual.
- ◆ Prioritizing health and safety through comprehensive HR policies, including health and group life insurance/takaful coverage.

Employee Health, Safety, and Protection BCR 5.12 (I)]

FHM is committed to maintaining safe and healthy working conditions for its employees, contractors, and all individuals connected to its operations. Branch Managers are required to apply all legally enforceable health and safety standards across their offices.

Key guidelines:

- ◆ Adherence to published best practices and local health and safety laws.
- ◆ Risk assessments of work activities to eliminate or

minimize hazards.

- ◆ Investment only in businesses that comply with health and safety regulations.

Safety measures implemented across the network include:

- ◆ Installation of CCTV surveillance systems.
- ◆ Fire alarm systems in all premises.
- ◆ Fire extinguisher systems at every branch.

Anti Harassment Policy to safeguard the right and well being of employees BCR 5.12 (n)]

First Habib Modaraba is strongly committed to maintaining a workplace environment built on dignity, respect, and inclusivity, where all forms of harassment are strictly prohibited. This commitment extends to employees, interns, and visitors in all work-related settings, whether on-site or off-site. Harassment in any form i.e. verbal, physical, visual, or digital, will not be tolerated, and any reported incidents are addressed with fairness, confidentiality, and without fear of retaliation.

Complaints are investigated promptly and thoroughly, and disciplinary measures, up to and including termination, may be imposed where necessary. Employees are expected to treat colleagues with respect, report any inappropriate behavior, and cooperate fully in investigations, while management holds the responsibility of addressing concerns promptly and ensuring a safe, supportive, and inclusive workplace for all.

FHM is deeply committed to fair and equitable treatment of all certificate holders—whether majority, minority, institutional, or foreign investors. Complaints are regarded as opportunities for improvement, and a robust review mechanism is in place to prevent recurrence.

Key commitments:

- ◆ Treating all investors fairly and with courtesy.
- ◆ Addressing complaints promptly, transparently, and effectively.
- ◆ Providing timely communication, including interim responses if resolution requires more time.
- ◆ Maintaining impartiality and good faith in all grievance redressal processes.

Grievance handling is centralized at the Head Office, supported by complaint boxes at branches, a designated email monitored regularly, and direct escalation to senior management or the CEO in case of serious issues.



WHISTLE BLOWING POLICY [BCR 5.12 (m)]

Transparency and accountability are core values at FHM. Employees are encouraged to raise concerns about illegal, unethical, or harmful practices without fear of retaliation.

Key principles:

- ◆ All disclosures must be in writing and are treated confidentially.
- ◆ Whistleblowers are protected from harassment, victimization, or disciplinary action when acting in good faith.
- ◆ Malicious or bad-faith allegations may result in disciplinary measures.
- ◆ Investigations are handled by appropriate management officials.

The Board has established a confidential **Whistle Blowing Mechanism** in line with the Code of Corporate Governance, ensuring open dialogue and protection of employee rights.



WHISTLE BLOWING MECHANISM [BCR 10.09]

Policy & Commitment:

First Habib Modaraba (FHM) is committed to the highest standards of integrity, transparency, and accountability. To uphold these values, the Modaraba has established a formal Whistleblowing Policy that provides a secure and confidential channel for all stakeholders (including employees, clients, and vendors) to report any genuine concerns regarding illegal, unethical, or improper conduct, including financial malpractices, fraud, corruption, or violations of the code of conduct.

Key Features of the Mechanism:

1. Accessible Disclosure Channels:

- ◆ Concerns can be raised through multiple accessible channels, primarily a dedicated email address (speak.up@habibmodaraba.com) managed by a designated officer or a committee independent of management.
- ◆ Alternative channels may include a confidential postal address or access to the Chairman of the Audit Committee for highly sensitive matters.

2. Fair & Transparent Handling:

- ◆ All reports received are treated with strict confidentiality.
- ◆ A defined process is followed for the impartial investigation of every complaint, involving relevant

experts while preserving the anonymity of the complainant, if requested.

- ◆ The process ensures a fair opportunity for all parties involved to be heard.

3. Protection Against Victimization:

- ◆ FHM has a strict zero-tolerance policy against victimization or retaliation of any kind towards a complainant who raises a concern in good faith.
- ◆ Any instance of intimidation or retaliation against a whistleblower is treated as a serious disciplinary offense.

4. Reporting to the Audit Committee:

- ◆ The Audit Committee oversees the effectiveness of the whistleblowing framework.
- ◆ A summary of all complaints received, along with their nature, status, and outcome, is presented to the Audit Committee on a periodic basis.
- ◆ Significant issues and confirmed cases of misconduct are reported to the Audit Committee immediately, and the Committee's review of these matters is documented in its annual report to the Board.
- ◆ This mechanism reinforces our culture of good governance and empowers stakeholders to act as vigilant guardians of the Company's ethical standards.

POLICY FOR SAFETY OF RECORDS OF THE MODARABA [BCR 5.12 (o)]

Customer trust is central to FHM's values, and we prioritize the privacy and security of client information in all our operations. Measures include:

Trust:

Adherence to contractual and statutory duties, with independent third-party confirmation of compliance with industry standards.

Access Management:

Advanced access and encryption tools to ensure data confidentiality.

Data Security:

Robust online backup systems, daily-to-monthly disaster recovery protocols, and secure data storage in Karachi and Lahore.

Further, extended fire suppression, surveillance systems, and fiber optic-enabled disaster recovery technology strengthen the protection of critical data.



Board Review Statement of the Organization's Business Continuity Plan or Disaster Recovery Plan [BCR 5.13]

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

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

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



BUSINESS CONTINUITY PLAN (BCP) DISASTER RECOVERY PLAN (DRP)

Business Continuity Plan (BCP)

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

Disaster Recovery Plan (DRP)

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

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

Through a detailed review of the business impact analysis process, BCM Steering Committee endorsed an established process that could restore FHM's critical business processes in a timely and orderly manner while operations continue with minimal delays to operations, and making sure that all critical business functions continue in the case of a disaster.. Continuous updates of these plans are performed annually, to ensure that they are kept up to date with changes in systems and business units. Business heads are accountable for their divisional recovery strategies, the validation of recovery capabilities and the provision of appropriate training and awareness and its importance in the organization.

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

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

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

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

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

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

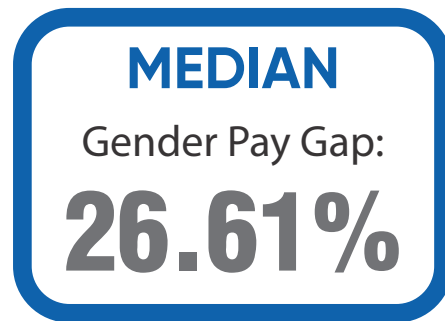
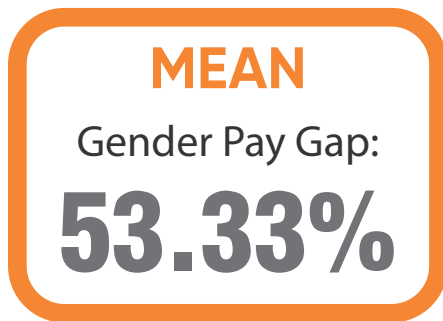
Take update on latest process and tools on BCP.

GENDER PAY GAP STATEMENT

FIRST HABIB MODARABA

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

Following is gender pay gap calculated for the year ended June 30, 2025:



Any other data / details as deemed relevant: The above ratios reflect the overall employee gender pay gap across the organization. The modaraba ensures equitable compensation for the female members in their respective role based on experience, qualification and performance.

For and on behalf of the Board of Directors

Muhammad Shoaib Ibrahim
Chief Executive Officer



Ownership, Shareholding and Relationship with Holding Company, Subsidiary Company or Associated Undertakings [BCR 1.07]

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

COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE [BCR 5.14]

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 the Board is as follows:

Executive Director	Mr. Muhammad Shoaib Ibrahim
Chairman - Non-Executive Director	Mr. Mohammad Shams Izhar
Non-Executive Independent Director	Mr. Syed Rasheed Akhtar
Non-Executive Independent Director	Mr. Saeed Uddin Khan
Non-Executive Director	Mr. Usman Nurul Abedin
Female Director	Ms. 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 Management 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). 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
Mr. Syed Rasheed Akhtar	Certified from ICAP
Mr. Saeed Uddin Khan	Certified from ICMAP
Mr. Usman Nurul Abedin	Certified from ICMAP
Ms. Irum Saba	Certified from IBA

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

a) Audit Committee

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

b) HR and Remuneration Committee

Chairman	Mr. Saeed Uddin Khan
Member	Mr. Syed Rasheed Akhtar
Member	Mr. Mohammad Shams Izhar
Secretary	Mr. Danish Zahid

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	Quarterly
HR and Remuneration Committee	Yearly
15. The Board has set up an effective internal audit function 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.

19. Explanation for as to impediment in its compliance with requirements, other than 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulation are given below:

S.No.	Requirements	Explanation	Regulation No.
1.	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	The functions of the Nomination Committee are being performed by the HR & Remuneration Committee. Therefore, separate committee for Nomination is not required.	29(1)
2.	Risk Management Committee The Board may constitute a Risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	A separate Risk Management Committee is not constituted as the functions of the Risk management committee are being addressed at the Board level.	30(1)
3.	Sustainability Risks and Opportunities In order to effectively discharge its sustainability related duties, the Board may establish a dedicated sustainability committee having at least one female director, or assign additional responsibilities to an existing Board Committee.	In accordance with Regulation 10A of the Listed Companies Code of Corporate Governance, as per SECP Notification S.R.O. (1)/2024 dated June 12, 2024, regarding the establishment of a Sustainability Committee. Though the Modaraba does not have a formal Environmental, Social, and Governance (ESG) committee, however the Modaraba has voluntarily undertaken various ESG-related activities. These initiatives, shared as part of our ESG efforts this year, reflect the Modaraba's continued commitment to embedding ESG considerations into its business practices, in line with the spirit of the Code. The Modaraba recognize its ESG risks and operations and investment policies carry a guideline on how to mitigate those risk as well initiatives to take the ESG agenda forward.	10(A)(5)

MOHAMMAD SHAMS IZHAR
Chairman

MUHAMMAD SHOAIB IBRAHIM
Chief Executive Officer

Karachi: August 07, 2025



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Sarwar Shaheed Road
Karachi-74200
Pakistan

Independent Auditors' Review Report

To the Certificate Holders of First Habib Modaraba

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of First Habib Modaraba (the Modaraba) for the year ended June 30, 2025 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2025.

Karachi

Date: August 27, 2025

UDIN Number: CR2025101669wJKxLpcQ

CHARTERED ACCOUNTANTS

Engagement Partner: Tariq Feroz Khan

BDO Ebrahim & Co. Chartered Accountants

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

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 5,144 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.

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 Details:
Registrar Office:
Assistant General Manager Share Registrar
CDC Share Registrar Services Limited

Contact Details:
Company Secretary
First Habib Modaraba

Dividend Announcement

The Board of Directors of the Modaraba Management Company has approved cash dividend of 22.5% (Rs. 2.25 per Modaraba Certificate of Rs. 10/- each) for the financial year ended 30th June, 2025.

Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 02-10-2025 to 10-10-2025 (both days are inclusive).

Payment of Dividend Electronically (E-mandate)

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

Withholding of Tax & Zakat on Dividend

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

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

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

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

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

Conversion of Physical Modaraba Certificates into Book-Entry Form:

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

AUDIT COMMITTEE

The Composition of Board Audit Committee (BAC) are as follows:

Name of Directors	Chairman/Member Category
Mr. Saeed Ud Din Khan	Chairman Non-Executive Independent Director
Mr. Mohammad Shams Izhar	Member Non-Executive Director
Ms. Irum Saba	Member Non-Executive Director
Mr. Muhammad Babar	BAC Secretary

The terms of reference (TORs) of the Board Audit Committee is as follows:

1. Determination of appropriate measures to safeguard the Modaraba's assets;
2. Review of annual and interim financial statements of the Modaraba, prior to their approval by the Board of Directors, focusing on:
 - a. Major judgmental areas;
 - b. Significant adjustments resulting from the audit;
 - c. Going concern assumption;
 - d. Any changes in accounting policies and practices;
 - e. Compliance with applicable accounting standards;
 - f. Compliance with these regulations and other statutory and regulatory requirements; and
 - g. All related party transactions.
3. Review of preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Review of management letter issued by external auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the Modaraba;
7. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Modaraba;
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
10. Review of the Modaraba's statement on internal control systems prior to endorsement by the Board of Directors;
11. 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);

12. 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;
13. Determination of compliance with relevant statutory requirements;
14. Monitoring compliance with these regulations and identification of significant violations thereof;
15. 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;
16. Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Modaraba by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
17. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Members	No. of Meeting Attended
Mr. Saeed Uddin Khan Non-Executive Independent (Chairman)	4
Dr. Irum Saba Non-Executive (Member)	4
Mr. Muhammad Shams Izhar Non-Executive (Member)	4
Mr. Muhammad Babar Secretary to Audit Committee	4

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The terms of reference of the 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 his / 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:
 - 1 Recruitment and Selection strategy is aligned to Business objectives and philosophy.
 - 2 Training and Developmental needs of Human Resources are identified, adequately met and aligned to business objectives; and
 - 3 Performance Evaluation and Management System is objective, transparent and unbiased.

During the year, one meeting of human resource and remuneration 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. Danish Zahid Secretary	1

Composition of the Audit Committee

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

Chief Financial Officer of the Modaraba attends the meeting of Audit Committee on invitation; internal auditors are present in all the Committee meetings whereas External Auditors attend the meetings on requirement basis.

Role of Audit Committee

The role of Audit Committee is determined by its Terms of Reference (TORs) 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.

- ◆ The financial statements of FHM for the year ended June 30, 2025 have been prepared on a going concern basis under requirements of the Companies Act, 2017 & Modaraba Regulations. These financial statements present a true and fair view of the state of affairs of the Modaraba, results of operations, profits, cash flows and changes in equity of the Modaraba for the year under review.
- ◆ 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 deals with the effectiveness and functional capabilities of the risk management system and internal control environment of the First Habib Modaraba (FHM) and provides utmost support and guidance in framing the control environment to prevent FHM from any unforeseen events.
- ◆ All significant findings are reported to Audit Committee by Head of Internal Audit for their feedback and necessary actions taken, if any. The Audit Committee actively monitors the implementation of internal controls in line with directives of the Board.

- ◆ The Audit Committee concentrate on the effectiveness of internal control, risk management, compliance, internal audit functions, IT governance and other responsibilities given by the BOD.
- ◆ The Head of Internal Audit has direct access to the Chairman of the Audit Committee and having the full liberty to discuss issues having significant concern over the organization's control, governance and risk.
- ◆ The Audit Committee through internal auditor facilitate the staff and management to share any information in confidence on account of any improperness in financial and other matters and develop processes in addressing these issue with mitigating and remedial measures.
- ◆ The 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 Modaraba's position, performance and business model.
- ◆ The Audit Committee self-evaluated their performance and satisfied with the overall quality of work done.
- ◆ During the year, no whistle blowing incidents were reported to the Audit committee.

Internal Control Framework (ICF)

The Audit Committee is also entrusted to make sure that ICF is effectively implemented. The management of 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.
- ◆ Strengthened 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 internal 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:

- ◆ The Internal Audit Policy was reviewed, updated to reflect emerging industry practices, and the same is approved by the Board of Directors.
- ◆ Overall policies of FHM were comprehensively reviewed and updated to ensure alignment with the latest regulatory requirements.
- ◆ TORs of all the management committees has been prepared, reviewed and updated.
- ◆ Branch wise FHM Budget Model has been prepared, presented and implemented in the system.
- ◆ The voucher authorization mechanism has been further strengthened by enabling the relevant departments to authorize their own vouchers.
- ◆ All audits were conducted during the year to simulate high-risk scenarios and test the resilience of internal controls in a controlled environment.

Role of Internal Audit Function

The internal audit function role in FHM is in line with Global Internal Audit Standards issued by Institute of Internal Auditors (IIA) 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.

External Auditors

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

The statutory auditors of the Modaraba, M/s. BDO

Ebrahim & Co. Chartered Accountants, have completed audit of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2025.

The Audit Committee approves the audited accounts of FHM for the year ended June 30, 2025 audited by M/s. BDO Ebrahim & Co. Chartered Accountants 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. BDO Ebrahim & Co. Chartered Accountants as statutory auditors for the financial year ending June 30, 2026, on terms approved by the BOD.

Audit Committee Meeting

- ◆ Audit Committee meetings were held on quarterly basis during the year 2024-2025.
- ◆ The Audit Committee reviewed quarterly, half yearly and annual financial statements of the FHM prior to their approval by the BOD.
- ◆ The Audit Committee has reviewed and approved all related party transactions.
- ◆ The internal audit function has carried out its duties under the audit charter defined by the Committee so that smooth functioning of the operation is possible.
- ◆ The Committee reviewed and deliberated upon the relevant control and 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.

Mr. Saeed Uddin Khan
Chairman Audit Committee

PROCEEDINGS OF ANNUAL REVIEW MEETING [BCR 5.20]

In compliance with Registrar of Modaraba, Securities & Exchange Commission of Pakistan (SECP), First Habib Modaraba (FHM) conducted Annual Review Meeting (ARM) of Certificate Holders on October 10, 2024 in order to review performance of Modaraba for the year ended June 30, 2024.

The following were present from Modaraba:

Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Saeed ud din Khan	- Chairman Audit Committee
Mr. Tehsin Abbas	- CFO & Company Secretary
Mr. Intisar M. Usmani	- Head of Credit Administration , Legar & Recovery
Mr. Amir Kaleem	- Head of Business Development
Mr. Fazal Abbas	- Head of Credit

CEO has briefed the forum about the business activities and performance of FHM along with challenges faced during the year 2023-24 as reported in Directors' Report attached with Annual Report. He also commented in detail on key financial figures reported in the financial statements of Modaraba.

Business Strategy and its Implementation Status

The Certificate Holders acknowledged the hard and dedicated efforts of FHM particularly on financial performance and declaration of cash dividend of 21% for the year ended June 30, 2024.

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

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

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

Presence of Chairman Audit Committee at ARM

The Chairman of the Audit Committee had also attended the questions raised by Certificate Holders during the meeting about activities and matters within the scope of the Audit Committees' responsibilities.

BOARD DISCLOSURE ON ENTERPRISE RESOURCE PLANNING (ERP) [BCR 5.21]

a) ERP System Integration of Core Business Functions:

- ◆ The FHM's ERP software is designed to streamline and integrate core business functions including finance, human resources, and Operation Modules.
- ◆ It operates as a centralized platform ensuring data consistency and real-time process visibility.
- ◆ This integration enhances decision-making and operational efficiency.
- ◆ It eliminates silos by enabling seamless communication across departments.

b) Management Support for ERP Implementation and Updates:

- ◆ Senior management actively supports the ERP implementation through dedicated oversight and resource allocation.
- ◆ They ensure the system remains aligned with evolving business needs.
- ◆ Continuous updates are managed systematically to improve functionality and performance.
- ◆ This commitment reflects a strong governance framework around ERP operations.

c) User Training on ERP Software:

- ◆ Comprehensive training programs are conducted for all ERP users before and after deployment.
- ◆ Refresher sessions and role-based training ensure proficiency and minimize operational risks.
- ◆ User feedback is regularly incorporated to enhance training effectiveness.
- ◆ This approach promotes user confidence and optimizes system utilization.

d) Risk Management and Controls on ERP Projects:

- ◆ ERP-related risks are proactively managed through

defined control measures and regular audits both internally and externally.

- ◆ Project governance includes stakeholder reviews, timelines, and planning.
- ◆ System Support Department (SSD), compliance and internal audit teams collaborate to ensure compliance and minimize disruptions.
- ◆ Risk registers are maintained and updated throughout the project management.

e) System Security, Access Control, and Segregation of Duties:

- ◆ The Modaraba enforces strict ERP access controls with defined user roles and permissions.
- ◆ Sensitive data is protected using encryption, multi-factor authentication, and secure hosting.
- ◆ Periodic reviews ensure segregation of duties to prevent unauthorized actions.
- ◆ Security protocols are regularly tested and aligned with industry best practices.

The Board affirms that the Modaraba has implemented ERP software system designed to manage and integrate core business processes—including finance, human resource management, and Operation Modules—into a unified Microsoft platform. This integration enhances data consistency, operational efficiency, and real-time decision-making.

Management continues to support the effective implementation and regular updates of the ERP system to align with evolving business needs and regulatory requirements. Comprehensive training programs are conducted periodically to equip users with the knowledge and skills needed for optimal ERP utilization and compliance with internal protocols.

To address ERP project management, Modaraba applies a structured project governance model that includes requirement identification, mitigation planning, and audit checkpoints throughout the ERP lifecycle. Security of the system is ensured through regular assessments, role-based access controls, and enforcement of segregation of duties to prevent unauthorized access to sensitive information and maintain process integrity.

Analysis of Financial Information



Reflecting on Four Decades of Performance

Our consistent financial performance demonstrates our core business resilience in very difficult operating environment. Strategic investments, prudent capital allocation, and a focus on efficiency have allowed us to deliver sustainable returns and withstand market challenges.



ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE [BCR 6.01 (a,b)]

Past and current performance

With completion of FY 2024-25, Alhamdulillah, we have competed 40 years of continuous journey of success. The accomplishment of 4 decades truly reflects our dedication, passion and achievement through dedicated team efforts with strong commitment of sponsors and Board of directors for progress and sustainable growth of the organization.

The financial year 2024-25 ended with outstanding performance with achievement of significant growth in all our key areas. We must say that again above year proved one of the best and exceptional years in the operational history of First Habib Modaraba (FHM) in terms of disbursement, new client engagement, size of balance sheet and overall business growth. The continuous success and excellent performance are due to blessing of Allah (SWT) and sincere and dedicated efforts of entire team members of FHM.

Comparative analysis of two years are as follows:

Key comparative performance indicators of two years are as follows

	Jun-25	Jun-24	Rs. in Million Variance %
Balance Sheet footing	34,749	26,410	32%
Financing Assets	32,659	25,126	30%
Disbursement for the period	19,637	15,202	29%
Profit before Tax	1,245	1,181	5%
Profit after Tax	901	690	31%
Earning Per Modaraba Certificate (Rs.)	8.13	6.23	31%

KPIs to assess and measure the financial performance in 2024-25 are disclosed in "Key Performance Indicators" section of Annual report.

Performance against Targets

Pakistan's economy has achieved macroeconomic stability in outgoing fiscal year, recovering from the challenges emerged in previous year, restoring economic confidence and have shown favorable economic outlook. The economy has emerged from the turbulence of FY2023-24, driven by easing inflation, satisfactory external balance, fiscal discipline including improved macroeconomic indicators along with fiscal consolidation have contributed to renewed economic confidence and positive business sentiments.

Our performance during FY2024-25 also remain satisfactory and all key business targets not only achieved but also increased with significant margins. Our total disbursement during the year touched to Rs.19.6 billion which is again the highest ever in the operational history of FHM, as compared to disbursement of Rs.15.2 billion of previous year. Size of balance sheet has also reached to Rs.34.7 billion as compared Rs.26.4 billion of last year. Our deposit under Certificate of Investment (Musharaka) scheme also reached to Rs.20.8 billion with a growth of 28%. Profit after tax has also increased to Rs.901 million as compared to Rs.690 million of last year.

The financial year 2024-25 ended with outstanding performance with achievement of significant growth in all our key areas. We must say that again above year proved on of the best and exceptional years in the operational history of First Habib Modaraba (FHM) in terms of disbursement, new client engagement, size of balance sheet and overall business growth. I am proud that with sincere efforts of team members, together, we achieve remarkable growth and significantly increased our market share within Modaraba and NBFi sector.

Objectives to Assess Stewardship of Management

Consistently satisfactory performance of around 4 decades reflects the strength of our business fundamentals and validate the soundness of our strategic decisions. It reaffirms our position as a resilient financial institution, grounded in strong fundamentals and driven by a commitment to long-term value creation and prudent financial leadership. We keep enhancing value of certificate holder 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

Keeping in view of present positive economic scenario and political stability, we are optimistic about our further business growth in prudent and careful manner. We are confident that Insha'Allah, we will achieve our business targets with improved performance and continue to add value for our Certificate Holders and maintain our leading position within Modaraba sector.

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 financing 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 capacity building

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

d) ESG approach

Our commitment to Environmental, Social, and Governance (ESG) principles remains our core objective and strategic priority. We encourage green financing, paperless engagement through technological advancement and encouragement of diversity and inclusion. On social front, we encourage enhancement of CSR related activities, made emphasis on activities of environment protection including financial support for education to staff members and their children. On governance side, a strong emphasis was also placed on further strengthening compliance culture, strong internal control, transparency and accountability.

These strategic commitments reflect our determination to remain a reputable and responsible corporate entity, encourage to deliver meaningful impact across financial sector of Pakistan for environment protection, social engagement and good governance.

KEY FINANCIAL DATA FOR SIX YEARS

[BCR 6.02 (a)]

KEY FINANCIAL & OPERATING DATA	RUPEES IN MILLION					
	2025	2024	2023	2022	2021	2020
Total Assets	34,749.38	26,409.93	20,539.86	17,162.82	12,122.53	9,913.06
Diminishing Musharaka Financing Asset	32,658.43	25,125.60	17,981.78	13,183.23	9,913.81	7,002.50
Diminishing Musharaka Asset Disbursement	19,637.23	15,202.18	10,781.69	11,088.56	6,531.04	3,042.89
Current Assets	13,268.44	9,792.76	8,211.97	8,257.25	4,987.87	3,839.71
Current Liabilities	28,949.44	21,284.87	15,906.40	13,151.20	8,153.14	6,025.45
Total Liabilities	28,965.31	21,300.99	15,926.06	13,185.80	8,294.19	6,279.50
Paid-up Capital	1,108.31	1,108.31	1,108.31	1,008.00	1,008.00	1,008.00
Reserves	4,630.59	3,966.12	3,499.57	2,959.52	2,619.07	2,538.68
Certificate Holders' Equity	5,738.89	5,074.43	4,607.88	3,967.52	3,627.07	3,546.68
Gross Revenue	4,971.82	5,191.48	3,435.47	1,562.77	1,545.15	2,201.31
Income from Diminishing Musharaka Financing	4,971.82	5,191.48	3,396.95	1,424.75	796.47	1,017.66
Net Profit	901.50	690.20	519.63	382.12	363.15	316.68
Earning Per Certificate - Rs.10/- each	8.13	6.23	4.68	3.45	3.28	2.86
Cash Dividend	22.50%	21.00%	20.00%	20.00%	28.00%	28.00%

STAKEHOLDER INFORMATION						
	2025	2024	2023	2022	2021	2020
Profitability Ratios						
Profit before tax to sales ratio (%)	25.59	23.06	22.44	31.69	23.50	14.39
Gross yield on earning assets (%)	45.18	61.25	50.99	28.61	28.45	42.27
Gross spread ratio (%)	21.04	17.92	14.45	18.16	16.80	6.68
Cost / Income ratio (%)	69.65	68.99	67.57	62.04	34.61	38.47
Return on equity (%)	15.71	13.60	11.28	9.63	10.01	8.93
Return on assets (%)	2.59	2.61	2.53	2.23	3.00	3.19
Return on capital employed (%)	27.02	28.35	20.55	14.67	11.04	9.57
Gross profit ratio (%)	93.51	89.45	84.08	82.23	53.67	46.68
Net profit to sale (%)	18.09	13.31	15.13	24.45	23.50	14.39
EBITDA margin to sale (%)	35.38	31.59	32.17	47.10	36.59	23.22
Income / Expense ratio	1.33	1.27	1.22	1.30	1.26	1.10
Turnover Ratio						
Total Asset Turnover Ratio (%)	14.96	20.64	18.06	10.34	13.60	23.92
Fixed Asset Turnover Ratio (%)	24.77	33.69	30.09	19.92	23.11	39.04

KEY FINANCIAL DATA FOR SIX YEARS



STAKEHOLDER INFORMATION	2025	2024	2023	2022	2021	2020
Liquidity Ratios						
Advance to deposit ratio	4.89	1.46	1.31	1.19	1.48	1.65
Current ratio	0.47	0.48	0.52	0.63	0.61	0.64
Quick / Acid test ratio	0.47	0.48	0.52	0.63	0.61	0.64
Cash to current liabilities	3%	1%	1%	1%	3%	3%
Cashflow from operations to sale	-138%	-98%	-60%	-298%	-302%	-55%
Cashflow coverage ratio	-208%	-144%	-90%	-499%	-417%	158%
Gross Non-Performing assets to gross advances	4.18%	3.37%	2.18%	1.58%	1.40%	1.26%
Investment / Market ratio						
Market Value Per Share	24.71	16.01	7.29	9.36	9.80	9.95
High	24.71	16.74	9.00	10.32	9.80	10.89
Low	14.81	16.40	8.81	8.81	9.70	9.31
Earning per Certificate of Rs. 10/-	8.13	6.23	4.68	3.45	3.28	2.86
Price earning ratio	3.04	2.57	1.56	2.71	2.99	3.48
Price to book ratio	0.48	0.35	0.35	0.48	0.54	0.57
Dividend Yield ratio (%)	9.11	13.12	13.72	10.68	14.29	14.07
Dividend Payout ratio (%)	27.66	33.72	42.66	52.76	77.72	89.12
Dividend cover ratio	3.61	2.97	4.68	3.45	2.34	2.04
Cash dividend (%)	22.5%	21.0%	20.0%	20.0%	28.0%	28.0%
Cash dividend per certificate	2.25	2.10	1.00	1.00	1.40	1.40
Book value per certificate	51.78	45.79	20.79	19.68	17.99	17.59
Dividend (in million rupees)	249	233	222	202	282	282
Profit Growth Ratio (%) [YoY]	31	33	36	5	15	(1)
Profit Growth Ratio (%)	100	45	38	6	20	4
DuPont Analysis	Covered in detail at page 176					
Free Cash Flow	Covered in detail at page 164					
Economic Value Added (EVA)	Covered in detail at page 174					
Capital Structure Ratio						
Net assets per certificate of Rs. 10/- each	52.19	46.10	41.63	39.45	37.98	36.05
Capital adequacy ratio	20%	20%	23%	24%	33%	Not req.
Earning asset to total asset ratio (%)	90.83	92.16	91.73	82.13	96.08	95.74
Weighted Average cost of deposit	20.00%	20.00%	20.30%	14.30%	7.22%	8.18%
Debt to Equity ratio (Book value and Market value)	5.05	4.20	3.46	3.32	2.29	1.77
Non-Financial Ratios						
a) Staff turnover ratio	18%	16%				
b) Female Staff Ratio	22%	21%				
c) Employee Productivity Rate (in million)	11.130	8.026				
d) Revenue per employee (in million)	10.732	8.216				
e) Customer retention ratio	80%	74%				

HORIZONTAL ANALYSIS

[BCR 6.03]

STATEMENT OF FINANCIAL POSITION (%)	2025	2024	2023	2022	2021	2020
ASSETS						
NON-CURRENT ASSETS						
Fixed assets in own use	4.03	56.24	8.38	(7.49)	(21.79)	57.98
Intangible assets	(17.39)	11,932.90	(43.65)	0.51	(28.92)	12.02
Diminishing musharaka financing	29.59	31.07	40.16	79.69	45.17	(4.61)
Long term advances and deposits	3.41	72.39	(27.52)	2.18	(5.83)	0.99
CURRENT ASSETS						
Investments	29.47	(31.76)	17.92	(16.52)	13.54	(31.23)
Current portion of diminishing musharaka financing	31.26	32.78	29.25	27.78	35.91	11.00
Financing installments receivables	0.00	0.00	0.00	(100.00)	(61.57)	(92.01)
Diminishing Musharaka financing installments receivables	(83.11)	(31.39)	224.63	1,400.63	(94.41)	(93.76)
Advances and prepayments	27.20	16.47	(54.00)	27,676.67	121.02	13.70
Other receivables	62.38	(9.79)	(4.76)	(0.06)	21.38	(36.55)
Income tax refundable	0.00	0.00	(100.00)	(46.45)	8.70	12.17
Cash and bank balances	133.26	85.81	37.26	(36.58)	28.17	233.06
TOTAL ASSETS	31.58	28.58	19.68	41.58	22.29	(10.89)
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	0.00	0.00	27.27	0.00	0.00	0.00
Issued, subscribed & paid-up capital	0.00	0.00	9.95	0.00	0.00	0.00
Reserves	16.75	13.33	18.25	13.00	3.17	1.40
Certificate holders' equity	13.09	10.12	16.14	9.39	2.27	1.00
SURPLUS ON REVALUATION OF INVESTMENTS	30.93	482.83	(37.66)	(95.28)	131.70	(30.44)
NON-CURRENT LIABILITIES						
Security deposits against Financing assets	0.00	0.00	(100.00)	(79.89)	(43.64)	(23.03)
Liability against right of use assets	(1.58)	(17.99)	137.32	(18.25)	(51.75)	0.00
CURRENT LIABILITIES						
Running Musharaka	98.93	324.37	(0.35)	1,396.59	100.00	100.00
Certificates of Musharaka	28.32	18.09	21.71	54.48	38.09	(14.14)
Security deposits	0.00	0.00	(100.00)	(52.52)	(42.90)	(15.51)
Liability against right of use assets	2.40	187.70	39.85	(85.40)	(42.90)	(15.51)
Unearned Diminishing Musharaka installments	(50.86)	(34.93)	52.03	347.97	147.76	(58.98)
Advance Diminishing Musharaka installments	(42.73)	60.69	40.13	11.02	(34.13)	(52.52)
Trade & other payables	13.72	35.73	32.45	13.34	17.88	(1.68)
Unclaimed profit distribution	5.19	3.22	5.32	5.69	7.00	13.75
Profit payable on certificates of investment (musharaka)	(43.70)	34.75	62.18	100.00	7.00	13.75
TOTAL EQUITY & LIABILITIES	31.58	28.58	19.68	41.58	22.02	(10.89)
STATEMENT OF PROFIT & LOSS (%)	2025	2024	2023	2022	2021	2020
Financing income	0.00	(100.00)	(72.09)	6.37	(32.26)	(0.36)
Income from Diminishing Musharaka	(4.22)	52.81	138.42	88.69	(17.50)	132.57
Administrative expenses	14.60	19.05	31.46	12.66	0.59	45.37
Other Income	(15.22)	(2.79)	29.76	104.26	(38.94)	49.50
Other charges	(59.50)	(2.48)	204.74	100.00	0.00	0.00
Financial charges	(5.22)	53.19	144.89	120.88	(44.73)	189.57
Modaraba company's management fee	6.39	55.33	55.62	36.38	14.67	9.37
Sales tax on Modaraba Management Company's remuneration	22.76	55.33	55.63	36.38	14.67	9.37
Provision for Sindh Workers' Welfare Fund	6.15	55.33	55.63	36.38	14.67	9.37
Profit for the year	6.15	55.33	55.63	36.41	14.67	9.37

VERTICAL ANALYSIS

[BCR 6.03]

STATEMENT OF FINANCIAL POSITION (%)	2025	2024	2023	2022	2021	2020
ASSETS						
NON-CURRENT ASSETS						
Financing assets	0.00	0.00	0.00	1.08	7.11	17.35
Fixed assets in own use	0.25	0.32	0.27	0.29	0.45	0.70
Intangible assets	0.0229	0.0364	0.0004	0.0008	0.0012	0.0020
Diminishing musharaka financing	59.16	60.06	58.92	50.31	51.29	43.20
Long term advances and deposits	0.00	0.01	0.00	0.01	0.01	0.01
Deferred tax	1.09	0.84	0.83	0.20	0.00	0.00
CURRENT ASSETS						
Investments	2.18	2.22	4.18	4.24	7.20	7.75
Current portion of diminishing musharaka financing	29.49	29.56	28.62	26.50	30.49	27.44
Financing installments receivables	0.00	0.00	0.00	0.00	0.00	0.01
Diminishing Musharaka financing installments receivables	0.00	0.02	0.04	0.01	0.00	0.03
Advances and prepayments	5.35	5.53	6.10	15.88	0.08	0.04
Other receivables	0.10	0.08	0.12	0.15	0.21	0.21
Income tax refundable	0.00	0.00	0.00	0.52	1.38	1.55
Cash and bank balances	2.35	1.32	0.92	0.80	1.78	1.70
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	4.03	5.30	6.82	6.41	9.07	11.12
Issued, subscribed & paid-up capital	3.19	4.20	5.40	5.87	8.32	10.19
Reserves	13.33	15.02	17.04	17.24	21.60	25.67
Certificate holders' equity	16.52	19.21	22.43	23.12	29.92	35.86
SURPLUS ON REVALUATION OF INVESTMENTS	0.13	0.13	0.03	0.06	1.66	0.88
NON-CURRENT LIABILITIES						
Security deposits against Financing assets	-	-	-	0.15	1.08	2.35
Liability against right of use assets	0.05	0.06	0.10	0.05	0.08	-
CURRENT LIABILITIES						
Certificates of investment (Musharaka)	59.78	61.30	66.74	65.62	60.14	53.38
Running Musharaka	18.12	11.98	3.63	4.36	0.41	-
Security deposits	-	-	-	0.20	0.58	1.26
Unearned Diminishing Musharaka installments	0.04	0.09	0.19	0.47	0.15	0.07
Advance Diminishing Musharaka installments	0.04	0.09	0.08	0.06	0.08	0.15
Trade and other payables	4.36	5.05	4.78	4.32	5.40	5.61
Unclaimed profit distributions	0.25	0.29	0.36	0.38	0.38	0.44
Profit payable on certificates of investment (musharaka)	0.79	1.85	1.76	1.41	-	-
Total Current Liabilities	83.38	80.65	77.54	76.82	68.42	63.27
TOTAL EQUITY & LIABILITIES	100.00	100.00	100.00	100.00	100.00	100.00
STATEMENT OF PROFIT & LOSS (%)	2025	2024	2023	2022	2021	2020
Income from financing	-	-	1.04	7.78	13.13	15.01
Income on diminishing musharaka financing	95.66	95.11	91.57	80.30	76.40	71.71
Other Income	4.34	4.89	7.40	11.92	10.47	13.28
	100.00	100.00	100.00	100.00	100.00	100.00
Administrative expenses	5.72	4.77	5.89	9.37	14.93	11.50
Other charges	2.40	5.66	8.53	5.85	-	-
Financial charges	63.76	64.30	61.68	52.66	42.80	59.96
Modaraba Management Company's remuneration	2.81	2.53	2.39	3.21	4.23	2.85
Sales tax on Modaraba Management Company's remuneration	0.42	0.33	0.31	0.42	0.55	0.37
Provision for Sindh Workers' Welfare Fund	0.50	0.45	0.42	0.57	0.75	0.51
Profit for the year	17.30	12.66	14.01	21.54	36.74	24.81
Taxation	7.09	9.30	6.77	6.38	-	-
Total	100.00	100.00	100.00	100.00	100.00	100.00

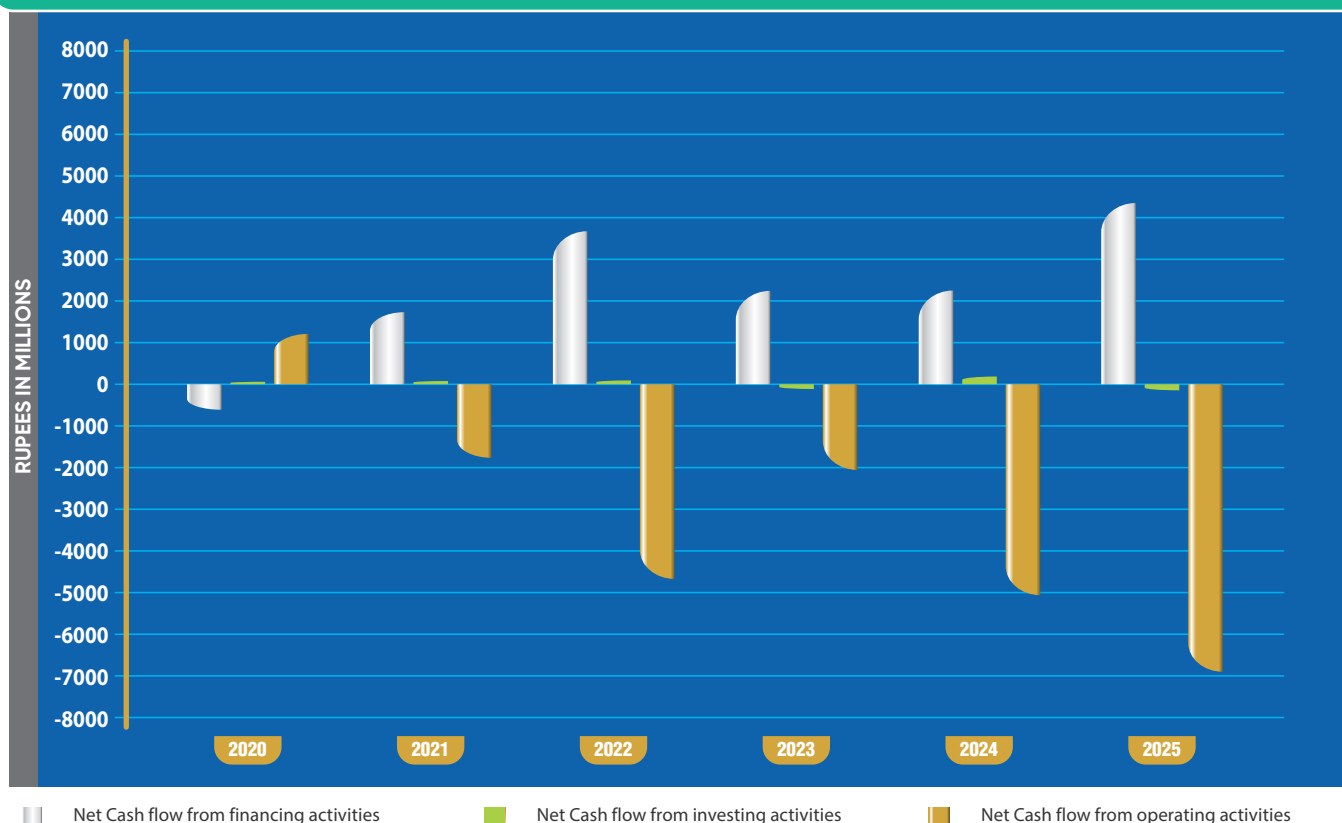
FREE CASH FLOWS TO EQUITY

	RUPEES			
	30-Jun-25 Annual	31-Mar-25 Nine monthly	31-Dec-24 Half yearly	30-Sep-24 Quarterly
Net cash used in operating activities	(6,895,165,814)	(6,526,180,537)	(6,765,546,111)	(546,968,899)
Net cash used in investing activities	(117,283,382)	(102,692,030)	(95,178,585)	(110,818,057)
Net cash generated from financing activities	4,347,232,418	5,709,479,996	3,626,816,402	1,310,266,846
Cash and cash equivalents at the beginning of the period	(2,814,862,880)	(1,964,362,138)	(1,914,642,356)	(2,814,862,880)
Cash and cash equivalents at the end of the period	(5,480,079,658)	(2,883,754,709)	(5,148,550,650)	(2,162,382,991)

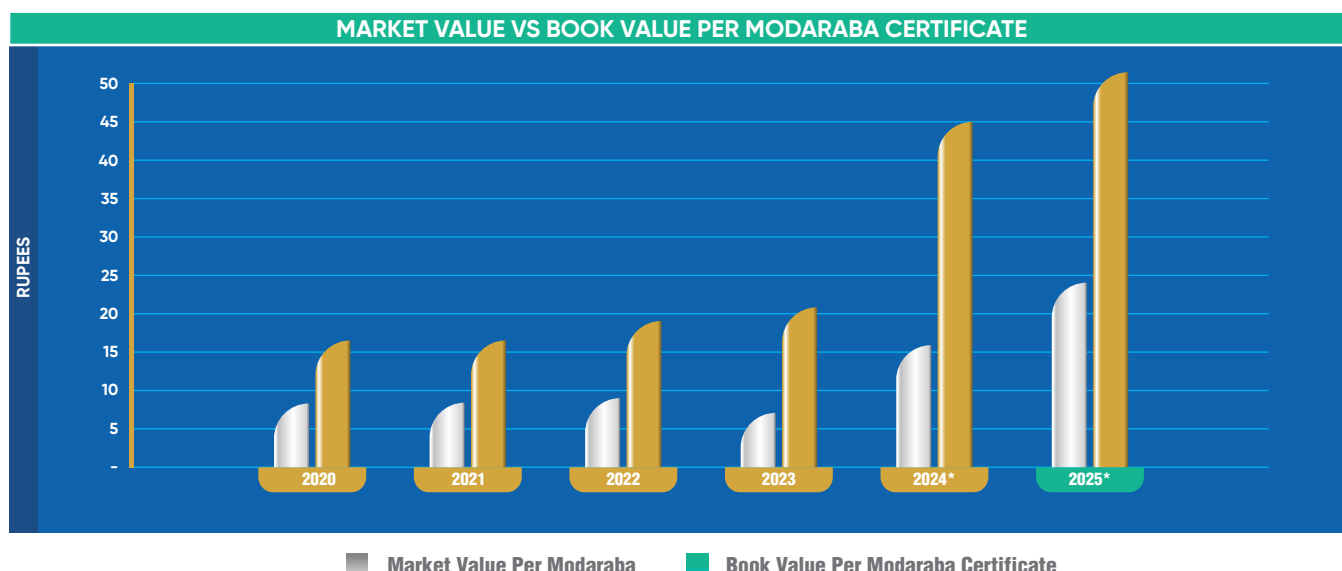
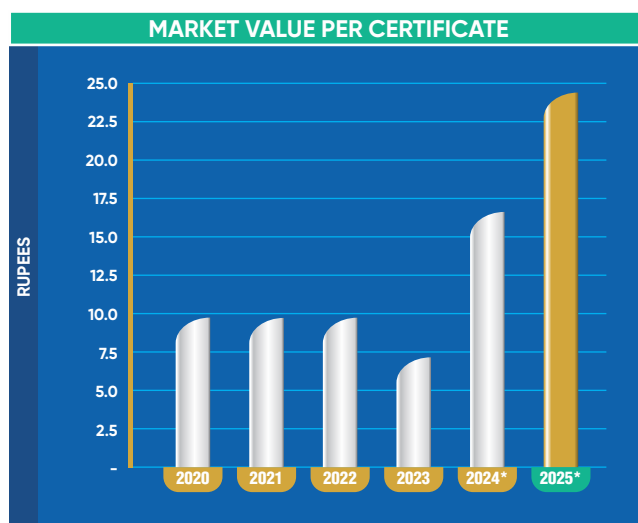
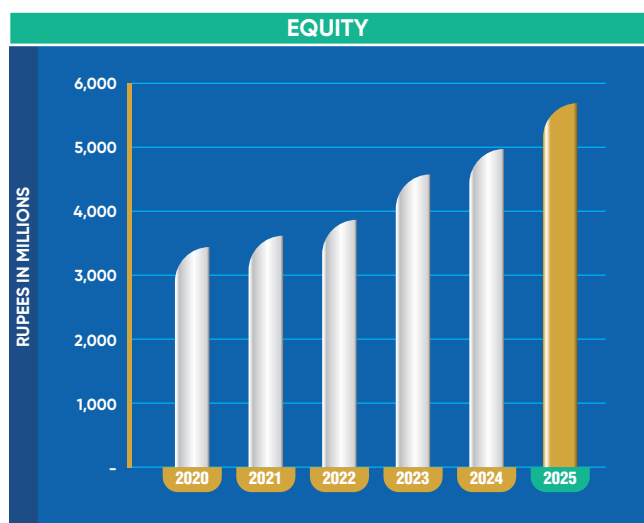
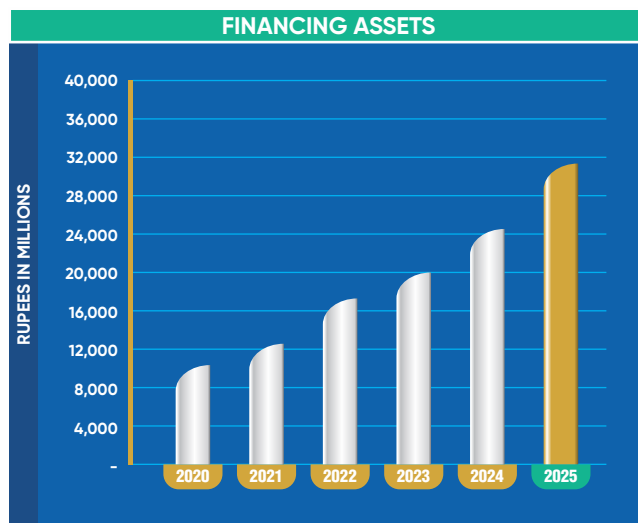
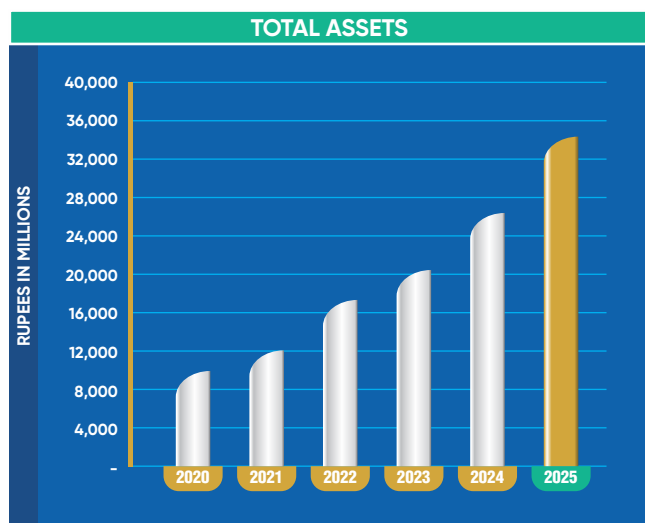
SUMMARY OF CASH FLOWS

	RUPEES IN MILLION					
	2025	2024	2023	2022	2021	2020
Cash & cash equivalents at the beginning of the year	(2,815)	(198)	(330)	655	668	51
Net Cash flow from / (used in) operating activities	(6,895)	(5,060)	(2,051)	(4,664)	(1,762)	1,212
Net Cash flow from / (used in) investing activities	(117)	190	(57)	3	20	16
Net Cash flow from / (used in) financing activities	4,347	2,253	2,240	3,676	1,729	(611)
Net increase / (decrease) in cash & cash equivalent	(2,665)	(2,617)	132	(985)	(13)	617
Cash and cash equivalents at the end of the year	(5,480)	(2,815)	(198)	(330)	655	668

CASH FLOW ANALYSIS



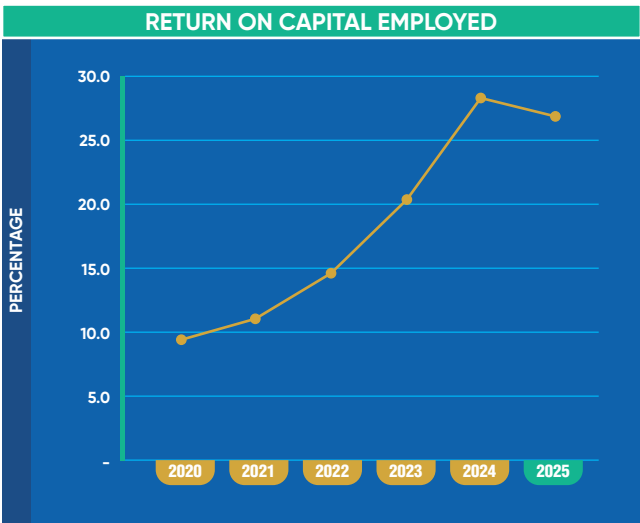
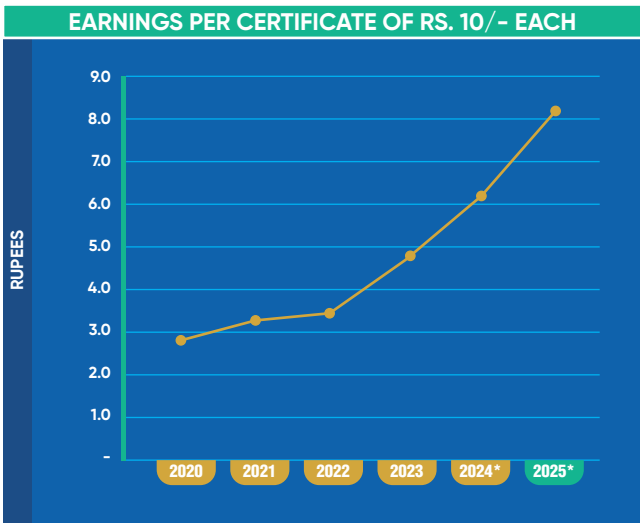
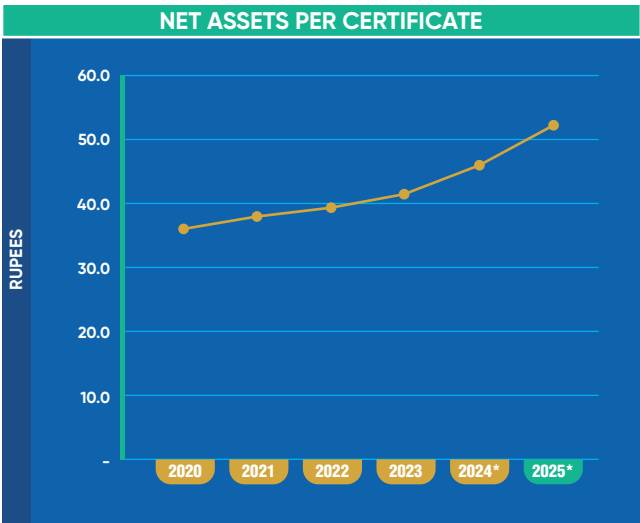
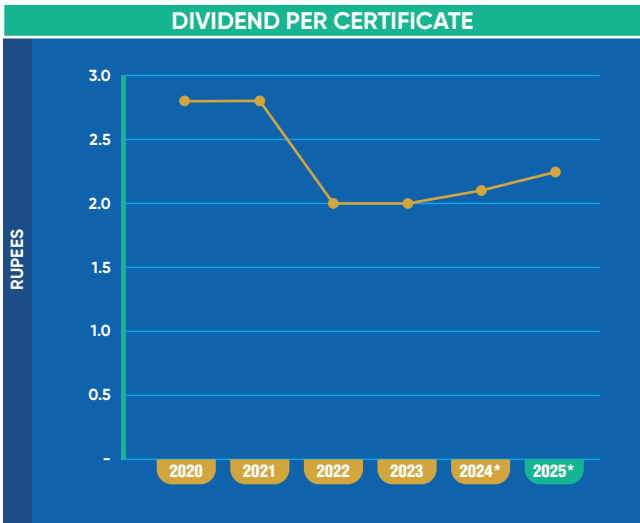
GRAPHICAL PRESENTATION OF FINANCIAL SUMMARY



■ Market Value Per Modaraba ■ Book Value Per Modaraba Certificate

* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- from the year 2024.

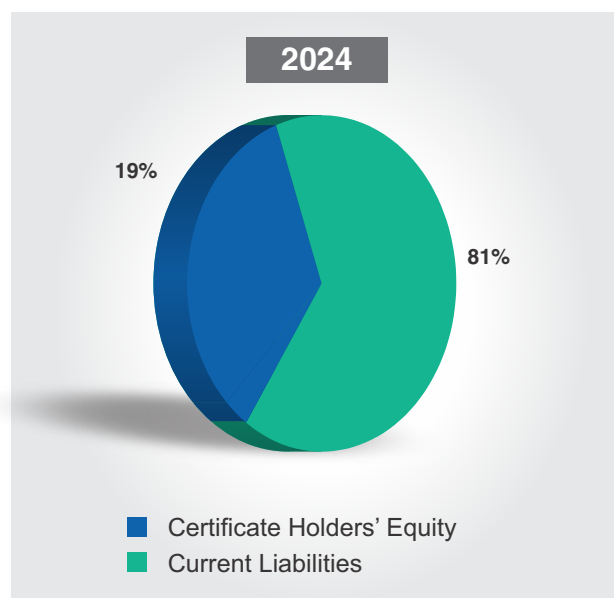
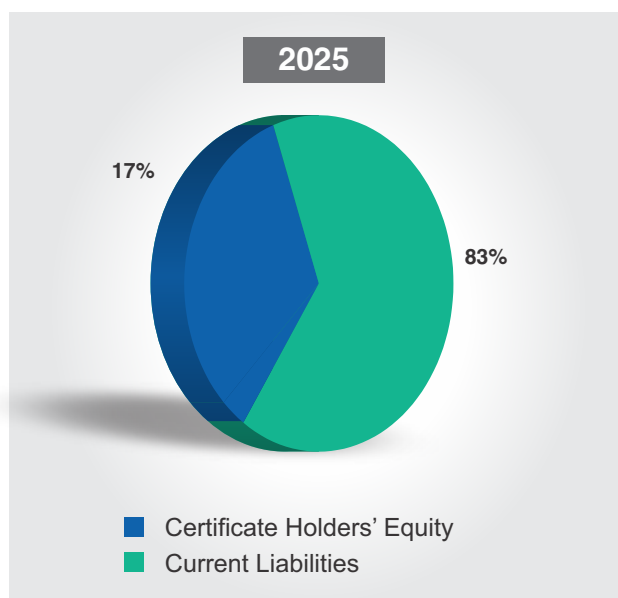
GRAPHICAL PRESENTATION



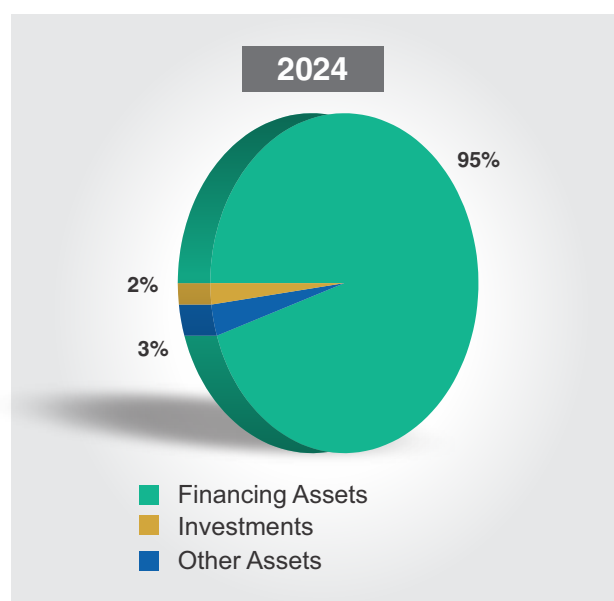
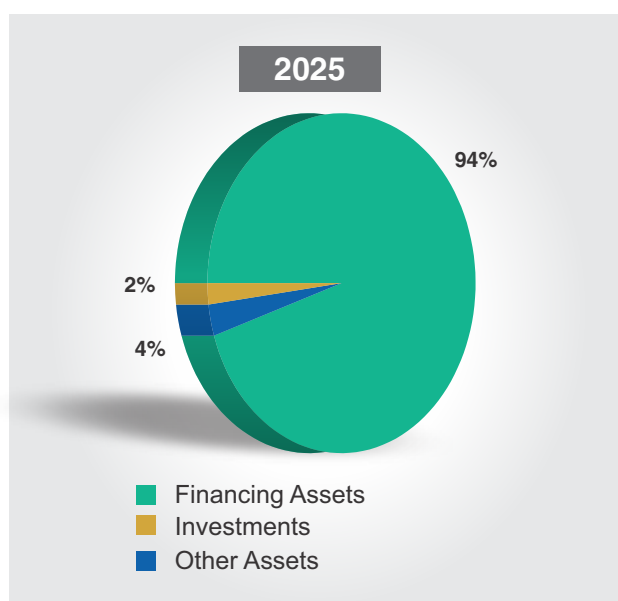
* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- from the year 2024.

STATEMENT OF FINANCIAL POSITION COMPOSITION

Equity & Liabilities



Assets



Explanation of Negative Change From Prior Year

[BCR 6.02 (b)]

Investment/Market Ratio:

The dividend payout ratio declined to 27.66% in 2025 from 33.72% in 2024, reflecting management's strategic focus on strengthening cash flows and retaining earnings to support reinvestment and future growth.

Capital Structure Ratio:

Debt to equity has increased to 5.05 times in 2025 from 4.20 times in 2024 due to increase in Certificate of Investment (Musharaka) and Running Musharaka from islamic banks

Information about defaults in payment of any debt

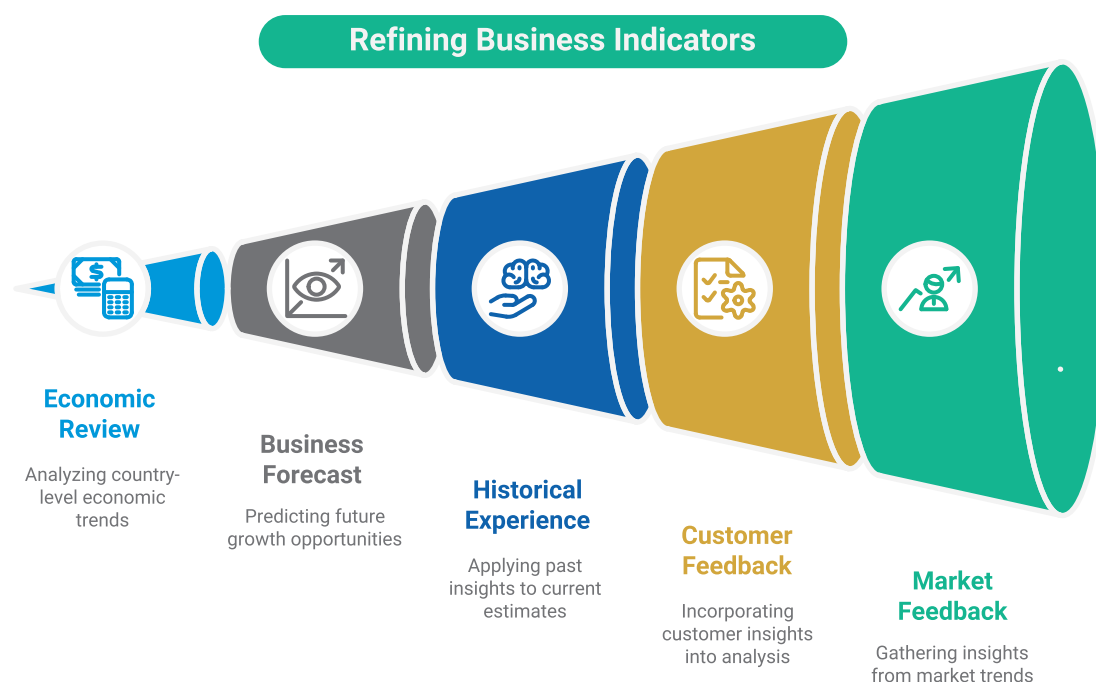
Not a single default of re-payment of debt. Alhamdulillah, all financials obligation of credit facilities from banks and Certificate of Investment (Musharaka) have been paid on time without the delay of single day.

Methods and assumptions used in compiling the indicators

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

- ◆ Economic review and business forecast at the country level.
- ◆ Consideration of expected future business growth and opportunities.
- ◆ Utilization of historical experience and various reasonable factors.
- ◆ Comprehensive research from different sources.
- ◆ Review of customers' financials.
- ◆ Incorporation of customer feedback.
- ◆ Gathering insights from market feedback.

The estimates and assumptions undergo continuous evaluation and any adjustments are reflected in the corresponding reporting period. While our statements are founded on sensible assumptions and expectations using current data, they should not be construed as an assurance of future outcomes.



STATEMENT OF CASH FLOWS – DIRECT METHOD

[BCR 6.04]

	2025	2024
	RUPEES	
CASH FLOW FROM OEPRATING ACTIVITIES		
Installments received against Diminishing Musharaka Financing	12,102,939,527	13,600,499,143
Net payments made against Diminishing Musharaka Financing	(14,635,533,832)	(14,806,940,924)
Working capital movement	(364,465,466)	(163,404,162)
Financial charges paid	(3,597,855,052)	(3,296,249,470)
Gratuity Paid	(4,887,549)	(2,542,314)
Tax paid	(395,363,442)	(391,137,337)
Net cash used in operating activities	(6,895,165,814)	(5,059,775,064)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	(27,016,159)	(51,305,777)
Purchase of intangible assets	(2,117,456)	(10,194,494)
Purchase of investments	(100,000,000)	-
Proceeds from sale of assets in own use	4,082,108	8,120,067
Proceeds from sale / maturity of investments	-	230,651,218
Dividends received	7,768,125	12,258,200
Net cash generated from investing activities	(117,283,382)	189,529,214
CASH FLOW FROM FINANCING ACTIVITIES		
Profit distribution paid	(229,983,752)	(220,004,911)
Payments of rent against right of use assets	(7,353,669)	(7,135,375)
Certificates of investment (musharaka)	4,584,569,839	2,480,141,688
Net cash generated from financing activities	4,347,232,418	2,253,001,402
Net decrease in cash and cash equivalents	(2,665,216,778)	(2,617,244,448)
Cash and cash equivalents at beginning of the year	(2,814,862,880)	(197,618,432)
Cash and cash equivalents at end of the year	(5,480,079,658)	(2,814,862,880)

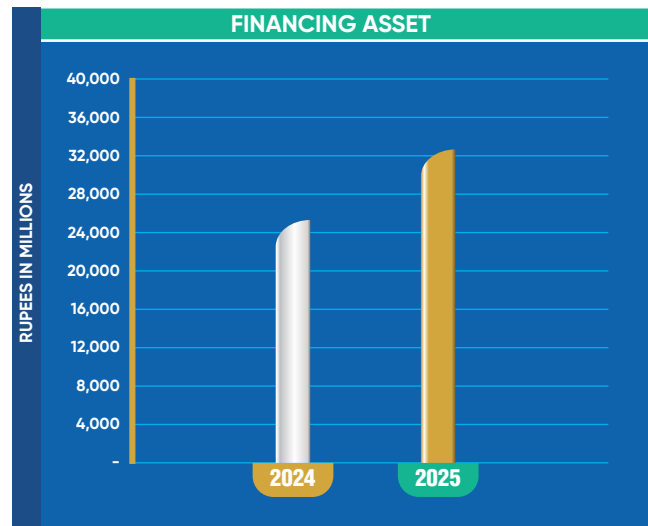
SEGMENT-WISE REVIEW

[BCR 6.05 (a)]

Diminishing Musharaka Financing

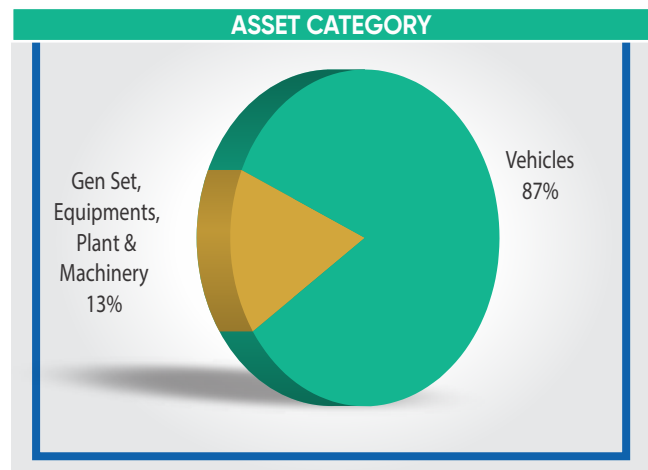
During the reporting period, Diminishing Musharaka Financing witnessed a notable increase reflecting strong demand and effective financing strategies across branches. The total portfolio grew from Rs.25,126 million to Rs.32,658 million representing an increase 30%.

All branches i.e Karachi , Lahore, Islamabad and Multan have made significant contribution in assets booking as compared to last year. The overall performance underscores the continued relevance of Diminishing Musharaka as a preferred Islamic financing mode and reflects positively on the operational efficiency of the branches network.



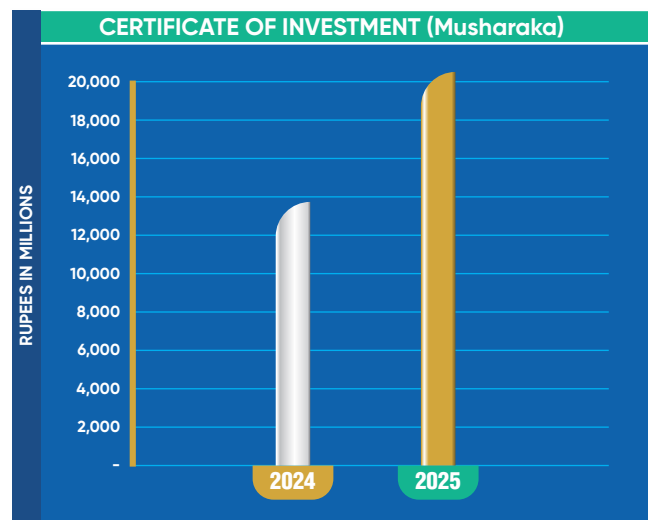
Assets category and sector

Major portion of financing remain within the assets category of motor vehicles i.e 87% of total financing and rest of financing was made within assets of machinery and equipment, The leading sectors of disbursement were targeted such as Pharmaceuticals, Services, Chemicals, Food & Allied and Textile.



Certificate of Investment (Musharaka)

As at June 2025, the liability side has shown a significant increase primarily driven by a rise in Certificate of Investment (Musharaka) from Rs.16.19 billion to Rs.20.78 billion representing a growth of 28% over the period. This increase reflects heightened investor confidence and affective resource mobilization efforts.



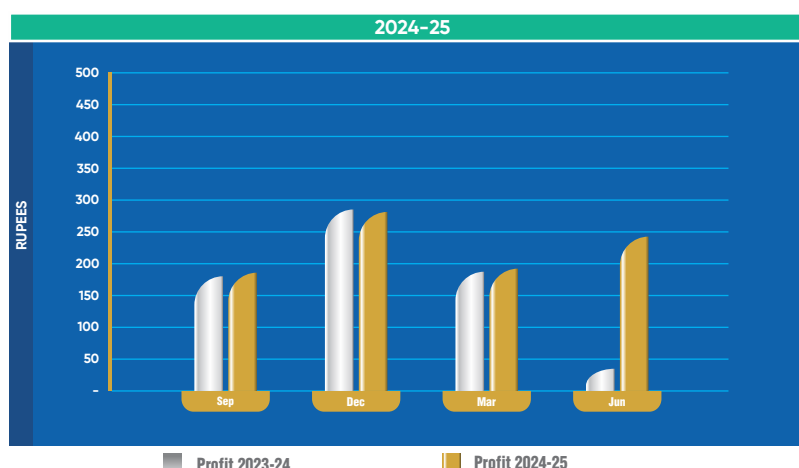
ANALYSIS OF VARIATION IN QUARTERLY RESULTS

[BCR 6.05 (b)]

	from April 2025 to June 2025	from April 2024 to June 2024	Variance	From Jan 2025 to Mar 2025	from Jan 2024 to Mar 2024	Variance
	-----Rupees-----			-----Rupees-----		
Income on diminishing musharaka financing	1,161,995,150	1,447,557,595	-20%	1,090,762,806	1,270,806,711	-14%
Administrative expenses	(101,146,259)	(85,060,837)	19%	(71,399,224)	(52,576,597)	36%
Other income	61,569,461	63,697,049	-3%	45,733,529	68,849,999	-34%
Financial charges	(743,325,260)	(986,858,773)	-25%	(732,713,572)	(901,144,371)	-19%
Profit after taxation	245,579,540	32,448,720	657%	187,389,668	183,980,902	2%

	from Oct 2024 to Dec 2024	from Oct 2023 to Dec 2023	Variance	From Jul 2024 to Sep 2024	from Jul 2023 to Sept 2023	Variance
	-----Rupees-----			-----Rupees-----		
Income on diminishing musharaka financing	1,292,415,531	1,277,918,063	1%	1,426,641,723	1,195,195,209	19%
Administrative expenses	(63,622,506)	(59,732,764)	7%	(62,081,360)	(62,878,164)	-1%
Other income	57,015,032	64,952,874	-12%	61,823,982	69,243,338	-11%
Financial charges	(833,599,030)	(813,252,631)	3%	(1,012,719,520)	(804,087,040)	26%
Profit after taxation	278,269,167	286,187,147	-3%	190,258,190	187,580,572	1%

Analysis of Variation in Results Reported in Quarterly Accounts



Dividend and Overdue Payments

- Dividend has been declared and approved by the Board is 22.5% i.e Rs.2.25 per certificate of Rs. 10/- each.
- No overdue or outstanding taxes, duties, levies etc. on account of FHM.

CEO Presentation Video on the FHM's Website [BCR 6.09]

CEO's message has been uploaded on the FHM's website explaining the business overview of FHM at this link : <https://habibmodaraba.com/ceo-annual-performance-review>

SHARE PRICE SENSITIVITY ANALYSIS

[BCR 6.06]

The share price of the Modaraba depends on the Modaraba's overall performance and reputation in the respective industry in which it exists, combined with other external factors on which management has lesser or no control. The Modaraba's share price is sensitive to the following uncontrollable external factors:

Stock Market

Modaraba's share price depends on overall market performance, investor confidence in the economy and particular sector and the overall fundamentals of the Modaraba. Positive sentiments, news-flows prevailing in the market may result in an appreciation of the share price of the Modaraba.

Government Policies

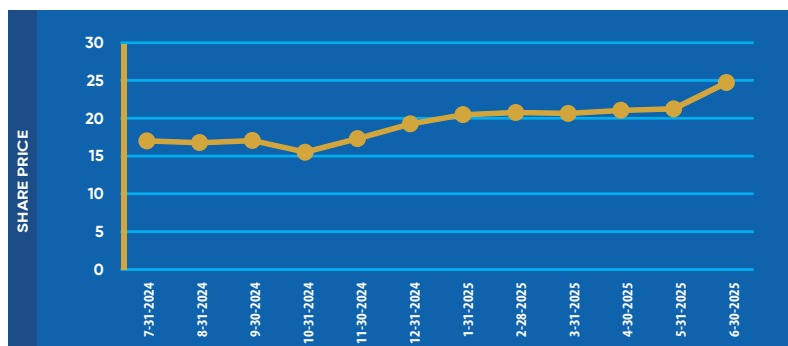
Modaraba is exposed to Government regulations, taxes schemes, policies, incentive schemes which directly affect the Modaraba's financial performance which in turn may affect the share price.

Political Instability

The stable political situation in the country improves the overall business performance, investor confidence and also encourages foreigners to deal with some of the prestigious companies in the country, which may have an impact on the Modaraba's share price.

Profit Rates

Modaraba follow Islamic principles and don't directly deal with interest, the general interest rate environment affects investor sentiments. If conventional banking rates rise, investors may shift away from Modarabas to interest-bearing securities, lowering demand for Modaraba's certificates.



GDP Growth

General economic growth is a crucial factor. Strong economic growth improves the profitability of sectors where Modarabas invest, leading to potential increases in share prices. Conversely, economic slowdowns could lower investor confidence, decreasing demand for Modaraba certificates.

Shariah Compliance

Modaraba must adhere to Islamic financial principles. Any event of non-compliance can lead to loss of investor confidence and a sudden drop in share prices. Additionally, changes in Shariah interpretations or rulings can affect how Modaraba structure their investments.

Announcement of dividends

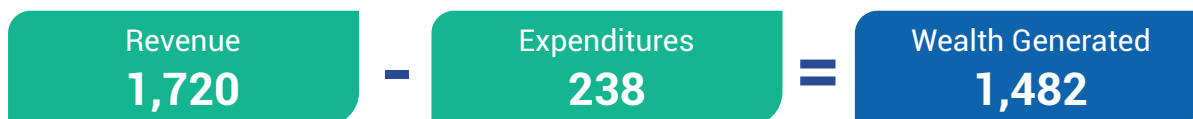
Expected distribution from earning could increase the share prices as expectation of realisation of profit on investment.

* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- from the year 2024.

VALUE ADDED STATEMENT

Rs. in Million

[BCR 6.07]



STATEMENT OF ECONOMIC VALUE ADDED

[BCR 6.08]



Value Added

Revenue from operations
Other income / charges
Value added by financial services

Operating expense including provisions

Value Allocated

To Employees
as Salaries, allowances & other benefits

To Modarib
as management fee

To certificate holders
as Profit on certificates (Dividend)

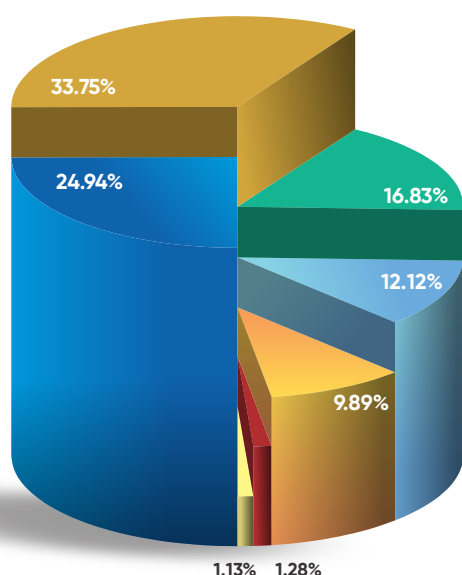
To Government
as Taxation
as Workers' Welfare Fund

To Society
as Donation

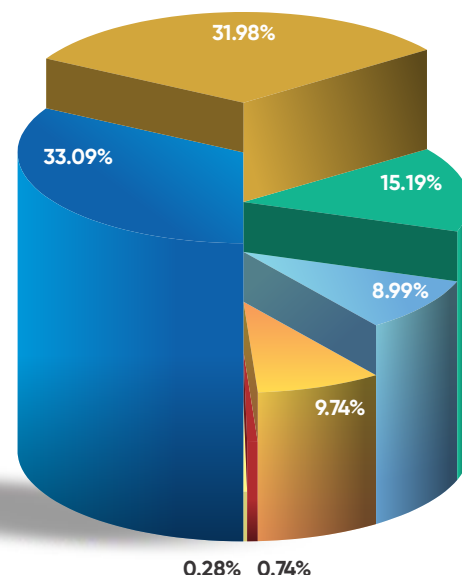
To expansion & growth
as Reserve and Retained earning

	2025		2024	
	Rupees	(%)	Rupees	(%)
Revenue from operations	1,493,889,618	87	1,523,655,461	85
Other income / charges	226,142,004	13	266,743,260	15
Value added by financial services	1,720,031,622		1,790,398,721	
Operating expense including provisions	238,498,830		257,976,556	
	1,481,532,792	100	1,532,422,165	100
To Employees as Salaries, allowances & other benefits	180,519,958	12.12	149,212,832	9.74
To Modarib as management fee	146,537,214	9.89	137,733,353	8.99
To certificate holders as Profit on certificates (Dividend)	249,368,625	16.83	232,744,050	15.19
To Government as Taxation	369,420,688	24.94	507,063,599	33.09
as Workers' Welfare Fund	18,896,331	1.28	11,399,489	0.74
To Society as Donation	16,789,976	1.13	4,268,842	0.28
To expansion & growth as Reserve and Retained earning	500,000,000	33.75	490,000,000	31.98
	1,481,532,792	100	1,532,422,165	100

Value Allocated 2025



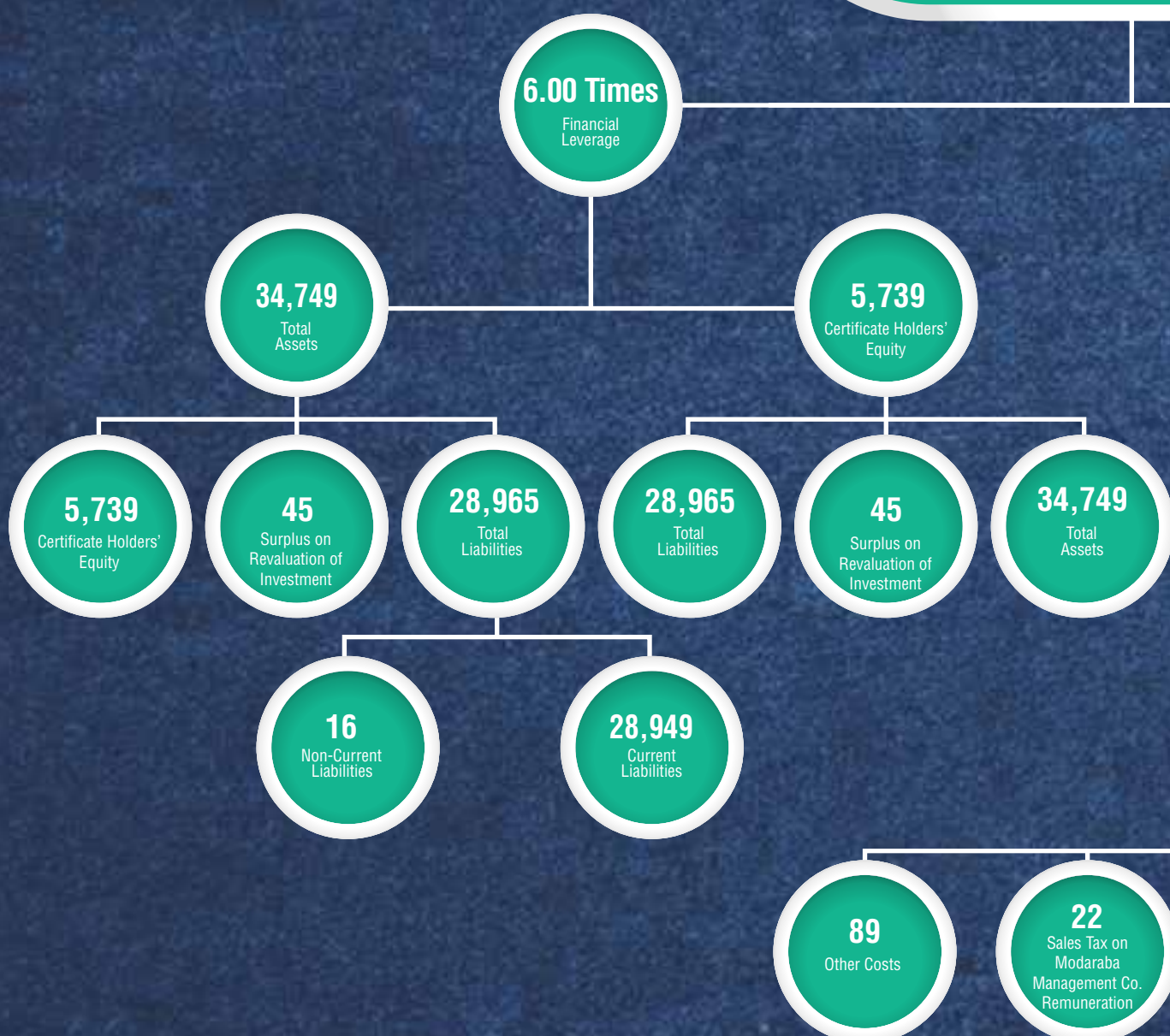
Value Allocated 2024



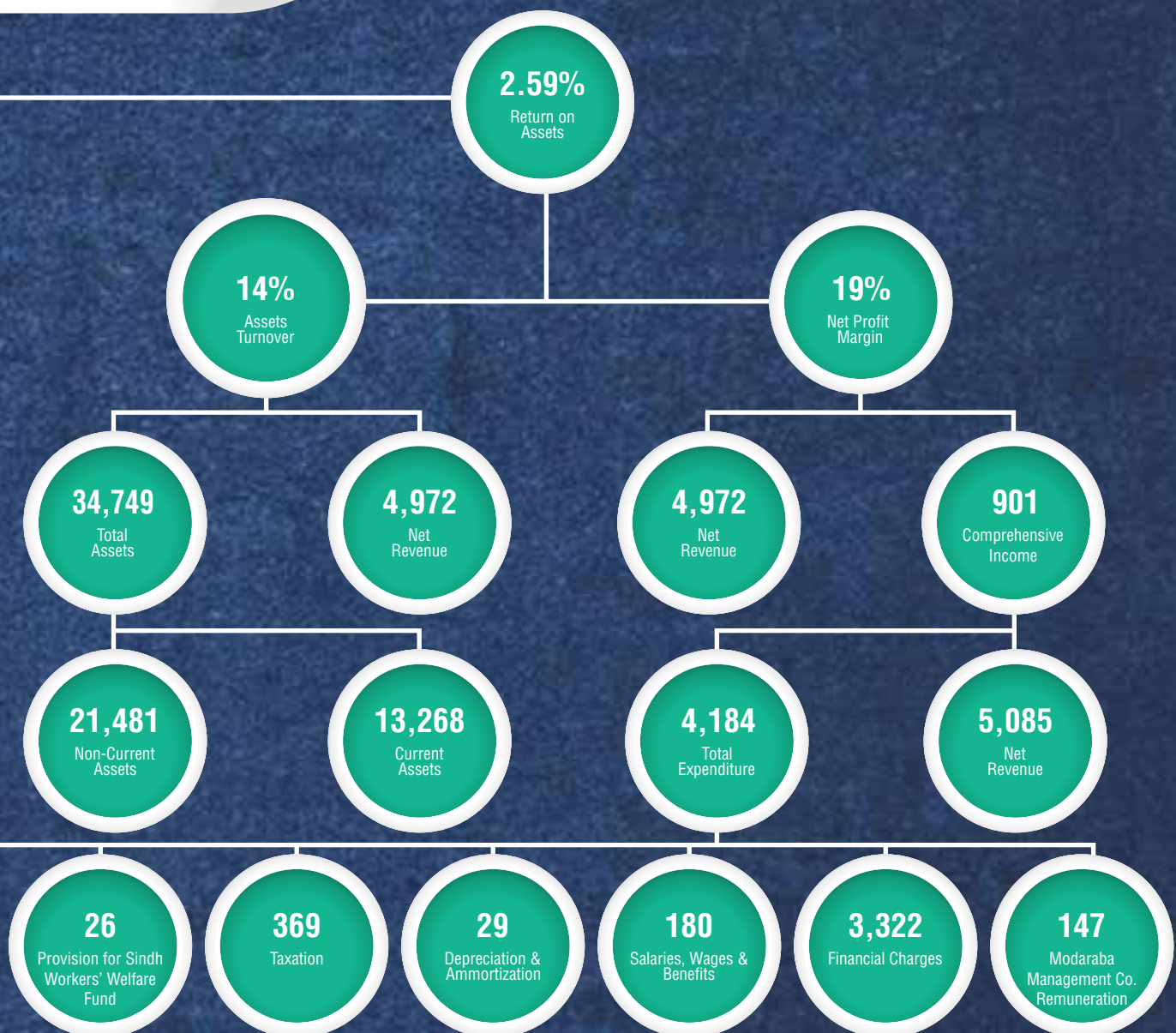
DuPont Analysis

Rupees in Million

16%



Return on Equity



Business Model



A Proven Success of Four Decades

FHM business model has been aligned over decades with financial stability, transparency, good governance and customers' satisfaction. Our diversified sectoral engagement portfolio and operational excellence have allowed us to adapt swiftly to market changes and maintain a strong competitive position.



BUSINESS

INPUTS



Financial Capital:

- ◆ Share Holders Equity: Rs.5.74 billion
- ◆ Certificate of Investment (Musharaka): Rs.20.78 billion
- ◆ Capital Adequacy Ratio: 20



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)
- ◆ Liaison offices (Faisalabad, Gujranwala and Hyderabad)
- ◆ Provide Shariah Compliant Financing Products



Social & Relationship Capital:

- ◆ Huge number of corporate and consumer clients
- ◆ Excellent relationship with all Stakeholders.
- ◆ Improved complaint handling mechanism
- ◆ Engagement in 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 credit through stringent Risk Management.
- Increasing Deposit Mobilization
 - Human Resource Capability Building through Trainings, Talent Management.

MODEL [BCR 7.01]

OUTPUTS

KEY ELEMENTS

- Established brand name across the country
- Professional and Committed Human Capital
- Subsidiary of one of 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.901 million
- ◆ Earning per certificate of Rs.10 each: 8.13
- ◆ Dividend per certificate: Rs.2.25
- ◆ Dividend Payout ratio: 27.66%
- ◆ Return on Equity (PAT): 15.71%
- ◆ Return on Assets: 2.59%



Human Capital:

- ◆ Enhanced Employee skill set
- ◆ Increased training hours
- ◆ Efficient talent acquisition process
- ◆ Employee safety, culture and well-being
- ◆ Team building events



Intellectual Capital:

- ◆ Best Presented Accounts and Disclosure Awards (SAFA)
- ◆ Long term rating AA+ for last 17 years
- ◆ Short term rating A1+ for last 17 years
- ◆ Winning Best Corporate Report Awards last 15 years
- ◆ Winning Corporate Excellence Awards last 15 years



Manufactured Capital:

- ◆ Continuous operational, Infra-structural development
- ◆ Technological development
- ◆ Integrated environmental social and governance into business



Social & Relationship Capital:

- ◆ Delivering market leading customer solutions
- ◆ Optimizing resource management
- ◆ Fulfilling compliance of regulatory requirements
- ◆ Increased CSR activities



There were no material changes in Business Model during the year [BCR 7.02]

Disclosures on IT Governance & Cyber Security



Innovation through Technological Advancement

During our operation journey, we have embraced innovation to improve efficiency, strengthen governance, and enhance digitization. Our commitment to robust IT governance and advanced cyber security safeguards ensures reliability, data integrity, and customer trust.

IT GOVERNANCE & CYBERSECURITY

Board Statement on IT Controls of Modaraba [BCR 2.08]

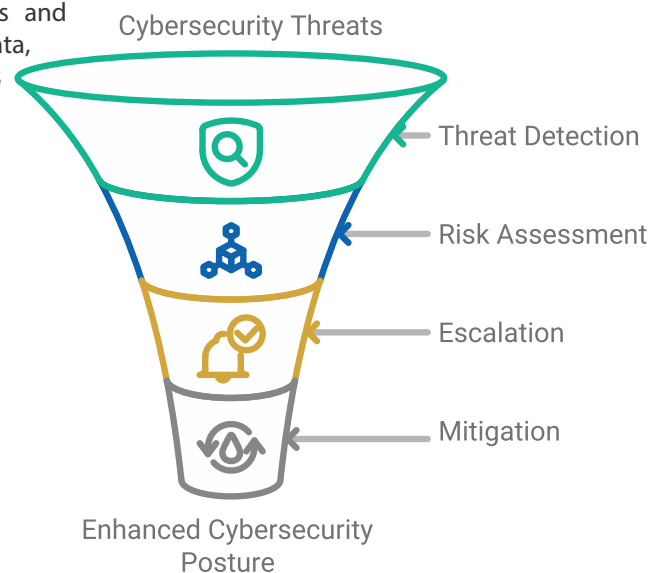
The Board affirms that the FHM has established internal controls mechanism, including IT controls, to ensure operational integrity and compliance. These controls are periodically reviewed and tested to address emerging risks and evolving regulatory requirements internally and externally both. The SSD supports secure data handling and access management. The Board remains committed to strengthening these controls to safeguard assets and uphold stakeholder trust.

Board Statement on Assessing and Enforcing the Legal and Regulatory Impact of Cyber Risk. [BCR 8.01]

The vigilant information security team leads the change in formulating and executing of effective risk management strategies, guaranteeing resilience while bolstering the capacity to ensure resilience widespread disruptions, cybersecurity threats, and potential compromises to critical assets.

Cybersecurity Programs, Procedures and Strategy [BCR 8.02]

The System Support department and Information Security teams actively collaborate to fortify the organization's cybersecurity defenses and safeguard valuable information assets, as well as customer data, against the threats unleashed by unauthorized or malicious agents. Over time, FHM has invested significantly in maintaining a deterrence posture, implementing meticulous defense strategies developed in consultation with cybersecurity experts. Furthermore, to ensure seamless service delivery, the SSD prioritizes business requirements, customer satisfaction, optimal performance, and resilient security aligned with industry best practices. All ITG services delivered to business units are governed by rigorous service standards, ensuring consistency, reliability, and excellence, while the IT Helpdesk, equipped with a dedicated technical support team, swiftly addresses service issues with efficiency and adherence to appropriate policies and procedures.



Board's Cyber Risk Oversight [BCR 8.03]

Cybersecurity forms a key pillar of the Board's overall risk oversight function.

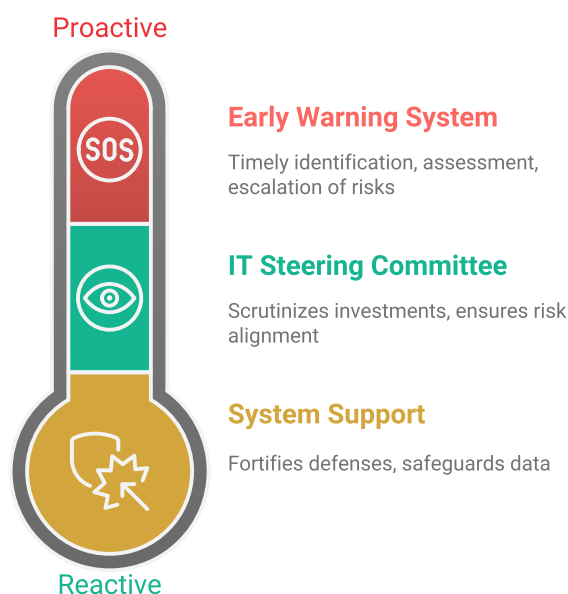
The Board discharges this responsibility through the IT Steering Committee (ITSC), The IT Steering Committee (ITSC) responsible for scrutinizing, assessing, prioritizing, and endorsing significant technology investment plans and strategies. Their diligent efforts include assessing value for money and analyzing return on investment (ROI) considerations. Moreover, the ITSC diligently ensures that the information security domain within the Modaraba is subjected to vigilant risk oversight, guaranteeing that the organization's information security stance aligns harmoniously with its risk appetite.

Board Committees Oversights IT Governance and Cyber Risk Matters

The ITSC under the Board approved major IT and digital investments aligned with business objectives. The ITSC is responsible for ensuring that cybersecurity and IT risks are continuously monitored and appropriately managed in line with the Modaraba's risk appetite.. ITSC also emphasizes timely addressing all information and cybersecurity issues as well as proactively mitigating associated risks.

Early Warning System [BCR 8.04]

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 established to mitigate factors that could impact business objectives, performance, and sustainability. FHM has established a cybersecurity early warning system that enables the timely identification, assessment, and escalation of cyber risks and incidents. This system integrates automated threat detection tools, vulnerability scanning, and continuous monitoring of critical systems to proactively identify emerging threats and anomalies.

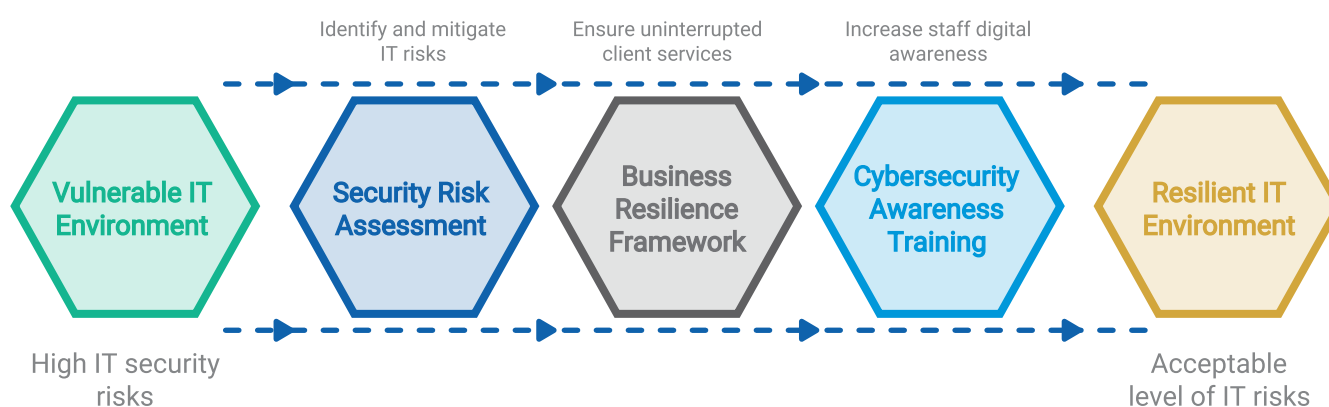


Policy on Independent Security Risk Assessment [BCR 8.05]

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 recommends and identifies relevant information security controls. In addition, FHM has an established policy to conduct independent, comprehensive security assessments of its technology environment, which includes the evaluation of third-party risks. These assessments are carried out by external cybersecurity firms to ensure objectivity and alignment with regulatory standards and industry best practices., perform security monitoring, information assets, investigate Information security incidents and Information security awareness campaigns were also conducted in October and December 2023, that significantly enhancing staff awareness of IT security awareness.

Resilient Contingency and Disaster Recovery on Cyber Breach [BCR 8.06]

FHM has established a formidable framework for business resilience, ensuring uninterrupted access to client services even amidst crises or disruptive incidents. Supported by the diligent business resilience team, FHM prioritizes the resilience of business operations by undertaking proactive planning, maintenance, service provision, and rigorous testing across personnel, infrastructure, systems, and third-party Business Continuity Management (BCM). By fostering a culture of cyber resilience, FHM consistently endeavors to enhance its ability to withstand and recover from cyber threats.



Advancement In Digital Transformation to Improve Transparency, Reporting and Governance [BCR 8.07]

Artificial Intelligence

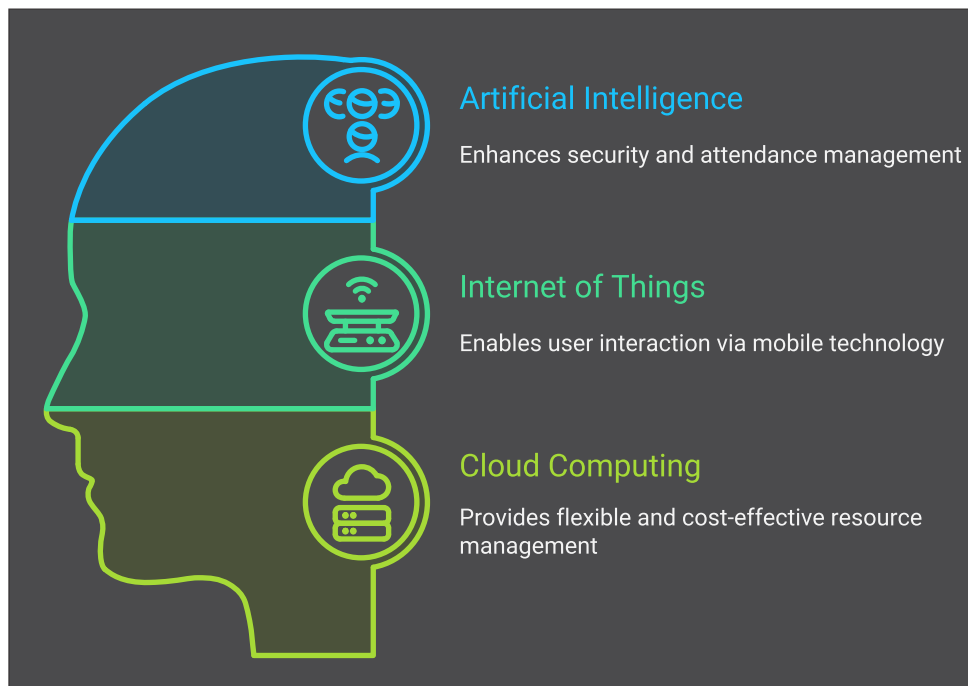
With the help of Artificial Intelligence, FHM has created a facial recognition system that used for security, authentication and identification. It is an AI-powered attendance management software solution used for attendance management and control access management.

Internet of Things

Using the concept of the Internet of Things (IoT) and the cloud FHM develop a solution system uses Utilizing existing mobile phone technology, we are developing an application that enables users to interact via WhatsApp.

Cloud Computing

Deploying a private cloud on FHM allows us to leverage resources on-demand. This means that workloads can be deployed on different physical servers as service requirements change. This flexibility not only ensures application performance and quick report process, but also reduces costs.



Education and Training Efforts to Reduce Cybersecurity Risks [BCR 8.08]

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.





FHM's IT governance framework is shaped by regulatory requirements, aiming to enhance overall governance in the technology sector through guidance from regulatory authorities, IT management and the IT Steering Committee. IT governance, in addition to calculating and monitoring risks, bridges the gap between business and IT strategies and aligns technology initiatives to the benefit of Modaraba.

Over time, Information Technology (IT) has undergone significant evolution, fundamentally transforming the way businesses operate. It has not only simplified but also enhanced the efficiency of conducting business activities. IT has paved the way for a multitude of new advancements, which are utilized both within organizations and for personal purposes. In this context, the governance of IT within enterprises has emerged as a crucial cornerstone, addressing the challenges posed by these rapid technological changes. Enterprise governance of IT is an integral part FHM governance and address the implementation the process ,structural and relational mechanism in organization that enable both business and IT resource to execute their responsibility with business alignment and creation of value. It makes sure that all stakeholders' interests are taken into account and that processes provide measurable results. System support department increasing expectation that they will be utilized electronic processes for not only more efficient governance but also improving management of information and services.

This Policy makes the administration for the Information Technology Division for the FHM under its supervision of IT Steering Committee, and Board of Directors. This

policy describes and creates a framework that will clear the guide on which IT Division will offer types of services to FHM's business operations and to guarantee that the FHM's business functions are driven based on Technology Solutions.

First Habib Modaraba executed standard SOP to reap the highest advantages from information technology with the lowest risk and at the least costs. These SOP incorporates a scope of procedures and practices that cover the FHM's different departments. Information technology governance and related procedures are planned with the support of the executive management, and department staff. The FHM pursues the procedure of information technology management and maintaining operations as well as executing needed policies to achieve FHM's strategic objectives.

FHM's IT governance covers following functional areas.

Compliance area

Ensuring investment in licensed applications adheres to relevant laws and regulations.

Financial reporting area

Integrating various systems used by different departments to streamline financial reporting.

IT Security area

The System Support Department and Information Security teams are fully committed to enhance the organization's cyber resilience and safeguarding its valuable information assets and customer data against threats from unauthorized or malicious actors. Over the years, FHM has devoted substantial time and effort to maintaining a strong deterrent posture by implementing comprehensive defense measures, in close collaboration with cybersecurity experts

Judicious Capital Expenditure

All major IT-related procurement is reviewed and approved by a relevant IT committee.

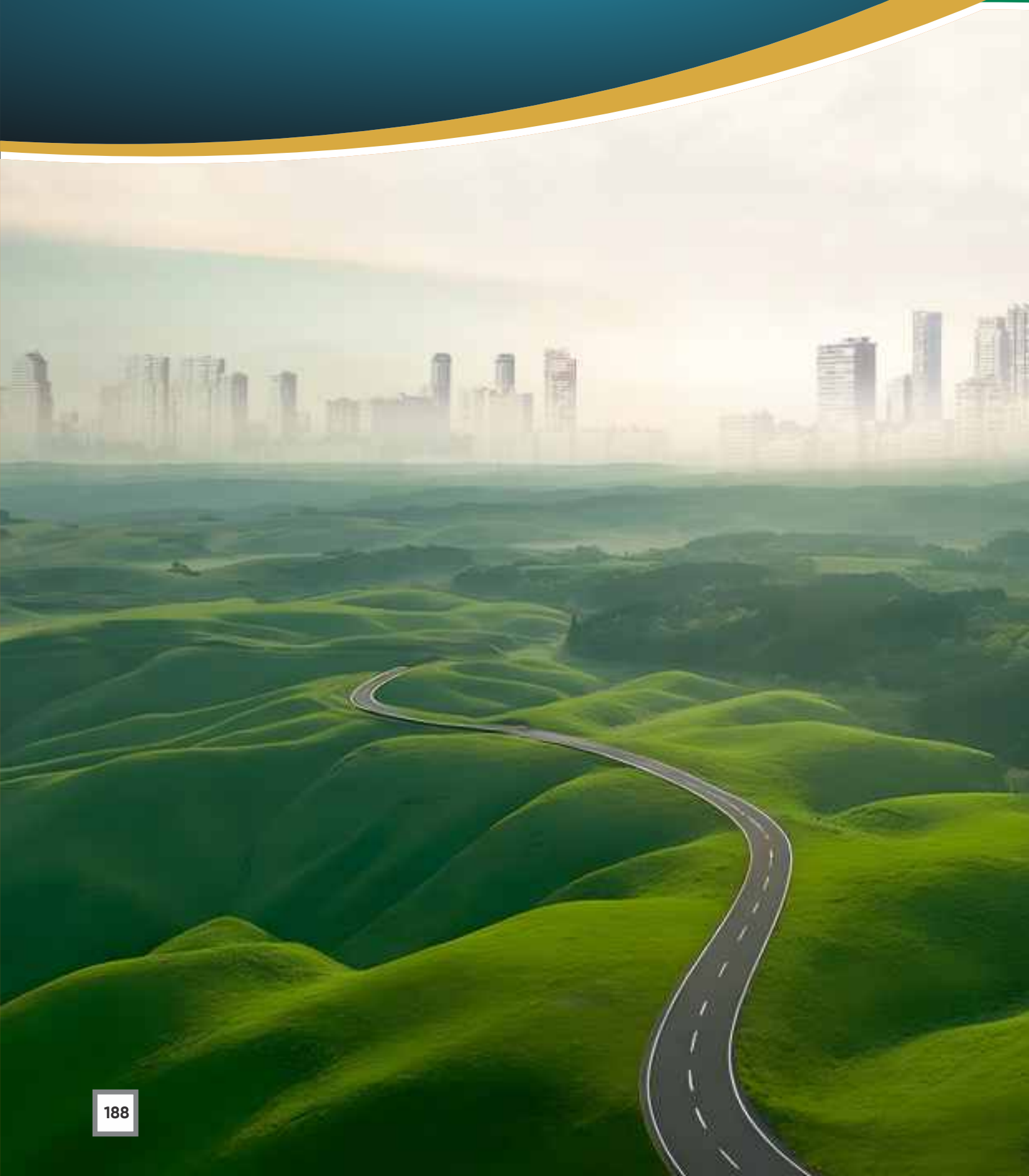
IT Risk Management functions.

The IT-related Risk Management processes are regularly reviewed and strengthened to ensure effective mitigation of risks and security threats.

Data Governance

Governance involves the systematic and formal management of all services and processes necessary for effective information management.

Future Outlook



Building on 40 Years of Achievement

Celebrating our 40-year milestone, we remain focused on future growth through service enhancement, digital transformation, and market penetration. Our forward-looking strategies aim to strengthen our legacy and enhance our role in Pakistan's financial landscape.

FORWARD LOOKING STATEMENT [BCR 9.01]

Future outlook of the economy and businesses of FHM have been discussed in details in Directors' Report. Forward looking statement including expectations about known trends and uncertainties that may affect the resources, revenues and operations in the short, medium, and long term. Since there are uncertainties related to the unexpected changes in economic or any other front, these should be read in conjunction with contingencies and force majeure segments.

Economic outlook of Pakistan

Pakistan's economy has achieved macroeconomic stability in outgoing fiscal year, recovering from the challenges emerged in previous year, restoring economic confidence and have shown favorable economic outlook. The GDP growth achieved at 2.68% as compared to last year of 2.50%. The economy has emerged from the turbulence of FY2023-24, driven by easing inflation, satisfactory external balance, fiscal discipline including improved macroeconomic indicators along with fiscal consolidation have contributed to renewed economic confidence and positive business sentiments.

Future outlook of FHM

The performance of the Modaraba will largely depending on macroeconomic factors. Country is aiming to achieve fiscal stabilization to regain macroeconomic stability while complying with the IMF conditions.

Going forward we expect economic activities will remain in positive zone subject to domestic political stability and peace in other critical jurisdictions including global tariff uncertainties. Presently, Pakistan's economy is passing through with several other challenges, including high debt levels, fiscal deficits, low exports growth and narrow tax base. In order to achieve sustainable economic growth, country need to focus on structural reforms, improving the ease of doing business and fostering an environment conducive to local and foreign investments. By addressing these key issues, Pakistan can move towards a more stable and prosperous economic future.

FHM is committed for sustainable growth by strengthening its market position and enhancing its value proposition. As our core objective, we keep on focusing expanding our market share, induction of

sound customer base through new markets and cities. Furthermore, enhancing level of customer services will be our key priority. The same will be drive through with continued process of improvements, digitization, and technological advancement.

Key business growth forecast

- ◆ We keep on focusing expanding our market share, induction of sound customer base through new markets and cities.
- ◆ Enhance level of customer services with continued process of improvements, digitization, and technological advancement.
- ◆ Further strengthening effective risk management process across all levels of operations including Shariah governance.
- ◆ Further enhance customer relationship management and state of art services.
- ◆ Enhance credit processing tools.
- ◆ Emphasis will be made to encourage our ESG approach for environmental protection.
- ◆ Increase in community support & social welfare activities.

Business uncertainties and economic challenges in 2025-26

Pakistan's economic landscape has been going through with significant transformations in recent years with both challenges and opportunities. Reduction in SBP policy rates encourage borrowing and investment, potentially boosting industries and capital investment. However, economic experts caution that the effectiveness of this policy depends on complementary measures such as better fiscal discipline, enhancement of tax base, stable governance and prudent management of current account and including trade balance with effective policies to boost exports.

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.
- ◆ Pressure on Foreign Exchange
- ◆ Any upward change in international tariff
- ◆ Adverse move on economic front
- ◆ High Inflation
- ◆ Climate Change impact
- ◆ Disruption in imported raw materials
- ◆ Any other force majeure.

Forward Looking Statement made in 2024	Performance made in 2024-25
• Grow our market share by adding new sector, cities and sound customers • Explore possibilities for generation of low cost funds in order to support our financing book. • Concentrate on small and medium size customer for horizontal growth. • Promote green financing particularly solar equipment • Careful watch impact of climate change on environment and customer businesses.	• Size of balance sheet reached to Rs.34.7 billion which the highest since inception of FHM. The Modaraba's market share has expanded substantially, positioning it among the leading players in the sector. • Our deposit under Certificate of Investment (Musharaka) scheme also reached to Rs. 21 billion as on 30th June, 2025. During the year several corporate and other entities were added with better cost of funds as compared to banking sector. • During the year several small and medium size entities have been included in financing portfolio. • Our business development team marketed solar equipment products and added few good customers in financing portfolio. • Our risk management and business strategy team remained focus on impact of climate change and successfully align their strategies to minimize the impact.

[BCR 9.02]

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

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

We already had targeted new cities which includes Gujranwala, Gujrat, Bahawalpur and Sukkur. Two cities i.e., Gujranwala and Bahawalpur have been actively engaged and new customers have been added. The remaining cities are still being worked on.

b) To enhance and diversify liability book

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

(BCR 9.03)

MODARABA'S FUTURE PLANS FOR AI ADOPTION AND ITS IMPACT [BCR 9.03]

The FHM is actively exploring AI technologies to enhance operational efficiency, customer experience, and decision-making. Future plans include integrating AI in data analytics, and automation of routine processes. This strategic shift aims to position the Modaraba for long-term scalability and innovation-led growth. AI adoption is expected to unlock new business opportunities and strengthen competitive advantage.

The landscape financial services industry is rapidly evolving and we are committed to support businesses

and individuals in adapting to an evolving economic trend while playing an active role in strengthening financial market. AI, data analytics, and automation are transforming financial services, enhancing customer experiences, bring accuracy and improving operational efficiency. Our focus on digital transformation will remain a key objective of our growth strategy, ensuring that we provide best services to our worthy customer through technological advancement and innovation.



SOURCES OF INFORMATION AND ASSUMPTIONS

[BCR 9.05]

Following sources of information are used by the management for the preparation of projections/forecasts:

- ◆ Pakistan Economic Review
- ◆ Central bank's various reports and monetary policy statement
- ◆ Country's internal and external factors
- ◆ Global economic outlook and way forward
- ◆ Research from different counters
- ◆ 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 political instability and its impact on business and economy.

MODARABA'S FUTURE RESEARCH & DEVELOPMENT INITIATIVES [BCR 9.04]

FHM is dedicated to sustainable growth and innovation, and we are of the opinion that ongoing research and development are essential for achieving future success. Our objectives are to generate value for our stakeholders and investors by adhering to the principles of Islamic finance.

Areas of Strategic Concentration

Product Innovation:

Our objective is to create Shariah-compliant financial products that are tailored to the changing requirements of our clients and investors. This encompasses the development of innovative financing models and risk management tools that are consistent with Islamic financial principles.

Technology Integration:

To improve the transparency, efficiency, and scalability of our Modaraba operations, we will allocate resources to advanced financial technologies, including artificial intelligence and machine learning. We are currently concentrating on the enhancement of our interconnectivity infrastructure to enhance communication by incorporating more improved and secure features.

Data Protection Technologies

Additionally, we are implementing state-of-the-art data protection technologies to guarantee the highest level of information security. Furthermore, we are conducting an assessment of the most effective business intelligence solutions to enhance the visualization of staff data and to improve the prediction of future trends.

Sustainability and Social Impact:

Our R&D strategy is fundamentally rooted in the development of initiatives that promote environmental sustainability and social welfare. We are committed to focusing on projects that promote inclusive growth and are consistent with the principles of Maqasid al-Shariah, which are the objectives of Islamic law.



Stakeholder Relationship & Engagement



A Growing Partnership of Four Decades

The success of FHM over four decades is built on strong, enduring affiliation with our stakeholders. 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 Investors and stakeholders across the country.

STAKEHOLDERS RELATIONSHIP & ENGAGEMENT

[BCR 10.01, 10.02]

What is a Stakeholder?

Stakeholders are specific groups of people, each with different desires and needs from the organization. A stakeholder is anyone who has a stake in your organization, either through interest, influence or both. Stakeholders can range from shareholders, to staff, Board members, volunteers, funders, government, customers and beyond.

Stakeholder engagement has always been a crucial to an organization's performance. Stakeholder is an integral to the organization's business can be described as an effort to understand and involve them in business activities and decision-making processes. Stakeholders are defined here as any group or individual who can affect or can be affected by an organization or its activities.

Stakeholder Engagement is emerging as a means of describing a broader, more inclusive and continuous process between a modaraba and those potentially impacted that encompasses a range of activities and approaches. The overall purpose of stakeholder engagement is to drive strategic direction and operational excellence for organizations and to contribute to the kind of sustainable development from which organizations, their stakeholders and wider society can benefit.



We always give importance to work with our stakeholders at all levels of the business in order to maintain our sustainable development and performance. The integration of stakeholders into our sustainability risk assessment and management processes helps us identify and priorities stakeholders' concerns.

In our business we have some key stakeholders what we try to do to meet or exceed their expectations of as responsible corporate venture. We wish to engage with individuals and groups who can help us continue to improve in these areas.

Some of our engagement with stakeholders is listed below.

Certificate Holders

Every year FHM has annual review meeting, where we invite our all-certificate holders, interact with them, and take their suggestions for improvement of businesses. FHM updates their Certificate holders and investors through Annual Report, Quarterly Financial announcements, investor's road shows and conferences. FHM continuously upgrades their

technological supports for better and timely information to its certificate holders and investors and keep them informed through various resources and dialogue.

Management's steps to encourage Minority Certificate Holders to attend ARM.

Management has always made sure that basic right of Modaraba Certificate Holders is well protected. The minority Certificate Holders always encourages to attend annual review meeting and Modaraba extend its full courtesies and facilitations.

Customers

We always respect customer needs and design our financial products according to their business needs without compromising principles of Islamic Finance. Being Islamic Financial Institution, it is built-in feature in corporate objective of FHM for fairness of transaction and no exploitation or deceives customer's rights. FHM monitors the fair terms of pricing and accessibility in its products and services offerings. It protects its customers' privacy and security of their personal information.

Employees

FHM has excellent blend of professional personnel who are well committed and dedicated to their respective jobs. Our Human Resource department always encourages making such policies for employees which promote culture of reward on merit basis and foster for team work. We believe to manage them by leading rather than by driving. We hire the best people for the job and strive to retain, motivate, empower and reward them for their contribution. We are committed to provide an ideal professional environment to enable our employees to pursue the highest possible level of performance.

Government / Regulators

FHM always gives utmost importance for compliance of applicable Rules and Regulations of Regulators. Also comply with legislative framework of Government regarding submission of return and of taxes and duties etc. FHM also communicates with Government authorities and regulators regarding commercial, policy, regulatory and other relevant matters.

Suppliers

FHM prefers to work with local suppliers in order to support national economy and also save hard earned foreign exchange of the country. Approximately 70% of assets purchased for lease financing are from local suppliers. FHM regularly engage and communicate with suppliers during and after contract. We promote an ethical supplier management relationship in our policy guidelines.

Communities

Economic sufficiency, optimal health, and happy relationships are some of the important needs that contribute to our quality of life. FHM supports various trusts and societies who engaged in to provide health facilities and educations to needy communities of societies. Certain portion of profits of FHM has earmarked every year to contribute funds to these trusts and societies.

Steps To Encourage Minority Certificate Holders To Attend The Annual Review Meeting [BCR 10.3]

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 [BCR 10.5]

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' relation section on corporate website [BCR 10.4]

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 [BCR 10.6 (a,b)]

As mandated by the Pakistan Stock Exchange, the Modaraba conducted its annual 'Corporate Briefing Session' on 10 October, 2024. The session was conducted by the Modaraba's Chief Executive Officer and the Chief Financial Officer and was attended by certificate holders and analysts. The Management presented an analysis of the Modaraba's performance, plans and challenges along with business outlook.

Redressal of investor complaints [BCR 10.7]

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.

Business Strategy briefings to Certificate Holders:

Business Strategy for the year 2024-25 given in ARM	Achievement during 2024-25
Exploring new corporate clients and strengthen relationships with existing one	The quality portfolio of client achieved through engagement of more high rated and sound companies
Use Bank's branches network to add quality customer & enhance market outreach	Penetrate the FHM Products in diversified market.
Further develop and improve the staff capacity through trainings, seminars etc.	Effective training methods have been introduced for professional grooming of the staff members
Enhanced profitability and good appropriate dividend distribution accordingly in upcoming years, keeping in view the growth & sustainability requirements.	Modaraba has increased pre-tax profit by 5% and after tax by 31%. Furthermore, entity has declared 22.5% cash dividend for the year ended June 30, 2025.
Improve internal control environment and strict adherence to legal and regulatory requirements	With the support of technological advancement, several effective measures have been taken for improvement of internal control and regulatory compliances.

Disclosure of Market Share of the Modaraba and its Products and Services

For the past 40 years, FHM has been fulfilling financing needs of worthy customers through Shariah-compliant modes of financing. Alhamdulillah, over four decades, FHM has consistently demonstrated resilience, achieving steady growth and outperforming its competitors in providing Islamic financing solutions within the Modaraba sector. Today, FHM proudly enjoys significant market share in the financing segment within Modaraba sector.

Striving for Excellence in Corporate Reporting



A Leading Position within Modaraba Sector

FHM hold a leading position in the Modaraba sector of Pakistan. Over the years FHM has continued to lead by example in forging strategic alliances to leverage expertise to innovate and transform for the purpose of expanding its reach and accessing new avenues for growth.

Today, we are serving various segment of country and providing Shariah compliant financing and investment products solution at their entire satisfaction.

Board's Statement On Responsibility for Preparation & Reporting of Financial Statements

[BCR 11.01]

Management is fully aware of its responsibility towards preparation and presentation of financial statements. The Directors of the Modaraba confirm that:

The financial statements have been prepared which fairly represent the state of affairs of the Modaraba, the result of its operations, cash flows and changes in equity.

Proper books of accounts of the Modaraba have been maintained.

Appropriate accounting policies have been applied in preparation of financial statements in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan.

International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any deviation therefrom have been adequately disclosed and explained.

Internal control system of the Modaraba is effectively implemented and monitored regularly.

There are no significant doubts upon the Modaraba's ability to continue as a going concern.

There is no material departure from the best practices of Corporate Governance as per regulations.

Adoption of Integrated Reporting (IR) Framework

The Modaraba has adopted the Integrated Reporting Framework by fully applying the 'Fundamental Concepts', Content Elements and Guiding Principles in the IR Framework. FHM always strives for excellence to meet the Reporting Framework. We have adopted the Integrated Reporting Framework to provide the insight about the resources and relationships used and affected by our organization.

OUR CORPORATE APPROACH

Best Compliance Culture

Keeping in view of present changes in regulatory and compliances landscape, FHM further strengthen compliance culture in line with current requirements particularly on AML/CFT.

Fostering a Culture of Excellence:

We aim to build an environment in which our team constantly strives to deliver out of their best capabilities and capacities and it endeavors to achieve this through attracting and retaining the best talent.

Corporate Governance

Our goal is to respond to a rapidly changing business environment in a timely manner through best business practices by reinforcing our ethical standards and good governance.

Profit Sharing

The partnership of FHM has spread on around 4 decades of successful business operation and now has grown manifold. Enriching every relationship and creating huge benefits through sharing profits every year in the shape of dividends to our Certificate Holders.

Performance

Our sound balance sheet and the market position of our businesses have placed us well to deliver sustainable growth. We always stand by with our pledge, fulfilled our commitment and give satisfactory financial result with better return to our Certificate Holders every year.

Shariah Governance

The management of FHM is fully committed for Shariah governance and Shariah compliance culture. Strong and effective Shariah governance within the Modaraba are prime objectives of the management of Modaraba.

Technological Advancement

We firmly believe that without the support of technology the innovation and growth in business cannot be achieved. The management is fully conscious with the significance of technological advancement and pays their full attention on this segment.

Risk Management

FHM's risk management capabilities are circled around a strong management structure, sound information system, an effective risk-rating system and robust policies. The primary objective of risk management is to maintain the Modaraba's financial strength and ensure efficient capital deployment to support business growth.

Sustainability

We constantly strive to make institution more sustainable and equitable for the coming generations. It is our belief that sustainable development strengthens brand image, drives business growth and ensures long-term and sustainable success.

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, MS Islamic 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 Standard Certification Services (Formerly Shariah Consultancy for trade and finance) under supervision of Dar-UI-Ifta Jamiat-ur-Rasheed from 2009 till now.





SHARIAH REVIEW REPORT

For the year ended June 30, 2025

Assalam o Alaikum wa Rahmatullah,

In accordance with the requirements set out under the applicable Shariah governance framework, I, Shariah Advisor of First Habib Modaraba, present the annual Shariah Review Report for the year ended June 30, 2025.

Scope of Review

We have reviewed the transactions, supporting documentation, procedures, and operational processes undertaken by the institution during the reporting period. This review was conducted on a sample basis with the assistance of the internal Shariah Compliance team and an external Shariah review team.

The objective of the review was to assess the level of adherence to Shariah principles and rules, as per the guidelines and standards endorsed by the Shariah Supervisory Board and relevant recognized Shariah standards.

Shariah Compliance Opinion

Based on our review, we are of the opinion that:

- a) The transactions, underlying contracts, and the relevant documentation executed during the period are generally in accordance with Shariah principles and rules.
- b) The overall operations and business activities have been conducted in compliance with the guidelines issued by us from time to time, and consistent with recognized Shariah principles.
- c) Any earnings realized from non-compliant sources, to the extent identified and applicable, have been appropriately accounted for and transferred to the charity account in accordance with Shariah requirements.
- d) Where deviations were observed, corrective measures have been advised and are being implemented.

Shariah Training and Awareness

During the reporting period, the Shariah Compliance Department conducted six (6) training sessions aimed at enhancing the understanding and application of Shariah principles across various departments of the institution.

The trainings were attended by staff from relevant business, operations, and control functions. The initiative reflects the institution's continued commitment to strengthening internal capacity and promoting a culture of Shariah compliance.

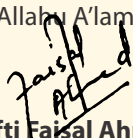
Recommendations

We recommend continued strengthening of internal Shariah compliance monitoring, staff training, and periodic reviews to ensure ongoing adherence.

Conclusion

I commend the efforts of the management in upholding Shariah compliance and look forward to further collaboration in maintaining and enhancing Shariah governance practices.

Wa Allahu A'lam


Mufti Faisal Ahmed
Shariah Advisor
31 July 2025



Financial Statements



Documenting 40 Years of Growth

Our financial statements reflect a journey of sustained growth, operational efficiency, and strategic resilience over 40 years. They stand as a record of our achievements and a foundation for continued success in the years to come.

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

Opinion

We have audited the annexed financial statements of FIRST HABIB MODARABA (the Modaraba), which comprise the statement of financial position as at June 30, 2025, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss and other comprehensive income, the statement of change in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2025 and of the profit or loss and statement of comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Modaraba and First Habib Modaraba in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key Audit matters	How the matter was addressed in our audit
1.	Existence & Valuation of Diminishing Musharaka Financing	
	Refer note 7 to the financial statements for the year ended June 30, 2025, the Modaraba has outstanding balance of Rs. 30,804 million related to Diminishing Musharaka Financing, which represent significant element of statement of financial position.	Our audit procedures in respect of this area includes the following: Our audit procedures included assessing and testing the design and operations of key internal controls over the recognition, valuation and existence of diminishing musharaka financing.

BDO Ebrahim & Co. Chartered Accountants

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

S. No.	Key Audit matters	How the matter was addressed in our audit
	A discrepancy in the existence or valuation of Diminishing Musharaka Financing could cause the assets to be materially misstated, which would impact the Modaraba's reported financial position as those are the main drivers of movement in the assets of the Modaraba. Management considers certain specific factors including the age of the balance, recent payment patterns, historical defaults and forward-looking information on macro-economics factors and other available information. Management uses this information to determine whether a provision for impairment is required at a specific or overall balance level. In view of significance of Diminishing Musharaka Financing in relation to the total assets of the Modaraba, we have considered impairment of Diminishing Musharaka Financing as a Key audit matter.	We perform test of controls over addition, termination and periodic valuation of the portfolio and performed other substantive audit procedures on the year end balances. We have reviewed documentation required in context of the parties and verified income from financing during the year by performing recalculation of schedules on a sample basis as per applicable accounting framework. We performed detailed assessment of the credit approval procedures of the diminishing musharaka sanctioned in accordance with the modaraba regulations and performed credit review procedures on sample basis. In addition, we have circulated confirmations to specified sampled parties and checked repayment received from the same. Assessed and reasonableness of provision made by the management in accordance with regulation of modaraba for appropriateness of the assumptions used and the methodology applied. We also tested the mathematical accuracy of the model. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of diminishing musharaka financing in accordance with the requirements of modaraba regulations and with the applicable accounting standards.
2.	Income from Diminishing Musharaka	
	Modaraba earns income from the Diminishing Musharaka financing which is its substantial income source (Refer note 24 to the financial statement). During the year, the Modaraba has recognized income of Rs. 4,971 million which represents a decrease of Rs. 219.662 million from last year. We identified income from diminishing musharaka as a key audit matter as it is one of the key performance indicators of the Modaraba and because of the potential risk that income from diminishing musharaka transactions may not be accurately recorded, recognized in the appropriate period, and not properly disclosed in the financial statements.	Our audit procedures in respect of this matter included the following: Obtained an understanding, including the design and implementation of internal controls over recording and processing of diminishing musharaka income. Assessed the appropriateness of the Modaraba's accounting policy for recording of income and in line with the requirements of applicable law, accounting and reporting standards; Matched customer contracts with the income schedule and performed recalculation on sample basis to ensure that income is appropriately recorded and also evaluated that these contracts were appropriately classified and recorded in the appropriate accounting period. On sample basis, traced the rentals received from the underlying records issued to contract holders and applied substantive analytical procedures to determine any variations;

S. No.	Key Audit matters	How the matter was addressed in our audit
		Recalculated the unearned portion of income and ensured that appropriate amount has been recorded as unearned income in liabilities. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of income from diminishing musharaka financing in accordance with the requirements of modaraba regulations and with the applicable accounting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Modaraba Company for the Financial Statements

Management of the modaraba is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Modaraba Company is responsible for assessing the Modaraba's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Modaraba's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurances about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;
- ◆ Conclude on the appropriateness of the management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of directors of the Modaraba Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980);
- b) the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980) and are in agreement with the books of account;

- c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: AUGUST 12, 2025

UDIN: AR202510166gBOs9vFY6

BDO EBRAHIM & CO.

CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2025

	Note	2025	2024
Rupees			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets in own use	5	88,484,327	85,056,329
Intangible assets	6	7,952,753	9,626,317
Diminishing musharaka financing	7	20,557,392,328	15,862,875,979
Long term deposits	8	1,515,300	1,465,300
Long term investments	9	446,575,160	436,890,160
Deferred tax asset - net	10	379,024,590	221,253,543
		21,480,944,458	16,617,167,628
CURRENT ASSETS			
Short term investments	11	312,272,373	149,213,636
Current portion of diminishing musharaka financing	7	10,246,759,431	7,806,471,555
Diminishing Musharaka financing installments receivable	12	879,700	5,207,720
Advances and prepayments	13	1,857,505,633	1,460,347,585
Other receivables	14	35,712,509	21,993,461
Cash and bank balances	15	815,309,565	349,523,608
		13,268,439,211	9,792,757,565
TOTAL ASSETS		34,749,383,669	26,409,925,193
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 140,000,000 of Rs. 10/- each (2024: 140,000,000 certificates of Rs. 10/- each)		1,400,000,000	1,400,000,000
Issued, subscribed and paid-up certificate capital	16	1,108,305,000	1,108,305,000
Reserves	17	4,630,589,940	3,966,122,330
Certificate holders' equity		5,738,894,940	5,074,427,330
SURPLUS ON REVALUATION OF INVESTMENTS	18	45,175,598	34,503,367
NON-CURRENT LIABILITIES			
Liability against right of use assets	19	15,869,077	16,124,116
CURRENT LIABILITIES			
Certificates of investment (musharaka)	20	20,773,092,578	16,188,522,739
Current maturity of liability against right of use assets	19	8,160,336	7,969,360
Unearned diminishing musharaka installments		12,265,316	24,961,381
Advance diminishing musharaka installments		14,329,272	25,020,110
Trade and other payables	21	894,090,781	834,190,001
Profit payable on certificates of investment (musharaka)		274,874,695	488,241,779
Running Musharaka	22	6,295,389,223	3,164,386,488
Profit payable on running musharaka		124,467,679	118,897,946
Unclaimed dividend		46,745,395	40,776,180
Dividend payable		9,150,852	12,359,769
Taxation-net		496,877,927	379,544,627
		28,949,444,054	21,284,870,380
TOTAL EQUITY AND LIABILITIES		34,749,383,669	26,409,925,193
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes from 1 to 45 form an integral part of these financial statements.

For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Director

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2025



	Note	2025	2024
Rupees			
Income from diminishing musharaka financing	24	4,971,815,210	5,191,477,578
Provision in respect of diminishing musharaka financing		(124,927,933)	(308,455,522)
Reversal / (Provision) in respect of diminishing musharaka financing installments receivable	12.1	12,949,586	(6,840,613)
Administrative expenses	25	(298,249,349)	(260,248,362)
		4,561,587,514	4,615,933,081
Other income	26	226,142,004	266,743,260
		4,787,729,518	4,882,676,341
Financial charges	27	(3,322,357,382)	(3,505,342,815)
Modaraba Management Company's remuneration	21.3	(146,537,214)	(137,733,353)
Sales tax on Modaraba Management Company's remuneration	21.4	(21,980,582)	(17,905,336)
Provision for Sindh Workers' Welfare Fund	21.2	(25,937,087)	(24,433,897)
Profit before taxation and levy		1,270,917,253	1,197,260,940
Levy	28.1	(25,666,378)	(16,146,391)
Profit before taxation		1,245,250,875	1,181,114,549
Taxation	28.2	(343,754,310)	(490,917,208)
Profit after taxation		901,496,565	690,197,341
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit and loss			
Remeasurement of post retirement benefit obligation - net of tax		(4,284,905)	(1,985,211)
Surplus on revaluation of investments classified as 'at fair value through other comprehensive income' - net of tax		10,672,231	28,587,409
		6,387,326	26,602,198
Total comprehensive income for the year		907,883,891	716,799,539
Earnings per certificate - basic and diluted	29	8.13	6.23

The annexed notes from 1 to 45 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, 2025

	Note	2025	2024
Rupees			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	4,362,722,387	4,862,158,672
Diminishing musharaka financing - net		(7,259,732,158)	(6,231,392,115)
Long term deposits		(50,000)	(612,500)
Financial charges paid		(3,597,855,052)	(3,296,249,470)
Gratuity paid		(4,887,549)	(2,542,314)
Tax paid		(395,363,442)	(391,137,337)
Net cash used in operating activities		(6,895,165,814)	(5,059,775,064)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets in own use		(27,016,159)	(51,305,777)
Purchase of intangible assets		(2,117,456)	(10,194,494)
Purchase of investments		(100,000,000)	-
Proceeds from sale of fixed assets in own use		4,082,108	8,120,067
Proceeds from sale of investments		-	230,651,218
Dividends received		7,768,125	12,258,200
Net cash (used in) / generated from investing activities		(117,283,382)	189,529,214
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distributed		(229,983,752)	(220,004,911)
Payments of lease rentals against right of use assets	19	(7,353,669)	(7,135,375)
Issue of certificates of investment (musharaka)		79,522,043,150	64,253,599,294
Repayment of certificates of investment (musharaka)		(74,937,473,311)	(61,773,457,606)
Net cash generated from financing activities		4,347,232,418	2,253,001,402
Net decrease in cash and cash equivalents		(2,665,216,778)	(2,617,244,448)
Cash and cash equivalents at beginning of the year		(2,814,862,880)	(197,618,432)
Cash and cash equivalents at the end of the year	30	(5,480,079,658)	(2,814,862,880)

The annexed notes from 1 to 45 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, 2025



	Certificate capital	Capital reserves			Revenue reserves		Total equity
		Certificate premium	Amalgamation Reserve	Statutory reserves	General reserves	Unappropriated profit	
							(Rupees)
Balance as at July 01, 2023	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,340,000,000	264,204,662	4,607,876,200
Total comprehensive income for the year	-	-	-	-	-	688,212,130	688,212,130
Profit distribution for the year ended June 30, 2023 at Rs. 1/- per certificate	-	-	-	-	-	(221,661,000)	(221,661,000)
Transfer from unappropriated profit to general reserves	-	-	-	-	490,000,000	(490,000,000)	-
Balance as at June 30, 2024	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	240,755,792	5,074,427,330
Balance as at July 01, 2024	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	240,755,792	5,074,427,330
Total comprehensive income for the year	-	-	-	-	-	897,211,660	897,211,660
Profit distribution for the year ended June 30, 2024 at Rs. 2.1/- per certificate	-	-	-	-	-	(232,744,050)	(232,744,050)
Balance as at June 30, 2025	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	905,223,402	5,738,894,940

The annexed notes from 1 to 45 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, 2025

1. STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). The Modaraba Management Company is incorporated in Pakistan under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and is registered with the Registrar of Modaraba Companies and Modaraba and under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. 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 geographical location and addresses of the Modaraba's business units are as under:

Location	Address	Purpose
Karachi	6th Floor, HBZ plaza, I.I Chundrigar Road, Karachi	Head Office (Registered 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	7th floor, United Mall, Abdali road, Multan	Branch Office

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. The accounting and reporting standards as applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as notified under the provision of Companies Act 2017 and made applicable to Modarabas.
- Provisions of and directives issued by the under the Companies Act, 2017.
- Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations 2021 and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Where provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ from IFRS and IFAS, the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, the Companies Act, 2017 and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee, which is the Modaraba's functional and presentation currency.

2.4 Significant accounting estimates, judgements, and changes therein

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected. In the process of applying the Modaraba's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- a Useful lives, pattern of flow of economic benefits and impairment (note 4.1, 4.2)
- b Staff retirement benefits (note 4.11)
- c Impairment of financial assets (note 4.3 and 7.2)
- d Provision for taxation - levy and income taxes (note 4.13 and 28)
- e Provisions and contingencies (note 4.14, 4.17 and 23)

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO BE PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2025

The following standards, amendments and interpretations are effective for the year ended June 30, 2025. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or did not have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance	January 01, 2024

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
IFRS 17 Insurance Contracts	January 01, 2027

Certain annual improvements have also been made to a number of IFRSs and IASs.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP)

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the revised timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2027.

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise stated.

4.1 Fixed assets

(a) Assets in own use

These are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is charged to statement of profit and loss and other comprehensive income applying the straight line method, in accordance with rates specified in note 5 to these financial statements, 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 statement of profit and loss and other comprehensive 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.

(b) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is recognized as and when incurred.

(c) Impairment

The Modaraba assesses at each statement of financial position date whether there is any indication that 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, assets are written down to the recoverable amount and the difference is charged to the statement of profit and loss and other comprehensive income.

4.2 Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged to statement of profit and loss and other comprehensive income applying the straight line method, in accordance with the rates specified in note 6 of these financial statements, 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.

4.3 Financial instruments

Initial recognition and measurement

Financial assets and liabilities, with the exception of bank balances, loans and advances to employees / counter parties and due to counterparties, are initially recognised on the trade date, i.e., the date that the Modaraba becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Bank balances and loans and advances to employees / counter parties are recognised when funds are transferred to the banks / employees / counterparties. The Modaraba recognises due to counterparties when funds reach the Modaraba.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit and 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 and 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 and loss (FVPL)

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

iii) Financial assets measured at fair value through other comprehensive income (FVOCI)

Debt instrument

The Modaraba measures debt instruments at FVOCI if both of the following conditions are met:

- (a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at FVOCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit and loss and other comprehensive income 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 statement of profit and loss and other comprehensive income.

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 statement of profit and loss and other comprehensive income. Dividends are recognised as other income in the statement of statement of profit and loss and other comprehensive income 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. The Modaraba while recognizing provisioning for impaired assets has considered the amount which is higher of:

- the provisioning required under the Modaraba Regulation, 2021; and
- the provisioning required under IFRS 9 using the Expected Credit Loss (ECL) model.

The management also evaluates the Islamic financing receivable subjectively to further down-grade if required.

The Modaraba has adopted the requirements of ECL model as given in IFRS 9 using the modified retrospective approach. A lifetime ECL is recorded on Diminishing Musharaka Financing in which there have been significant increase in Credit Risk and which are credit impaired as on the reporting date.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit and 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 statement of profit and loss and other comprehensive income.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

4.4 Write-offs

The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, Modaraba makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

4.5 Trade date accounting

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within two working days after the transaction date as per stock exchange regulations.

4.6 Diminishing musharaka financing

Diminishing musharaka financing are stated net of provision and suspense income. Provision is recognized for Diminishing musharaka financing, in accordance with the Modaraba Regulations 2021 for Modarabas. Bad debts are written-off when identified.

4.7 Deposits, advances, prepayments and other receivables

Deposits, advances, prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest/profit rate method.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, stamp in hand, current and saving accounts, short term deposits with maturity of 3 months or less from date of acquisition and

running musharaka.

4.9 Finance arrangements including Certificate of Investment (Musharaka)

These are measured at principal amount on statement of financial position 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.

4.10 Revenue recognition

Income on diminishing musharaka financing is recognized on accrual basis.

Income on Sukuk is recognized on accrual basis. Where sukuk are purchased at premium / discount, those premium / discounts are amortised on effective rate through the profit and loss over the remaining maturity.

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

Return on deposit accounts is recognized on accrual basis.

Gain or loss on sale of investment are included in statement of profit and loss and other comprehensive income in the period in which they arise.

Gain or loss on disposal of fixed asset and intangibles is taken to statement profit and loss and other comprehensive income in the period in which they arise.

4.11 Staff retirement benefits

(a) Gratuity scheme

The Modaraba operates an approved funded defined benefit gratuity scheme for all its permanent employees. The scheme is administrated by the trustees nominated under the trust deed. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other Comprehensive Income' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Current service costs and any past service costs together with net interest cost are charged to profit and loss.

(b) Provident fund

The Modaraba also operates an approved funded contributory provident fund scheme for all its employees who are eligible under the scheme. Equal monthly contributions at the rate of 10 percent of basic salary are made by both Modaraba and its employees.

4.12 Compensated absences

The Modaraba accounts for these benefits in the period in which the absences are earned.

4.13 Taxation and Levy

a) Levy

In accordance with the Income Tax Ordinance, 2001, computation of final taxes is not based on taxable income, therefore, as per IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes issued by the ICAP, these fall within the scope of IFRIC 21 / IAS 37 and accordingly have been classified as levy in these financial statements.

b) Income Tax

Current

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the statement of financial position method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized.

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 and 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 and loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates.

Ordinary certificates are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new certificates or options are shown in equity as a deduction, net of tax, from the proceeds.

4.17 Contingencies

Contingencies are disclosed when the Modaraba has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of recourse embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

4.18 Segment reporting

Segment reporting is based on the operating (business) segments of the Modaraba. An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Management Committee of the Modaraba to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the BoM includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The business segments are engaged in providing products or services which are subject to risk and rewards which differ from the risk and rewards of other segments. Segments reported are lease financing assets and diminishing musharaka financing.

4.19 Details of related parties of the Modaraba [BCR 5.11 (b)]

Name of related party	Nature of relationship	Basis of relationship	Percentage of Certificate
Habib Metropolitan Bank Limited	Associate	Holding Company of Management Company	5.43%
Habib Metropolitan Modaraba Management Company (Private) Limited	Wholly owned subsidiary of Holding Company	Management Company of the Modaraba	10%
Habib Metropolitan Financial Services Limited	Associate	Wholly owned subsidiary of Holding Company	-
Habib Metro Exchange Services Limited	Associate	Wholly owned subsidiary of Holding Company	-
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management	-
First Habib Modaraba - Staff Gratuity Fund	Associate	Common Management	-

4.20 Leases

Right-of-use assets

The Modaraba recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Modaraba is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right of use assets are included in fixed assets in own use.

Lease liabilities

At the commencement date of the lease, the Modaraba recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Modaraba uses the incremental borrowing rate at the lease commencement date if the profit 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	2025	2024
-----Rupees-----			
5. FIXED ASSETS IN OWN USE			
Assets in own use	5.1	68,039,359	63,142,223
Right-of-use assets	5.2	20,444,968	21,914,106
		88,484,327	85,056,329

5.1 Assets in own use

June 30, 2025								
Particulars	COST			ACCUMULATED DEPRECIATION			Net book value as at year end	Rate of depreciation %
	As at beginning of the year	Additions / (disposals) / *transfers during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) for the year	As at end of the year		
	Rupees							
Leasehold improvements	24,958,032	321,000 -	25,279,032	22,767,596	945,042 -	23,712,638	1,566,394	20
Office equipments	44,678,767	8,388,509 (7,680,702)	45,386,574	27,017,418	8,384,702 (7,582,820)	27,819,300	17,567,274	25 to 33.33
Furniture and fixtures	13,630,129	873,810 (1,779,236)	12,724,703	12,003,853	620,287 (1,746,773)	10,877,367	1,847,336	20 to 25
Vehicles	54,408,445	17,432,840 (9,716,000)	62,125,285	12,744,385	8,946,300 (6,623,755)	15,066,930	47,058,355	16.67
	137,675,373	27,016,159 (19,175,938)	145,515,594	74,533,252	18,896,331 (15,953,348)	77,476,235	68,039,359	

June 30, 2024								
Particulars	COST			ACCUMULATED DEPRECIATION			Net book value as at year end	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								
Office equipments	30,268,114	17,119,624 (2,708,971)	44,678,767	25,324,524	4,388,262 (2,695,368)	27,017,418	17,661,352	25 to 33.33
Furniture and fixtures	13,190,979	840,350 (401,200)	13,630,129	11,643,211	709,754 (349,112)	12,003,853	1,626,275	20 to 25
Vehicles	34,749,444	32,943,000 (13,283,999)	54,408,445	13,643,246	4,812,056 (5,710,917)	12,744,385	41,664,060	16.67
Leasehold improvements	24,555,229	402,803 -	24,958,032	21,278,187	1,489,409 -	22,767,596	2,190,536	20
	102,763,766	51,305,777 (16,394,170)	137,675,373	71,889,168	11,399,481 (8,755,397)	74,533,252	63,142,223	

5.1.1 Above assets include fully depreciated assets costing Rs. 51.65 million (2024: 49.36 million) still in the Modaraba's use.

5.1.2 The entire amount of depreciation charge is related to administrative expenses.

	Note	2025	2024
-----Rupees-----			
5.2 Right-of-use assets			
As at beginning of the year		21,914,106	23,567,876
Additions during the year		6,253,618	4,615,657
Depreciation charge for the year	25	(6,095,148)	(6,269,427)
Terminated during the year		(1,627,608)	-
As at end of the year		20,444,968	21,914,106

6 INTANGIBLE ASSETS

Particulars	COST			AMORTIZATION			Written down value as at end of the year	Rate of Amortization %
	As at beginning of the year	Additions / (disposals) / *transfer during the year	As at end of the year	As at beginning of the year	Charge / (adjustments) / *transfer for the year	As at end of the year		
	-----Rupees-----							
Computer software:								
As at June 30, 2025	14,528,804	2,117,456	16,446,210	4,902,487	3,770,741	8,493,457	7,952,753	33.33
	-	(200,050)	-	-	(179,771)	-	-	
	14,528,804	1,917,406	16,446,210	4,902,487	3,590,970	8,493,457	7,952,753	
As at June 30, 2024	4,334,310	10,194,494	14,528,804	4,253,167	649,320	4,902,487	9,626,317	33.33

	Note	2025	2024
-----Rupees-----			
7. DIMINISHING MUSHARAKA FINANCING			
Secured			
Diminishing musharaka financing	7.1	31,805,138,242	24,545,422,571
Less: Provision in respect of diminishing musharaka financing	7.3	(1,000,986,483)	(876,075,037)
		30,804,151,759	23,669,347,534
Diminishing musharaka financing - Non current portion		20,557,392,328	15,862,875,979
Diminishing musharaka financing - Current portion		10,246,759,431	7,806,471,555
		30,804,151,759	23,669,347,534

7.1 This represents diminishing musharaka financing for a term of 1 to 10 years.

7.2 The following table sets out information about the Expected Credit Losses (ECL) provision of diminishing musharaka financing:

	June 30, 2025		June 30, 2024	
	Amount outstanding	Expected credit loss allowance	Amount outstanding	Expected credit loss allowance
Stage 1	31,146,217,007	51,315,696	23,375,180,348	-
Stage 2	552,382,514	2,822,656	902,838,998	613,777,028
Stage 3	106,538,721	54,350,597	267,403,225	262,298,009
	31,805,138,242	108,488,949	24,545,422,571	876,075,037

7.3 The provision, as per the Modaraba Regulation 2021, which includes classification into various categories based on objective and subjective evaluation of obligors is shown in the table below.

Aging of diminishing musharaka financing	June 30, 2025		June 30, 2024	
	Amount outstanding	Provision (Note 7.3.1)	Amount outstanding	Provision (Note 7.3.1)
Classification				
Considered good	30,423,610,061	-	23,522,716,543	-
Provision against classified portfolio:				
Other asset especially mentioned (OAEM)	980,452,655	631,026,468	9,424,241	160,027
Substandard	41,719,887	30,277,074	-	-
Doubtful	191,329,750	171,657,052	375,964,200	238,597,423
Loss	168,025,889	168,025,889	637,317,587	637,317,587
	1,381,528,181	1,000,986,483	1,022,706,028	876,075,037
	31,805,138,242	1,000,986,483	24,545,422,571	876,075,037

7.3.1 It represents provision on subjective basis amounting to Rs. 1,000.99 million (2024: 876.08 million).

7.4 The Modaraba has provided Diminishing Musharaka (DM) financing facilities to branches of foreign companies operating in Pakistan. These companies qualify as foreign companies under Section 2(30) of the Companies Act, 2017. In compliance with the disclosure requirements of the Fourth Schedule to the Companies Act, 2017, the details are as follows:

Sr. No.	Name of Foreign Company	Jurisdiction of Incorporation	Branch Location in Pakistan	Beneficial Owner (Name & Address)	June 30, 2025			June 30, 2024			Terms & Conditions	Litigations in Foreign Jurisdiction	Default/Breach	Gain/Loss on Disposal
					Amount in Rupees	Amount (Foreign Currency)	Return Received in Rupees	Amount in Rupees	Amount (Foreign Currency)	Return Received in Rupees				
1	Exalo Drilling S.A.	Poland	Karachi	Mr. Pawel Piotr Urbanek, Poland	12,407,082	USD 43,723	2,858,391	18,418,707	USD 66,173	3,673,006	3-5 years, secured, profit rate: 3MK + 2.5% p.a.	None	None	-
2	Orient Petroleum Inc.	Cayman Islands	Islamabad	Hasan Ali Hashwani, Islamabad	91,456,813	USD 322,298	17,748,209	119,234,876	USD 428,377	9,670,193	3-4 years, secured, profit rate: 3MK + 1%-1.5% p.a.	None	None	-
3	Turkish Consulate General	Turkey	Karachi	Cemal Sangu, Clifton	6,524,379	USD 22,992	2,720,420	11,938,020	USD 42,890	883,884	3 years, secured, profit rate: 3MK + 2% p.a.	None	None	-

		Note	2025	2024
			Rupees	
8. LONG TERM DEPOSITS				
Central Depository Company of Pakistan Limited			150,000	150,000
Branch offices			980,000	980,000
Habib Metropolitan Bank for locker			130,000	130,000
Miscellaneous			255,300	205,300
			1,515,300	1,465,300
9. INVESTMENTS				
At fair value through other comprehensive income				
Investment in shares of listed companies	9.1		92,795,000	83,110,000
Investment in sukuk bonds	9.2		80,000,000	80,000,000
			172,795,000	163,110,000
At Amortized cost				
Investment in GOP Ijarah sukuk bonds	9.3		273,780,160	273,780,160
			446,575,160	436,890,160

9.1 Investment in shares of listed companies

2025	2024	Name of Investee Company	2025		2024	
Number of shares			Average Cost	Market Value	Average Cost	Market Value
-----Rupees-----						
500,000	500,000	Engro Fertilizer Limited	34,503,905	92,795,000	34,503,905	83,110,000

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

Name of investee company	Rating	Rate	Face Value	Carrying Value, As at 30, June 2025	Market Value	Unrealised appreciation / (diminution)
Meezan Bank Limited	AAA	3MK + 1.75%	1,000,000	75,000,000	75,000,000	-
BankIslami Pakistan Limited	A	3MK + 2.75%	5,000	5,000,000	5,000,000	-
				80,000,000	80,000,000	-

9.3 Investment in GOP Ijarah sukuku bonds

Investment in GOP Ijarah sukuku bonds		2025	2024		2025	2024	2025
		Number of certificates			Face value	Cost	
		-----Rupees-----					
Investment in Ijarah GOP Sukuk Bond	9.3.1	3	3	275,000,000	273,675,000	273,675,000	273,780,160

		2025	2024		2025	2024	2025
		Number of certificates			Face value	Cost	
		-----Rupees-----					
Investment in Ijarah GOP Sukuk Bond	9.3.1	3	3	275,000,000	273,675,000	273,675,000	273,780,160

9.3.1 These represents placement with Habib Metropolitan Bank Limited carrying profit at rates ranging from 11.00% to 22.00% (2024: 17.50% to 20.00%) per annum, maturing on October 29, 2026.

9.3.2 Investment in Ijarah GOP Sukuk Bond have been kept in order to comply with the requirement of the Modaraba Regulations, 2021 issued by the Securities and Exchange Commission of Pakistan (SECP) with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

10. DEFERRED TAX ASSET - NET

	As at June 30, 2024	Profit or loss	OCI	As at June 30, 2025
-----Rupees-----				
Deductible temporary differences in respect of:				
- Provision in respect of diminishing musharaka financing	246,764,418	152,021,953	-	398,786,371
- Post retirement employee benefits	2,331,336	-	1,904,556	4,235,892
- Other deductible temporary difference	(24,394,752)	25,792,686	-	1,397,934
	224,701,002	177,814,639	1,904,556	404,420,197
Taxable temporary differences in respect of:				
- Depreciation on fixed assets	17,387,222	(15,772,516)	-	1,614,706
- Surplus on revaluation of investments	(14,102,727)	-	987,231	(13,115,496)
- Investment in mutual funds	(6,731,954)	(7,162,863)	-	(13,894,817)
	(3,447,459)	(22,935,379)	987,231	(25,395,607)
	221,253,543	154,879,260	2,891,787	379,024,590

Deductible temporary differences in respect of:

- Depreciation on fixed assets
- Provision in respect of diminishing musharaka
- Post retirement employee benefits

As at June 30, 2023	Profit or loss	OCI	As at June 30, 2024
-----Rupees-----			
7,373,838	10,013,384	-	17,387,222
163,894,440	82,869,978	-	246,764,418
-	-	2,331,336	2,331,336
171,268,278	92,883,362	2,331,336	266,482,976

(845,137)		(13,257,590)	(14,102,727)
-	(6,731,954)	-	(6,731,954)
(445,868)	(23,948,884)	-	(24,394,752)
(1,291,005)	(30,680,838)	(13,257,590)	(45,229,433)
169,977,273	62,202,524	(10,926,254)	221,253,543

Taxable temporary differences in respect of:

- Surplus on revaluation of investments
- Investment in mutual funds
- Other taxable temporary difference

Note	2025	2024
-----Rupees-----		

11. SHORT TERM INVESTMENTS

At fair value through profit or loss - investment in mutual funds

MCB Alhamra Islamic Money Market Fund	11.1	135,540,137	122,981,368
NBP Islamic Saving Fund	11.2	79,064,481	26,232,268
Faysal Islamic Saving Fund	11.3	50,094,858	-

At Amortized cost

Investment in GOP Ijarah sukuk bonds	11.4	47,572,897	-
		312,272,373	149,213,636

11.1 This represents having units 1,361,818 (2024: 1,235,869) NAV of Rs. 99.51 (2024: 99.51).

11.2 This represents having units 8,236,312 (2024: 2,736,233) NAV of Rs. 9.599 (2024: 9.587).

11.3 This represents having units 500,650 (2024: Nil) NAV of Rs. 100.059 (2024: Nil).

11.4 Investment in Sukuks Bonds - at amortized cost

	Note	2025	2024	Face value	2025	2024	2025
		Number of certificates			Cost		Amortized cost
		-----Rupees-----					
Investment in Ijarah GOP Sukuk Bond	11.4.1	1	-	50,000,000	45,057,300	-	47,572,897

11.4.1 These represents placement with Pakistan Stock Exchange (PSX) carrying yield of 10.99% (2024: Nil) per annum, maturing on December 03, 2025.

11.5 The balances held with Asset Management Companies (AMCs) and banks in deposit account have been kept in order to comply with the requirement of the Modaraba Regulations, 2021 issued by the SECP with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

	Note	2025	2024
-----Rupees-----			

12. DIMINISHING MUSHARAKA FINANCING INSTALLMENTS RECEIVABLE

Secured - considered good

Diminishing Musharaka financing installments receivable

Less: Provision against Diminishing Musharaka financing installments receivable 12.1

22,422,374	40,164,341
(21,542,674)	(34,956,621)
879,700	5,207,720

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

As at beginning of the year

(Reversal) / charge for the year

Write off during the year

34,956,621	28,116,008
(12,949,586)	6,840,613
(464,361)	-
21,542,674	34,956,621

12.2 The following table sets out information about the Expected Credit Losses (ECL) provision of diminishing musharaka financing:

	June 30, 2025		June 30, 2024	
	Amount outstanding	Expected credit loss allowance	Amount outstanding	Expected credit loss allowance
Stage 1	21,957,840	74,847	35,875,074	1,453,084
Stage 2	389,425	1,327	3,829,305	2,170,608
Stage 3	75,109	256	459,962	31,332,929
	22,422,374	76,430	40,164,341	34,956,621

	Note	2025	2024
-----Rupees-----			

12.3 Aging of Diminishing Musharaka financing installments receivable

Classification

Considered good

Provision against classified portfolio:

Other asset especially mentioned (OAEM)

Substandard

Doubtful

Loss

879,700	5,207,720
7,338,464	2,145,894
3,954,641	284,319
5,251,150	948,896
4,998,419	31,577,512
21,542,674	34,956,621

13. ADVANCES AND PREPAYMENTS

Advances

Prepayments

Advance against diminishing musharaka financing

1,571,398	234,490
1,652,105	3,864,506
1,854,282,130	1,456,248,589
1,857,505,633	1,460,347,585

13.1 This is the advance paid against the booking of vehicles of diminishing musharaka financing.

	Note	2025	2024
Rupees			
14. OTHER RECEIVABLES			
Unsecured - considered good			
Profit receivable on modaraba deposit account		7,562,839	7,721,942
Profit receivable on sukuk bonds		9,051,336	11,952,317
Receivable from customer	14.1	11,150,485	-
Other receivables		7,947,849	2,319,202
		35,712,509	21,993,461

14.1 This includes the advance tax paid on booking of vehicles to be recovered from customers.

	Note	2025	2024
Rupees			
15. CASH AND BANK BALANCES			
Stamps in hand		3,799,100	1,138,600
At banks in:			
Current accounts			
State Bank of Pakistan		1,141,259	441,259
With other banks		109,719,369	19,123,069
Profit bearing accounts			
Redemption Reserve Funds	15.1	406,554,243	83,947,550
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party	15.2	292,061,256	176,002,183
With other banks	15.4	2,034,338	68,870,947
		815,309,565	349,523,608

15.1 The balances held with banks in deposit account have been kept in order to comply with the requirement of the Modaraba Regulations, 2021, Section 14(g) issued by the Securities and Exchange Commission of Pakistan with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

15.2 The profit on these modaraba deposit accounts ranges between 9.50% to 20.00% (2024: 17.50% to 20.00%) per annum.

15.3 All bank accounts are maintained within Pakistan.

15.4 The profit on these modaraba deposit accounts ranges between 9.50% to 20.00% (2024: 17.50% to 20.00%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2025	2024		2025	2024
Number of certificates			Rupees	
106,980,500	106,980,500	Certificates of Rs. 10 (2024: Rs.10) each issued for cash	1,069,805,000	1,069,805,000
3,850,000	3,850,000	Certificates of Rs.10 (2024: Rs. 10) each issued as bonus certificates	38,500,000	38,500,000
110,830,500	110,830,500		1,108,305,000	1,108,305,000

	Note	2025	2024
-----Rupees-----			
17. RESERVES			
Capital reserves			
Certificate premium		378,000,000	378,000,000
Amalgamation Reserve		233,003,899	233,003,899
Statutory reserves		1,284,362,639	1,284,362,639
		1,895,366,538	1,895,366,538
Revenue reserves			
General		1,830,000,000	1,830,000,000
Unappropriated profit		905,223,402	240,755,792
		2,735,223,402	2,070,755,792
		4,630,589,940	3,966,122,330
18. SURPLUS ON REVALUATION OF INVESTMENTS			
Market value of investments		172,795,000	163,110,000
Less: Cost of investments		(114,503,905)	(114,503,905)
Deferred tax impact		(13,115,497)	(14,102,728)
	18.1	45,175,598	34,503,367
Surplus on revaluation at beginning of the year - net of tax		34,503,367	5,915,958
Surplus on revaluation classified at other comprehensive income during the year - net of tax		10,672,231	28,587,409
		45,175,598	34,503,367

18.1 The 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	2025	2024
-----Rupees-----			
19. LIABILITY AGAINST RIGHT OF USE ASSETS			
Balance as at July 01, 2024		24,093,476	22,424,627
Additions during the year		6,253,618	4,615,657
Terminations during the year		(2,963,730)	-
Finance cost for the year	27	3,999,718	4,188,567
Payments made during the year		(7,353,669)	(7,135,375)
Balance as at June 30, 2025	19.1	24,029,413	24,093,476
Less: Current maturity		(8,160,336)	(7,969,360)
		15,869,077	16,124,116

19.1 The Modaraba has entered into lease agreements in respect of its various rented offices. These were initially measured at the present value of lease payments, discounted using the Modaraba's incremental borrowing rate that ranges from 13.97% to 22.61% per annum. The lease liabilities are subsequently being measured at amortised cost using the effective interest/profit rate method.

19.2 Details of Minimum Lease Payments

Not Later than one year
Later than one year but not later than five years
Later than five years

2025	
Minimum Lease Payments	Present Value of Minimum Lease Payment
8,925,336	5,444,887
19,615,601	14,929,048
4,382,813	3,655,477
32,923,750	24,029,413

Not Later than one year
Later than one year but not later than five years
Later than five years

2024	
Minimum Lease Payments	Present Value of Minimum Lease Payment
7,969,360	4,120,266
10,777,033	8,256,224
14,802,850	11,716,986
33,549,243	24,093,476

	Note	2025	2024
		Rupees	
20. CERTIFICATES OF INVESTMENT (MUSHARAKA)			
Unsecured Certificates of Investment (musharaka)	20.1 & 20.2	20,773,092,578	16,188,522,739
20.1 Movement in Certificates of Investment (musharaka)			
Balance as at July 01, 2024		16,188,522,739	13,708,381,051
Add: Issued during the year		79,522,043,150	64,253,599,294
		95,710,565,889	77,961,980,345
Less: Encashment during the year		(74,937,473,311)	(61,773,457,606)
Balance as at June 30, 2025		20,773,092,578	16,188,522,739

20.2 The estimated share of profit paid / payable on the above unsecured certificates of investments (musharaka) ranges between 8.35% to 20.47% (2024: 18.00% to 22.45%) per annum having maturity from 3 months to 1 year.

	Note	2025	2024
		Rupees	
21. TRADE AND OTHER PAYABLES			
Accrued liabilities	21.1	502,005,445	491,726,809
Advance against sale of diminishing musharaka units		15,999,598	21,143,546
Diminishing musharaka customer contribution		22,601,877	13,708,723
Workers' Welfare Fund	21.2	74,287,180	62,020,858
Management fee payable	21.3	146,537,214	137,733,353
Sales tax on management fee payable	21.4	83,847,527	61,866,945
Sales tax on management fee payable to previous management company	21.5	37,950,679	37,950,679
Gratuity payable	21.6	10,861,261	8,039,088
		894,090,781	834,190,001

21.1 This includes charity payable amounting to Rs. 11.547 (2024: Rs. 11.749) million. The reconciliation is as follows:

	2025	2024
	-----Rupees-----	
Balance as at July 01, 2024	11,749,960	3,702,622
Addition during the year	16,587,353	12,316,180
Paid to recognized charitable organizations	(16,789,976)	(4,268,842)
Balance as at June 30, 2025	11,547,337	11,749,960

21.2 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 Modaraba Companies) 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 in respect of that year a sum equal to two (2%) percent of such income.

In financial year 2019-2020, the Modaraba received a notice vide letter no. SRB/AC-37/2019-20/63 dated August 19, 2019, wherein, the Sindh Revenue Board advised the Modaraba demanding all its income falling due under the SWWF Act. The Modaraba filed a Constitution Petition in September 13, 2019 to 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 can be paid out on the entire income of the Modaraba which essentially includes the income of other provinces as well. The Honorable Sindh High Court through its order dated March 16, 2020 restrained the Sindh Revenue Board from levy of Sindh Worker's Welfare Fund under the SWWF Act and lastly ordered to deposit the amount as stated in these orders. However, the management as a matter of abundant caution recognized a provision in respect of Workers' Welfare Fund on a daily basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In financial year 2019-2020, the Honorable Sindh High Court issued an order dated March 16, 2020 in respect of the above case requiring all the Petitioners in different other petitions including the Modarabas to pay the SWWF levy amount to 'Nazir' of the Honorable Sindh High Court or the Sindh Revenue Board. Accordingly, the Modaraba has made total payments of Rs.24,867,604 including payment of Rs.5,751,303 made during the financial year 2019-2020, to SRB based on proportionate income of the province of Sindh and based on the advice of it's 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.

21.3 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, 2025 has been recognized at 10% of profit for the year. (June 30, 2024: 10%).

21.4 The Sindh sales tax levied on remuneration of Modaraba Management Company has been charged at the rate of 15% (2024: 13%).

21.5 Pursuant to order of Sindh Revenue Board, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 15% (2024: 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. The 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 the management company is not entitled to claim any remuneration. Habib Management (Private) Limited has filed a reference appeal before Honorable High Court of Sindh in which stay has been granted against the order of Appellate Tribunal of Sindh Revenue Board. As the case is still pending, the final outcome cannot be determined.

21.6 Staff retirement benefits - Defined benefit plan

a. General description

As mentioned in note 4.11(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, 2025 using the Projected Unit Credit Method (PUCM).

b. Description of the risks to the company

The gratuity scheme exposes the company to the following risks:

Mortality risks - The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Investment risk - The risk of the investment underperforming and being not sufficient to meet the liabilities.

Final salary risk - The risk that the final salary at the time of the cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk - 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.

c. Number of employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2025	2024
	-----Rupees-----	
Gratuity fund	81	86

d. Principal actuarial assumptions

i) The actuarial valuations were carried out as at June 30, 2025 using the following significant assumptions:

	----- Per annum -----	
Discount rate	11.75%	14.75%
Expected rate of salary increase	12.25%	14.75%
Mortality rates	SLIC (2001-05)-1	
Rate of employee turnover	Heavy	Moderate

- ii) "Heavy" age-wise withdrawal rates for the employees of the Modaraba were assumed. The same rates were used during the last valuation."
- iii) The rates assumed were based on the State Life Insurance Corporation of Pakistan SLIC (2001-05) Ultimate mortality tables. For the valuation, SLIC with 1-year setback with respect to mortality as recommended by the PSOA in its Guidance. The rates are death rates per thousand per annum at each age. The same rates were used during the last valuation

	2025	2024
	-----Rupees-----	
e. Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	58,094,464	47,776,687
Fair value of plan assets	(55,272,291)	(47,776,687)
Net defined liability / (assets)	2,822,173	-
f. Movement in defined benefit obligation		
Obligation at the beginning of the year	47,776,687	41,499,124
Current service cost	4,671,798	3,722,508
Interest cost	7,272,572	6,719,558
Benefits paid by the Modaraba	(4,887,549)	(2,542,314)
Re-measurement loss / (gain)	3,260,956	(1,622,189)
Obligation at the end of the year	58,094,464	47,776,687
g. Movement in fair value of plan assets		
Fair value at the beginning of the year	47,776,687	41,499,124
Interest income on plan assets	7,272,572	6,719,558
Contribution by the Modaraba	8,039,088	8,039,055
Benefits paid by the Modaraba	(4,887,549)	(2,542,314)
Re-measurement loss	(2,928,507)	(5,938,736)
Fair value at the end of the year	55,272,291	47,776,687
h. Movement in payable under defined benefit scheme		
As at beginning of the year	-	-
Charge for the year	4,671,798	3,722,508
Contribution by the Modaraba - net	(8,039,088)	(8,039,055)
Re-measurement loss recognized in OCI during the year	6,189,463	4,316,547
As at end of the year	2,822,173	-
i. Cost recognized in profit and loss for the year		
Current service cost	4,671,798	3,722,508
Net interest on defined benefit asset / liability	-	-
	4,671,798	3,722,508
j. Re-measurements recognized in OCI during the year		
Re-measurement loss recognised in OCI	6,189,463	4,316,547
Less: Deferred tax	(1,904,558)	(2,331,336)
Total re-measurements recognized in OCI	4,284,905	1,985,211

	2025	2024
	-----Rupees-----	
k. Components of plan assets		
Cash and cash equivalents - net	33,952,291	25,101,118
Non-Government Debt Securities	21,320,000	22,675,569
	<u>55,272,291</u>	<u>47,776,687</u>

- l. Non-Government debt securities are subject to credit risk and policy rate risk. These risks are regularly monitored by Trustees of the employee funds.

	2025	2024
	-----Rupees-----	
Analysis of Present Value of Defined Benefit Obligation		
Vested/Non-Vested		
Vested benefits	54,131,504	43,820,600
Non-Vested benefits	3,962,960	3,956,087
	<u>58,094,464</u>	<u>47,776,687</u>
Type of Benefits earned to date		
Accumulated Benefit Obligation	22,362,814	14,745,507
Amount attributed to future salary increases	35,731,650	33,031,180
	<u>58,094,464</u>	<u>47,776,687</u>
m. Sensitivity analysis		
0.5% increase in discount rate	53,539,230	45,678,321
0.5% decrease in discount rate	63,237,513	50,018,928
0.5% increase in expected rate of salary increase	63,445,886	50,117,705
0.5% decrease in expected rate of salary increase	53,281,026	45,569,831

- n. Expected charge for the next financial year ending June 30, 2026 Rs. 5,457,688 (2025: Rs. 4,671,798).

	2025	2024
	-----Rupees-----	
o. Maturity profile		
The weighted average duration of the obligation (in years)	<u>8.32</u>	<u>9.07</u>

o. Funding Policy

The Modaraba endeavors to ensure that liability under employee benefit scheme is covered by the fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the fund.

- p. Following are the significant risks associated with the staff retirement benefit schemes. These may include:

Asset volatility	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.
Changes in bond yields	The risk of investment underperforming and being not sufficient to meet the liabilities.
Life expectancy / Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.
Final salary risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

21.9 Investments out of the funds of retirement fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2025	2024
		-----Rupees-----	
22. RUNNING MUSHARAKA			
Meezan Bank Limited	22.1	1,895,336,810	495,011,031
Faysal Bank Limited	22.2	1,900,052,413	999,535,523
Habib Bank Limited	22.3	-	300,000,000
MCB Islamic Bank Limited	22.4	1,600,000,000	369,839,934
Dubai Islamic Bank Pakistan Limited	22.5	400,000,000	1,000,000,000
Al- Baraka Bank Limited	22.6	500,000,000	-
		6,295,389,223	3,164,386,488

22.1 The facility for Running Musharaka obtained from Meezan Bank Limited has been enhanced up to Rs. 2,000 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against Pari Passu Hypothecation charge on all the Modaraba's present and future movable / immovable Fixed Assets with 30% margin.

22.2 The facility for Running Musharaka is obtained from Faysal Bank Limited up to Rs. 2,500 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter of hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 2,143 million.

22.3 The facility for Running Musharaka has been obtained from Habib Bank Limited up to Rs. 500 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter charge on all Modaraba's present and future movable/immovable financing assets for Rs. 715 million.

22.4 The facility for Running Musharaka from MCB Islamic Bank Limited has been enhanced up to Rs. 1,700 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 Pari Passu letter of hypothecation charge on all Modaraba's present and future movable/immovable fixed assets with 30 % margin.

22.5 The facility for Running Musharaka has been obtained from Dubai Islamic Bank Pakistan Limited up to Rs. 1,000 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against 1st supplemental letter of hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 1,430 million.

- 22.6** The facility for Running Musharaka has been obtained from Al Baraka Bank (Pakistan) Limited up to Rs. 500 million during the year. The profit rate on this facility is relevant KIBOR plus 0.25% per annum. The facility is secured against 1st Pari Passu Hypothecation charge all over Modaraba's present and future movable/immovable fixed assets for Rs. 714 million.

23. CONTINGENCIES AND COMMITMENTS

23.1 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 2012-2019 that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services, i.e. on lease rentals / lease financing transactions aggregates to Rs.916.393 million which is outstanding.

In view of this, the Modaraba was advised to submit certain financial records to SRB to ascertain the actual tax liability. Such letters were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honourable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the Honourable High Court of Sindh (the Court) stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of the Court and the merits of the matter involved, no provision for any sales tax liability on rentals of lease financing is required to be maintained in the financial statements for the year ended June 30, 2025.

23.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 1,209 million (2024: Rs. 1,043 million).

	2025	2024
	Rupees	
24. INCOME FROM DIMINISHING MUSHARAKA FINANCING		
Corporate & SMEs	4,496,199,234	4,678,136,932
Individuals	475,615,976	513,340,646
	4,971,815,210	5,191,477,578

	Note	2025	2024
25. ADMINISTRATIVE EXPENSES			
		Rupees	
Salaries, allowances and other benefits	25.1	180,519,958	149,212,832
Printing, stationery and advertising		7,179,065	7,375,370
Travelling and conveyance		1,909,954	1,987,036
Insurance / takaful charges		1,241,064	671,793
Utilities		12,756,170	8,824,194
Postage		1,114,837	948,687
Newspapers and periodicals		24,850	20,530
Repairs and maintenance		6,579,820	6,317,070
Telecommunication		1,512,177	1,368,595
Fees and subscriptions		12,331,322	11,158,452
Legal and professional charges	25.2	13,388,229	21,598,921
Depreciation on fixed assets in own use	5.1	18,896,331	11,399,489
Depreciation expense on right of use assets	5.2	6,095,148	6,269,427
Amortization on intangible assets	6	3,791,018	649,320
Auditors' remuneration	25.3	5,495,810	4,450,248
Certificate registrar expenses		1,715,462	3,493,101
Vehicle running expenses		5,841,907	6,565,282
Office expense		7,782,680	8,612,733
Staff training and workshop		625,380	442,104
Vault Rent expense		309,095	378,337
Information technology expenses		7,973,936	6,798,779
Miscellaneous		1,165,136	1,706,062
		298,249,349	260,248,362

25.1 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, 2025			June 30, 2024		
	Executives* Note 25.1.4	Other employees	Total	Executives* Note 25.1.4	Other employees	Total
	Rupees					
Salaries	27,842,484	34,115,582	61,958,066	21,184,572	30,208,140	51,392,712
Bonus	16,056,418	21,603,842	37,660,260	10,518,743	14,152,924	24,671,667
Other allowances	27,842,503	38,684,931	66,527,434	21,184,548	40,162,314	61,346,862
Insurance	1,645,751	2,577,268	4,223,019	871,006	2,608,497	3,479,503
Gratuity fund	2,221,730	2,450,068	4,671,798	1,767,181	1,955,327	3,722,508
Provident fund	2,544,252	2,935,129	5,479,381	2,120,616	2,478,964	4,599,580
	78,153,138	102,366,820	180,519,958	57,646,666	91,566,166	149,212,832
Number of employees	12	95	107	10	100	110

25.1.1 Certain executives are also provided with self maintained cars by the Modaraba.

25.1.2 No remuneration paid to the directors of the Modaraba Management Company during the year (2024: Nil).

25.1.3 This includes contribution to staff provident fund amounting to Rs. 5.479 (2024: Rs.4.599) million.

25.1.4 These represent executives as prescribed under the Companies Act, 2017.

25.2 This includes Shariah Advisor's remuneration in compliance with the Shariah Governance Regulations, 2023 issued by the Securities and Exchange Commission of Pakistan (SECP). The remuneration paid to the Shariah Advisor for the year amounted to Rs. 1.02 (2024: Rs. 0.90) million.

	Note	2025	2024
-----Rupees-----			
25.3 Auditors' remuneration:			
Audit fee		1,715,000	1,491,000
Special audit		1,530,000	1,330,000
Fee for half yearly review and code of corporate governance		577,500	500,000
Statutory certifications and other services		530,000	425,000
Out of pocket expenses		736,213	374,600
		5,088,713	4,120,600
Sales tax		407,097	329,648
		5,495,810	4,450,248
26. OTHER INCOME			
Income from financial assets			
Dividend on listed securities		7,768,125	12,258,200
Gain on sale of listed securities - net		-	2,792
Profit on modaraba's deposit accounts		90,258,696	90,805,287
Profit on Redemption Reserve Funds		5,514,826	25,837,175
Profit on GOP Ijara sukuks bonds		48,808,346	61,068,750
Profit on sukuk bonds		13,666,543	19,271,366
Dividend from mutual funds		18,261,739	24,147,643
Miscellaneous income		39,688,370	32,870,753
		223,966,645	266,261,966
Income from non financial assets			
Gain on disposal of fixed assets - net		839,239	481,294
Gain on termination of liability against right of use assets		1,336,120	-
		226,142,004	266,743,260
27. FINANCIAL CHARGES			
Profit on certificates of investment (musharaka)		2,780,045,345	3,200,467,722
Profit on Running Musharaka Financing		536,736,379	299,048,220
Financial charges on liability against right of use assets	19	3,999,718	4,188,567
Bank charges		1,575,940	1,638,306
		3,322,357,382	3,505,342,815
28. TAXATION AND LEVY			
Levy	28.1	25,666,378	16,146,391
Taxation	28.2	343,754,310	490,917,208
		369,420,688	507,063,599

28.1 This represents final taxes paid under section 5AA and 150 of the Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21 and IAS 37.

	2025	2024
	Rupees	
28.2 Taxation		
Current	505,747,931	569,266,124
Prior year	(7,114,361)	-
Deferred	(154,879,260)	(62,202,525)
	343,754,310	507,063,599
28.3 Relationship between accounting and tax expense		
Accounting profit	1,245,250,875	1,197,260,940
Tax at the applicable rate of 29%	361,122,754	347,205,673
Super tax	149,962,823	154,639,087
Final tax regime and income subject to lower tax rate	6,143,177	5,867,673
Effect of prior period tax	(7,114,361)	-
Permanent differences	(84,054,894)	(33,480,993)
Others	(82,305,189)	32,832,160
	343,754,310	507,063,599

29. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

29.1 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:

	2025	2024
	Rupees	
Profit for the year	901,496,565	690,197,341
Weighted average number of certificates outstanding during the year	110,830,500	110,830,500
Earnings per certificate	8.13	6.23

29.2 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

	Note	2025	2024
		Rupees	
30. CASH AND CASH EQUIVALENT			
Cash and bank balances	15	815,309,565	349,523,608
Running Musharaka	22	(6,295,389,223)	(3,164,386,488)
		(5,480,079,658)	(2,814,862,880)

30.1 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASHFLOWS ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Modaraba's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Modaraba's statement of cash flows as cash flows from financing activities.

	June 30, 2024	Financing cash inflows	Financing cash outflows	Non cash changes	June 30, 2025
	Rupees				
Certificate of Musharaka	16,188,522,739	79,522,043,150	(74,937,473,311)	-	20,773,092,578
Lease liabilities	24,093,476	6,253,618	(10,317,399)	3,999,718	24,029,413
Unclaimed dividend	53,135,949	232,871,134	(230,110,836)	-	55,896,247
	<u>16,265,752,164</u>	<u>79,761,167,902</u>	<u>(75,177,901,546)</u>	<u>3,999,718</u>	<u>20,853,018,238</u>

	June 30, 2023	Financing cash inflows	Financing cash outflows	Non cash changes	June 30, 2024
	Rupees				
Certificate of Musharaka	13,708,381,051	64,253,599,294	(61,773,457,606)	-	16,188,522,739
Lease liabilities	22,424,627	4,615,657	(7,135,375)	4,188,567	24,093,476
Unclaimed dividend	51,479,860	221,661,000	(220,004,911)	-	53,135,949
	<u>13,782,285,538</u>	<u>64,479,875,951</u>	<u>(62,000,597,892)</u>	<u>4,188,567</u>	<u>16,265,752,164</u>

31. TRANSACTIONS WITH RELATED PARTIES [BCR 5.11 (b)]

The related parties and associated undertakings comprise the Management Company (Habib Metropolitan Modaraba Management Company (Private) Limited), Habib Metropolitan Bank Limited, Habib Metropolitan Financial Services Limited, Habib Metro Exchange Services Limited, First Habib Modaraba Employees' Contributory Provident Fund, First Habib Modaraba Staff Gratuity Fund and key management personnel (which are employed by the management company) under the terms of their employment. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			2025	2024
			Rupees	
Balances held				
Related party	Related party relationship	Nature of balances		
Habib Metropolitan Bank Limited	Holding Company	Bank balances	764,812,898	199,691,532
		Certificates of investment (musharaka)	2,300,000,000	5,500,000,000
		Redemption Reserve Fund (RRF)	403,487,546	6,041,859
		Financial charges payable	34,498,767	140,892,466
		Utility charges payable	5,920,297	6,092,926
		Security deposit	130,000	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee payable	146,537,214	137,733,353
		Sale tax on management fee payable	83,847,527	61,866,945
Staff Retirement Benefit Fund	Associate	Gratuity fund	4,671,798	3,722,508
		Contribution made	4,887,549	2,542,314
Provident Fund	Associate	Contribution made	5,479,381	4,599,580

			2025	2024
			Rupees	
Transactions during the year				
Related party	Related party relationship	Nature of transactions		
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	95,773,522	90,805,287
		Bank charges	1,193,906	972,897
		Utility charges	6,743,257	8,082,484
		Financial charges	752,646,951	1,088,934,921
Habib Metropolitan Modaraba Management Company (Private) Limited	Management Company	Management fee	146,537,214	137,733,353
		Sale tax on management fee	21,980,582	17,905,336
		Management fee paid	137,733,353	88,302,836
		Dividend paid	23,274,405	22,166,100

31.1 No remuneration in kind has been paid by the Modaraba to the Directors and Key Management Personnel of Modaraba Management Company. [BCR 5.11 (c)]

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

32. CAPITAL MANAGEMENT

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of management company monitors the return on capital, which the Modaraba defines as profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to Ordinary Certificate Holders.

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at reporting date Modaraba has running musharaka facility , Certificate of Musharaka and has sufficient surplus funds to manage the affairs of the Modaraba effectively.

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. The Modaraba is not subject to externally exposed capital requirement. The gearing ratio of the Modaraba at year end is as follows:

	2025	2024
	Rupees	
Debts	27,068,481,801	19,352,909,227
Bank balances	(815,309,565)	(349,523,608)
Net debt	27,883,791,366	19,702,432,835
Equity	5,738,894,940	5,074,427,330
Net debt to equity ratio	4.858:1	3.866:1

33. FINANCIAL RISK MANAGEMENT

33.1 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 diminishing musharaka, diversified portfolio of listed securities, collective investment schemes (mutual funds), Ijarah GOP Sukuk bonds and Islamic investments instruments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk.

33.2 Credit Risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Modaraba by failing to discharge its obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements. The modaraba has reassessed it's portfolio as at June 30, 2025 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, 2025 is the carrying amount of the financial assets as set out below:

	2025	2024
	Rupees	
Diminishing musharaka financing	30,804,151,759	23,669,347,534
Diminishing musharaka financing installments receivable	879,700	5,207,720
Investment in sukuk bonds	353,780,160	353,780,160
Investment in mutual funds	214,604,618	149,213,636
Long term deposits	1,515,300	1,465,300
Bank balances	778,193,372	347,943,749
Other receivables	35,712,509	21,993,461
	32,188,837,418	24,548,951,560

Credit risk ratings

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

				2025	2024
				Rupees	
Banks	Rating		Agency		
	Short term	Long term			
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	764,812,898	199,691,532
Soneri Bank Limited	A1+	AA-	PACRA	226,897	217,083
Al Baraka (Pakistan) Limited	A-1	A+	JCR-VIS	111,552	111,552
BankIslami Pakistan Limited	A1	AA-	PACRA	244,632	244,632
Meezan Bank Limited	A1+	AAA	JCR-VIS	4,994,465	146,670,068
Bank Al-Habib Limited	A1+	AAA	PACRA	74,520	74,520
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	15,745	15,745
Habib Bank Limited	A1+	AAA	JCR-VIS	7,712,664	918,616
				778,193,372	347,943,748

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 36 to the financial statements.

Impaired Assets

Refer note 4.3 to the financial statements for details on impairment of financial assets.

33.3 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 35 to the financial statements summarizes the maturity profile of the Modaraba's financial instruments.

Mitigating / managing the risk

Modaraba's policy is to invest the majority of its assets in investments that includes Redemption Reserve Funds and Mutual Funds that are having short-term maturities. Only a limited proportion of its investments are of long-term in nature.

33.4 Market Risk

a Market Price Risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Exposure

The Modaraba is exposed to changes in the fair values of investments as a result of changes in prices of securities.

As at June 30, 2025, the fair value of equity and debt securities exposed to price risk was as follows:

Particulars	Average Cost 2025	Fair Value 2025	Average Cost 2024	Fair Value 2024
	Rupees			
Shares of listed companies	34,503,905	92,795,000	34,503,905	83,110,000
Sukuk	353,780,160	353,780,160	353,780,160	353,780,160
	388,284,065	446,575,160	388,284,065	436,890,160

Risk Management

The Modaraba's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by Investment Committee.

The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by Stock Exchange and MUFAP which is set as per the trading trend and volumes in the security.

b Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Risk exposure

The Modaraba has diminishing musharaka financing portfolio and certificate of musharaka. The majority of diminishing musharaka financing portfolio and certificate of musharaka is linked with KIBOR rate as a bench mark. The Modaraba reviews KIBOR on diminishing musharaka financing portfolio and certificate of musharaka on quarterly / six monthly basis.

As at June 30, 2025, the profile of the Modaraba's variable value financial instruments were as follows:

	2025	2024
	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	31,805,138,242	24,545,422,571
	32,158,918,402	24,899,202,731
Liabilities		
Certificate of Investment (Musharaka)	(20,773,092,578)	(16,188,522,739)
Running Musharaka	(6,295,389,223)	(3,164,386,488)
	(27,068,481,801)	(19,352,909,227)
	5,090,436,601	5,546,293,504

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in profit rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in profit rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

		Changes in profit / (loss)	
		Rupees	
Asset / liability class	(Increase / Decrease)		
(Having variable interest rates)	(+/-)		
Assets			
Sukuk Bonds	100 basis points	800,000	800,000
GOP Ijarah sukuk bonds	100 basis points	2,737,802	2,737,802
Diminishing musharaka	100 basis points	318,051,382	245,454,226
Liability			
Certificate of Investment	100 basis points	(207,730,926)	(161,885,227)
Running Musharaka	100 basis points	(62,953,892)	(31,643,865)

Above sensitivities are calculated on the assumption that all factors remain constant except profit rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.

Risk Management / Mitigation

The Modaraba monitors the profit rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Modaraba's policy requires the Modaraba management to manage this risk by measuring the mismatch of the profit rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed profit securities.

The average effective duration of the Modaraba's portfolio is a measure of the sensitivity of the fair value of the Modaraba's variable profit securities to changes in market profit rates.

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

33.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

- Level 1:** quoted prices in active markets for identical assets or liabilities;
- Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	June 30, 2025							
	Carrying amount				Fair value			
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees							
	Financial assets measured at fair value							
Shares of listed company	92,795,000	-	-	92,795,000	92,795,000	-	-	92,795,000
Sukuk Bonds	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhama Islamic Money Market Fund)	-	135,540,137	-	135,540,137	-	135,540,137	-	135,540,137
Investment in NBP Funds (Islamic Saving Funds)	-	79,064,481	-	79,064,481	-	79,064,481	-	79,064,481
Investment in Faysal Funds (Islamic Saving Funds)	-	50,094,858	-	50,094,858	-	50,094,858	-	50,094,858
	172,795,000	264,699,476	-	437,494,476	92,795,000	344,699,476	-	437,494,476
	June 30, 2024							
	Carrying amount				Fair value			
	At fair value through OCI	At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees							
	Financial assets measured at fair value							

Financial assets measured at fair value

Shares of listed company	83,110,000	-	-	83,110,000	83,110,000	-	-	83,110,000
Sukuk Bonds	80,000,000	-	-	80,000,000	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhama Islamic Money Market Fund)	-	122,981,368	-	122,981,368	-	122,981,368	-	122,981,368
Investment in NBP Funds (Islamic Saving Funds)	-	26,232,268	-	26,232,268	-	26,232,268	-	26,232,268
	163,110,000	149,213,636	-	312,323,636	83,110,000	229,213,636	-	312,323,636

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

Non-Government debt securities	Sukuks are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Units of mutual funds	The fair values of units of mutual funds are determined based on their net asset values as published at the close of each business day.

34.2 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.

35. 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.

	2025									
	Total	Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Over 10 year
	Rupees									
Assets										
Diminishing musharaka financing	30,804,151,759	866,484,197	1,786,575,262	2,607,151,432	4,860,674,614	8,671,216,370	6,111,929,045	5,226,094,928	674,025,911	-
Investments	758,847,533	-	-	312,272,373	-	273,780,160	-	-	-	172,795,000
Diminishing musharaka financing installments receivable	879,700	219,146	62,756	75,054	120,621	375,466	13,836	6,341	6,480	-
Advances, deposits and prepayments	1,859,020,933	53,078,966	70,913,936	115,089,604	230,664,103	528,044,330	604,883,393	256,346,601	-	-
Other receivables	35,712,509	35,712,509	-	-	-	-	-	-	-	-
Cash and bank balances	815,309,565	815,309,565	-	-	-	-	-	-	-	-
	34,273,921,999	1,770,804,383	1,857,551,955	3,034,588,463	5,091,459,338	9,473,416,326	6,716,826,274	5,482,447,869	674,032,391	172,795,000
Liabilities										
Liability against right of use assets	24,029,413	1,125,546	733,415	1,272,749	977,601	2,358,501	2,248,702	3,627,068	11,685,831	-
Certificates of investment (musharaka)	20,773,092,578	203,996,137	3,393,790,807	10,129,085,394	7,046,220,241	-	-	-	-	-
Unearned diminishing musharaka installments	12,265,316	-	-	-	12,265,316	-	-	-	-	-
Advance diminishing musharaka installments	14,329,272	-	-	-	14,329,272	-	-	-	-	-
Trade and other payables	894,090,781	529,839,617	135,034,441	169,308,271	192,865,203	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	274,874,695	274,874,695	-	-	-	-	-	-	-	-
Running Musharaka	6,295,389,223	6,295,389,223	-	-	-	-	-	-	-	-
Unclaimed profit distributions	55,896,247	1,319,853	2,792,803	3,400,489	5,746,438	9,246,248	10,480,827	10,742,025	6,295,011	5,872,554
	28,343,967,525	7,306,545,071	3,532,351,465	10,303,066,902	7,272,404,071	11,604,749	12,729,529	14,369,094	17,980,842	5,872,554

	2024									
	Total	Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Over 10 year
	Rupees									
Assets										
Diminishing musharaka financing	23,669,347,534	663,638,648	1,349,569,327	2,007,604,849	3,592,311,834	6,725,658,160	4,967,500,614	4,343,775,131	19,288,971	-
Investments	586,103,796	-	-	149,213,636	-	273,780,160	-	-	-	163,110,000
Diminishing musharaka financing installments receivable	5,207,720	1,297,317	371,511	444,314	714,060	2,222,714	81,908	37,537	38,360	-
Advances, deposits and prepayments	1,461,812,885	32,112,738	42,810,131	69,478,600	139,249,927	318,775,802	365,162,881	494,222,806	-	-
Other receivables	21,993,461	27,144,654	-	-	-	-	-	-	-	-
Cash and bank balances	349,523,608	349,523,608	-	-	-	-	-	-	-	-
	26,093,989,004	1,073,716,965	1,392,750,969	2,226,741,399	3,732,275,821	7,320,436,836	5,332,745,403	4,838,035,474	19,327,331	163,110,000
Liabilities										
Liability against right of use assets	24,093,476	1,128,547	735,370	1,276,142	980,207	2,364,789	2,254,697	3,636,738	11,716,986	-
Certificates of investment (musharaka)	16,188,522,739	158,974,697	2,644,789,621	7,893,621,453	5,491,136,968	-	-	-	-	-
Unearned diminishing musharaka installments	24,961,381	-	-	-	24,961,381	-	-	-	-	-
Advance diminishing musharaka installments	25,020,110	-	-	-	25,020,110	-	-	-	-	-
Trade and other payables	834,190,001	494,342,320	125,987,632	157,965,242	179,943,947	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	488,241,779	488,241,779	-	-	-	-	-	-	-	-
Running Musharaka	3,164,386,488	3,164,386,488	-	-	-	-	-	-	-	-
Unclaimed profit distributions	53,135,949	1,254,675	2,654,887	3,232,564	5,462,664	8,789,645	9,963,257	10,211,557	5,984,147	5,582,552
	20,802,551,923	4,308,328,506	2,774,167,510	8,056,095,401	5,727,505,277	11,154,434	12,217,954	13,848,295	17,701,133	5,582,552

36. SEGMENT BY CLASS OF BUSINESS OF FINANCING ASSETS

	2025		2024	
	Rupees	%	Rupees	%
Auto and allied	573,158,148	1.80	451,292,966	1.84
Cable and electric goods	1,233,256,039	3.88	988,970,582	4.03
Cargo, courier and logistic services	1,032,094,510	3.25	778,155,868	3.17
Cement	181,130,980	0.57	128,991,781	0.53
Chemical	3,047,856,768	9.58	2,180,365,198	8.88
Construction	422,481,008	1.33	355,161,078	1.45
Education	116,198,646	0.37	261,357,439	1.06
Fertilizer	572,484,240	1.80	300,587,551	1.22
Financial institutions	141,171,123	0.44	128,573,393	0.52
Food and allied	3,455,463,405	10.86	2,405,710,862	9.80
Fuel, power and energy	254,262,911	0.80	245,235,428	1.00
Glass and ceramics	70,725,420	0.22	29,484,359	0.12
Health care	727,488,531	2.29	547,323,046	2.23
Individuals	3,040,963,649	9.56	2,563,654,796	10.44
Information technology	1,643,858,082	5.17	1,176,197,912	4.79
Leather and tanneries	49,281,435	0.15	38,617,029	0.16
Oil and gas exploration	1,031,199,248	3.24	1,101,686,446	4.49
Paper and board	448,309,882	1.41	350,504,584	1.43
Pharmaceutical	5,040,345,633	15.85	4,104,526,272	16.72
Refinery, lubricant, oil and gas marketing	127,547,817	0.40	80,553,835	0.33
Services	3,633,122,651	11.42	2,786,933,671	11.35
Steel and engineering	355,839,144	1.12	330,735,878	1.35
Sugar and allied	1,295,956,828	4.07	1,034,286,201	4.21
Textile	3,135,036,770	9.86	2,101,693,975	8.56
Others	175,905,374	0.55	74,822,421	0.30
	31,805,138,242	100.00	24,545,422,571	100.00

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

37. 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:

	2025			2024		
	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables
Rupees						
Segment by class of business						
Auto and allied	47,872,240	573,158,148	167,221	-	573,158,148	299,537
Cable and electric goods	79,316,813	1,233,256,039	-	54,965,493	1,233,256,039	-
Cargo, courier and logistic services	60,782,560	1,032,094,510	2,385,867	46,528,342	1,032,094,510	4,273,712
Cement	-	181,130,980	-	-	181,130,980	-
Chemical	56,179,660	3,047,856,768	476,822	240,192,336	3,047,856,768	854,113
Construction	105,523,930	422,481,008	166,067	-	422,481,008	297,469
Education	-	116,198,646	-	25,161,300	116,198,646	-
Fertilizer	10,895,580	572,484,240	78,371	5,628,700	572,484,240	140,383
Financial institutions	21,988,360	141,171,123	-	13,384,800	141,171,123	-
Food and allied	72,071,472	3,455,463,405	11,553,217	108,867,400	3,455,463,405	20,694,836
Fuel, power and energy	37,152,000	254,262,911	138,717	12,304,800	254,262,911	248,478
Glass and ceramics	-	70,725,420	792,691	-	70,725,420	1,419,917
Health care	14,132,229	727,488,531	118,240	31,491,341	727,488,531	211,799
Individuals	516,118,870	3,040,963,649	3,298,160	134,867,842	3,040,963,649	5,907,867
Information technology	94,700,063	1,643,858,082	118,885	85,813,600	1,643,858,082	212,954
Leather and tanneries	7,263,720	49,281,435	-	-	49,281,435	-
Oil and gas exploration	-	1,031,199,248	-	-	1,031,199,248	-
Paper and board	30,772,914	448,309,882	363,703	26,656,900	448,309,882	651,488
Pharmaceutical	238,723,649	5,040,345,633	826,919	230,129,456	5,040,345,633	1,481,229
Refinery, lubricant, oil and gas marketing	-	127,547,817	-	2,436,300	80,553,835	-
Services	256,956,489	3,633,122,651	458,018	377,998,135	3,633,122,651	820,431
Steel and engineering	3,680,541	355,839,144	-	7,064,000	355,839,144	-
Sugar and allied	112,242,606	1,295,956,828	607,197	25,038,502	1,295,956,828	1,087,649
Textile	78,894,495	3,135,036,770	454,613	27,719,342	3,135,036,770	814,330
Others	9,013,939	175,905,374	417,666	5,564,296	175,905,374	748,149
	1,854,282,130	31,805,138,242	22,422,374	1,461,812,885	31,758,144,260	40,164,341

38. SEGMENT INFORMATION

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision maker. The Chief Executive Officer of the management company has been identified as the Chief Operating Officer decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for Modaraba's entire product portfolio and consider business to have a two operating segments. The Modaraba's assets allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on basis of two operating segments.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba's is domiciled in Pakistan. All of the Modaraba's income is from the investments in entities incorporated in Pakistan.

	Diminishing musharaka financing		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	Rupees			
Segment revenues and profits				
Revenue - net of depreciation, where applicable	4,971,815,210	5,191,477,578	4,971,815,210	5,191,477,578
Cost of revenue	(3,322,357,382)	(3,505,342,815)	(3,322,357,382)	(3,505,342,815)
Reportable segment profit	1,649,457,828	1,686,134,763	1,649,457,828	1,686,134,763
Segment assets and liabilities				
Reportable segment assets				
Diminishing musharaka financing	20,557,392,328	15,862,875,979	20,557,392,328	15,862,875,979
Current portion of diminishing musharaka financing	10,246,759,431	7,806,471,555	10,246,759,431	7,806,471,555
Diminishing musharaka financing installments receivable	879,700	5,207,720	879,700	5,207,720
	30,805,031,459	23,674,555,254	30,805,031,459	23,674,555,254
Reportable segment liabilities				
Certificates of investment (musharaka)	20,773,092,578	16,188,522,739	20,773,092,578	16,188,522,739
Unearned diminishing musharaka installments	12,265,316	24,961,381	12,265,316	24,961,381
Advance diminishing musharaka installments	14,329,272	25,020,110	14,329,272	25,020,110
Adjustable against financing contracts	-	-	-	-
Advance against sale of diminishing musharaka units	15,999,598	21,143,546	15,999,598	21,143,546
Diminishing musharaka customer contribution	22,601,877	13,708,723	22,601,877	13,708,723
	20,838,288,641	16,273,356,499	20,838,288,641	16,273,356,499

	2025	2024
	Rupees	
Revenue classified in segment reported	4,971,815,210	5,191,477,578
Profit		
Profit classified in segment reported	1,649,457,828	1,686,134,763
Provision in respect of diminishing musharaka	(124,927,933)	(308,455,522)
Administrative expenses	(298,249,349)	(260,248,362)
Other income	226,142,004	266,743,260
Modaraba Management Company's remuneration	(146,537,214)	(137,733,353)
Sales tax on Modaraba Management Company's remuneration	(21,980,582)	(17,905,336)
Provision for Sindh Workers' Welfare Fund	(25,937,087)	(24,433,897)
	1,257,967,667	1,204,101,553
Assets classified in segment reported	30,805,031,459	23,674,555,254
Assets in own use	88,484,327	85,056,329
Intangible assets	7,952,753	9,626,317
Long term deposits	1,515,300	1,465,300
Investments	758,847,533	586,103,796
Advances and prepayments	1,857,505,633	1,460,347,585
Other receivables	35,712,509	21,993,461
Cash and bank balances	815,309,565	349,523,608
	34,370,359,079	26,188,671,650

Liabilities

Liability classified in segment reported

Trade and other payables

Profit payable on certificates of investment (musharaka)

Unclaimed profit distribution

2025	2024
Rupees	
20,838,288,641	16,273,356,499
855,489,306	799,337,732
274,874,695	488,241,779
46,745,395	40,776,180
22,015,398,037	17,601,712,190

39. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Cash and bank balances
Other receivables
Investments
Diminishing musharaka financing installments receivable
Long term deposits
Advances and prepayments
Diminishing musharaka financing

2025						
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						
-	-	-	-	-	-	-
80,000,000	-	80,000,000	35,712,509	-	35,712,509	35,712,509
879,700	-	879,700	92,795,000	-	92,795,000	172,795,000
-	-	-	-	-	-	879,700
-	-	-	-	1,515,300	1,515,300	1,515,300
1,854,282,130	-	1,854,282,130	3,223,503	-	3,223,503	1,857,505,633
10,246,759,431	15,862,875,979	26,109,635,410	-	-	-	26,109,635,410
12,181,921,261	15,862,875,979	28,044,797,240	131,731,012	1,515,300	133,246,312	28,178,043,552
Financial liabilities						
20,773,092,578	-	20,773,092,578	-	-	-	20,773,092,578
12,265,316	-	12,265,316	-	-	-	12,265,316
14,329,272	-	14,329,272	-	-	-	14,329,272
-	-	-	698,005,395	-	698,005,395	698,005,395
-	-	-	274,874,695	-	274,874,695	274,874,695
6,295,389,223	-	6,295,389,223	-	-	-	6,295,389,223
-	-	-	46,745,395	-	46,745,395	46,745,395
27,095,076,389	-	27,095,076,389	1,019,625,485	-	1,019,625,485	28,114,701,874

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

Financial assets

Cash and bank balances
Other receivables
Investments
Diminishing musharaka financing installments receivable
Long term deposits
Advances and prepayments
Diminishing musharaka financing

2024						
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						
-	-	-	-	-	-	-
-	-	-	21,993,461	-	21,993,461	21,993,461
80,000,000	-	80,000,000	83,110,000	-	83,110,000	163,110,000
5,207,720	-	5,207,720	-	-	-	5,207,720
-	-	-	-	1,465,300	1,465,300	1,465,300
1,456,248,589	-	1,456,248,589	8,781,964	-	8,781,964	1,465,030,553
7,806,471,555	12,102,544,307	19,909,015,862	-	-	-	19,909,015,862
9,347,927,864	12,102,544,307	21,450,472,171	113,885,425	1,465,300	115,350,725	21,565,822,896
16,188,522,739	-	16,188,522,739	-	-	-	16,188,522,739
24,961,381	-	24,961,381	-	-	-	24,961,381
25,020,110	-	25,020,110	-	-	-	25,020,110
-	-	-	672,351,519	-	672,351,519	672,351,519
-	-	-	488,241,779	-	488,241,779	488,241,779
3,164,386,488	-	3,164,386,488	-	-	-	3,164,386,488
-	-	-	40,776,180	-	40,776,180	40,776,180
19,402,890,718	-	19,402,890,718	1,201,369,478	-	1,201,369,478	20,604,260,196

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

	Note	2025	2024
Rupees			
40. CASH GENERATED FROM OPERATIONS			
Profit before tax		1,245,250,875	1,181,114,549
Adjustments for:			
Levy	28.1	25,666,378	16,146,391
Gain on disposal of Assets in own use	26	(839,239)	(481,294)
Gain on disposal of Termination of lease contract	26	(1,336,120)	-
Depreciation of Assets in own use	25	18,896,331	11,399,489
Depreciation on Right of use Assets	25	6,095,148	6,269,427
Amortization of intangible assets	25	3,791,018	649,320
Provision and write-off in respect of diminishing musharaka financing		124,927,933	308,455,522
Reversal / (Provision) in respect of diminishing musharaka financing installments receivable	12.1	(12,949,586)	6,840,613
Provision for gratuity	21.8(h)	4,671,798	3,722,508
Dividend income	29	(7,768,125)	(12,258,200)
Financial charges		3,320,781,442	3,503,704,509
Movement in working capital	40.1	(364,465,466)	(163,404,162)
		4,362,722,387	4,862,158,672
40.1 Movement in working capital			
Increase in current assets:			
Diminishing Musharaka financing installments receivable		4,328,020	(306,072,956)
Advances and prepayments		(397,158,048)	(206,560,943)
Other receivables		(13,719,048)	2,381,899
		(406,549,076)	(510,252,000)
Decrease in current liabilities:			
Advance diminishing musharaka installments		(10,690,838)	9,447,249
Unearned diminishing musharaka installments		(12,696,065)	(13,398,329)
Trade and other payables		59,900,780	273,429,384
Profit payable on running musharaka		5,569,733	77,369,534
		42,083,610	346,847,838
		(364,465,466)	(163,404,162)

41. PROFIT DISTRIBUTION AND APPROPRIATION

- 41.1** Subsequent to the year ended June 30, 2025, the Board of Directors of the Modaraba Management Company has declared a final distribution of Rs.2.25 per certificate, amounting to total profit distribution of Rs. 249.37 million (2024: Rs.2.10 per certificate, amounting to total profit distribution of Rs. 232.74 million) in its meeting held on August 07, 2025.
- 41.2** Subsequent to the year ended June 30, 2025, the Board of Directors of the Modaraba Management Company has authorized a transfer of Rs. 500 million from unappropriated profit to the general reserve in its meeting held on August 07, 2025.

	2025	2024
	(Number)	
42. NUMBER OF EMPLOYEES		
Total number of employees at end of the year	81	86
Average number of employees for the year	84	84

43. CORRESPONDING FIGURES

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

Reclassified from	Reclassified to	---Rupees---
Trade and other payables	Other receivables	
- Accrued liabilities	- Others	5,151,193
Short term investments	Cash and bank balances	
- Redemption Reserve Funds	- Redemption Reserve Funds	83,947,550
Trade and other payables	Trade and other payables	
- Adjustable against financing contracts	- Accrued liabilities	293,044,354
Income from diminishing musharaka financing	Reversal / (Provision) in respect of diminishing musharaka financing installments receivable	6,840,613
Trade and other payables	Profit payable on running musharaka	
- Profit payable on running musharaka		118,897,946
Unclaimed profit distribution	- Unclaimed dividend	40,776,180
	- Dividend payable	12,359,769

44. GENERAL

Figures have been rounded off to the nearest rupee.

45. DATE OF AUTHORIZATION FOR ISSUE [BCR 5.18]

These financial statements were authorized for issue on August 7, 2025 by the Board of Directors of the Modaraba Management Company.

Chief Executive Officer

Chief Financial Officer

Director

Director

Other Information



Celebrating 40 Years of Trust & Excellence

This 40-year journey reflects our unwavering commitment to building a strong, ethical, and inclusive banking system that empowers individuals, businesses, and society at large.

As we celebrate this milestone, we renew our pledge to continue serving with excellence, strengthening our values, and contributing towards a prosperous future guided by faith and responsibility.

CATEGORIES OF CERTIFICATE HOLDERS

As at June 30, 2025

[BCR 5.15 (a)]



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 BANK LIMITED	1	6,018,300	5.43
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	2	11,288,753	10.00
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD - Employee Providend Fund	1	205,703	0.19
NIT and ICP	1	2,730	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	1	444	0.00
Insurance Companies	3	2,007,510	1.81
Mutual Funds	4	671,365	0.61
General Public			
a. Local	4287	26,904,891	24.28
b. Foreign	792	1,066,626	0.96
Foreign Companies	9	863,768	0.78
Others	44	62,006,113	55.95
Totals	5144	110,830,500	100.00

Certificate holders holding 10% or more	Certificate Held	Percentage
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	11,288,753	10.00
H4 MANAGEMENT (PRIVATE) LIMITED	59,242,687	53.45

PATTERN OF CERTIFICATE HOLDING [BCR 5.15 (b)]

As at June 30, 2025

Number of Certificate Holders	Certificate Holdings			Total Certificate Held
1030	1	to	100	40,211
1834	101	to	500	470,592
685	501	to	1000	478,123
977	1001	to	5000	2,191,020
199	5001	to	10000	1,463,743
109	10001	to	15000	1,353,300
49	15001	to	20000	875,042
38	20001	to	25000	868,665
32	25001	to	30000	885,749
15	30001	to	35000	493,121
16	35001	to	40000	589,321
9	40001	to	45000	373,265
31	45001	to	50000	1,506,891
10	50001	to	55000	519,283
7	55001	to	60000	405,323
6	60001	to	65000	370,164
6	65001	to	70000	399,737
8	70001	to	75000	587,269
3	75001	to	80000	234,760
6	80001	to	85000	488,666
5	85001	to	90000	437,095
2	90001	to	95000	187,500
3	95001	to	100000	296,899
3	100001	to	105000	304,550
3	105001	to	110000	322,340
1	110001	to	115000	113,400
3	120001	to	125000	371,486
1	125001	to	130000	129,750
3	130001	to	135000	395,398
2	135001	to	140000	276,992
3	140001	to	145000	427,485
1	145001	to	150000	150,000
2	160001	to	165000	326,035
2	170001	to	175000	350,000
1	180001	to	185000	182,500
1	190001	to	195000	191,440
2	195001	to	200000	395,250
3	200001	to	205000	600,925
1	205001	to	210000	205,703
1	225001	to	230000	229,664
1	230001	to	235000	230,597
3	245001	to	250000	745,786
2	250001	to	255000	502,469
1	255001	to	260000	259,000
1	265001	to	270000	270,000
1	275001	to	280000	276,435
1	295001	to	300000	300,000
1	345001	to	350000	350,000
1	390001	to	395000	395,000
3	410001	to	415000	1,236,416
1	420001	to	425000	424,500
2	425001	to	430000	855,750
1	475001	to	480000	476,250
1	620001	to	625000	623,100
1	630001	to	635000	634,785
1	650001	to	655000	650,096
1	695001	to	700000	700,000
1	790001	to	795000	790,122
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,007,500
1	1115001	to	1120000	1,120,000
1	1145001	to	1150000	1,150,000
1	6015001	to	6020000	6,018,300
1	11080001	to	11085000	11,083,050
1	59240001	to	59245000	59,242,687
5144				110,830,500

NOTICE OF ANNUAL REVIEW MEETING



Notice is hereby given that the Annual Review Meeting of Certificate-Holders of First Habib Modaraba will be held on October 08, 2025 at 3.00 p.m. at the Institute of Cost and Management Accountants of Pakistan (ICMAP) Building, ST-18/C Block-6, Gulshan-e-Iqbal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2025.



The Certificate Holders whose names appear in the register of Certificate Holders of FHM as on October 01, 2025 will be eligible to attend the Annual Review Meeting.

By order of the Board

Ayesha Rasheed
Company Secretary
Karachi: September 16, 2025

REQUEST TO CERTIFICATE HOLDERS

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

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

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

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

BCR CRITERIA CROSS REFERENCE

S.No.	BCR Criteria	Page No.
1	Organizational Overview and External Environment	
1.01	Mission, vision, code of conduct, ethical, principal and core values.	20, 21, 22, 23
1.02	Profile of the company including principal business activities, markets (local and international), key brands, products and services.	58, 59
1.03	Geographical location and address of all business units including sales units and plants.	60
1.04	The legislative and regulatory environment in which the company operates.	71
1.05	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates.	41
1.06	Name and country of origin of the holding company / subsidiary company, if such companies are a foreign company.	41
1.07	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	143
1.08	Organization chart indicating functional and administrative reporting, presented with legends.	62, 63
1.09	A general review of the performance of the company, including its subsidiaries, associates, divisions etc., for the year and major improvements from last year.	65
1.10	Description of the performance of the various activities / product(s) / service(s) / segment(s) of the entity and its group entities during the period under review.	65
1.11	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	64
1.12	"a) Explanation of significant factors affecting the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and the organization's response. b) The effect of seasonality on business in terms of production and sales."	66, 67
1.13	The legitimate needs, interests of key stakeholders and industry trends.	68
1.14	SWOT Analysis of the company.	69
1.15	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	70
1.16	History of major events.	61
1.17	Details of significant events occurred during the year and after the reporting period.	61
2.	Strategy and Resource Allocation	
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve objectives.	74

S.No.	BCR Criteria	Page No.
2.02	"Resource allocation plans to implement the strategy. Resource mean 'Capitals' including: a) Financial Capital; b) Human Capital; c) Manufactured Capital; d) Intellectual Capital; e) Social and Relationship Capital; and f) Natural Capital."	75
2.03	The capabilities and resources of the company that provide sustainable competitive advantage, resulting in value creation by the company.	76
2.04	Company's strategy on market development, product and service development.	77
2.05	"The effects of the given factors on the company strategy and resource allocation: a) Technological Changes; b) Sustainability reporting and challenges; c) Initiatives taken by the company in promoting and enabling innovation; and d) Resource shortages (if any)."	78
2.06	Key Performance Indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	79, 80
2.07	The linkage of strategic objectives with company's overall mission, vision and objectives.	81
2.08	Board's statement on the internal controls including IT controls of the company.	184
2.09	Board's statement on the significant plans and decisions such as corporate restructuring, business expansion, major capital expenditure or discontinuance of operations.	82
2.10	"a) Information about defaults in payment of any debt with reasons and its repayment plan; b) Board strategy to overcome liquidity problems and plans to meet operational losses."	82, 83

3.	Risks and Opportunities	
3.01	Key risks and opportunities (internal and external), including sustainability-related risks and opportunities, affecting availability, quality and affordability of Capitals.	88 to 94
3.02	Company's robust assessment of the principal risks and uncertainties being faced, including those that would threaten the business model, future performance and solvency or liquidity. This may include operational risk, IT risk, regulatory risk, legal risk, political risk, strategic risk, and credit risk etc.	95 & 97
3.03	Risk Management Framework covering principal risks and uncertainties facing by the company, risk methodology, risk appetite and risk reporting.	86, 87
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.	88 to 94
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).	98

S.No.	BCR Criteria	Page No.
4.	Sustainability Disclosures & Corporate Social Responsibility (CSR)	
4.01	"Disclosure of the role of the Board to address the company's sustainability risks and opportunities, as required under the recent amendments of the SECP 'Listed Companies (Code of Corporate Governance) Regulations, 2019, SECP SRO 920/2024 dated June 12, 2024 for the following: a) Disclosures of company specific sustainability-related risks and opportunities (climate-related risks and opportunities) and their impact on the financial performance in the short, medium and long term and how these are managed or mitigated; b) Disclosures about four-pillars core content (Governance, Strategy, Risk Management and Metrics and Targets), together with the specific metrics designed by the company to demonstrate the performance and progress of the company. c) Disclosure of company's sustainability and DE&I related strategies, priorities and targets, the measures taken to promote in the company as well as performance against these targets are periodically reviewed and monitored. d) Boards are encouraged to adopt of the SECP's ESG Disclosure Guidelines (https://www.secp.gov.pk/document/secp-esg-disclosure-guidelines-for-listed-companies/)"	102 to 106
4.02	"Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability: - Social initiatives - financial inclusion, research and development, employment generation, community health and education, and health and safety of staff etc.; - Environmental initiatives - climate change mitigation etc. by focusing on 3R's (Reduce, Reuse & Recycle), how does the company reduce pollution, depletion and degradation of natural resources; and indirect like investment/ financing in green /sustainable project. - Technological innovation - use of advanced technology, innovative ideas leading to sustainability practices like energy-efficient processes or eco-friendly product designs; - Information on consumption and management of materials, energy, water, emissions and waste."	107 to 112
4.04	Board's statement for the adoption of CSR best practices including Board's commitment to promote CSR and how the company's sustainable practices can affect the financial performance of the company.	113 to 117
4.05	Highlights of the company's performance, policies, initiatives for CSR.	118 to 125

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 engagement in other entities as CEO, Director CFO or Trustee etc.; e) No. of companies in which the executive director of the reporting organization is serving as non-executive director."	38, 39
5.02	A brief description about role of the Chairman and the CEO.	40
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.	131
5.04	"Chairman's Review Report on the overall performance of the board including: a) Effectiveness of the role played by the board in achieving the company's objectives; b) Chairman's significant commitments, such as strategic, financial, CSR and ESG etc., and any changes thereto from last year'; c) Board statement on the company's structure, processes and outcomes of internal control system and whether board has reviewed the adequacy of the system of internal control."	32, 33
5.05	Board statement of its commitment to establish high level of ethics and compliance in the company.	128
5.06	Annual evaluation of performance, along with a description of criteria used for the members of the board, including CEO, Chairman, and board's committees.	129
5.07	Disclosure if the board's performance evaluation is carried out by an external consultant once in every three years.	132
5.08	Details of formal orientation courses for directors.	48
5.09	Directors' Training Program (DTP) attended by directors, female executives, and head of departments from the institutes approved by the SECP, along with names of those who availed exemptions during the year.	48
5.10	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	131
5.11	"Disclosure about related party transactions: a) Approved policy for related party transactions; b) Details of all related party transactions, along with the basis of relationship describing common directorship and percentage of shareholding; c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement; d) Disclosure of director's interest in related party transactions; e) In case of conflict, disclosure of how conflicts are managed and monitored by the board."	131, 226, 246

S.No.	BCR Criteria	Page No.
5.12	"Disclosure of Board's Policy on the following significant matters: a) Risk Management and internal control policies. b) Disclosure of director's interest in significant contracts and arrangements. c) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings. d) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies. e) Security clearance of foreign directors. f) Board meetings held outside Pakistan. g) Human resource management including: - Preparation of succession plan; - Merit based recruitment; - Performance based appraisal system; - Promotion, reward and motivation; - Training and development; - Diversity, Equity & Inclusion (DE&I) policy; and - Employee engagement /feedback. h) Social and environmental responsibility including managing and reporting policies like procurement, waste and emissions. i) Communication with stakeholders. j) Dividend policy. k) Investors' relationship and grievances. l) Employee's health, safety and protection. m) Whistle blowing policy n) anti-harassment policy to safeguard the rights and well-being of employees. o) Safety of records of the company."	" 133 131 48 48 48 48 134, 135 130 136 40 130 137 136 138 136 139"
5.13	Board statement of the organization's business continuity plan or disaster recovery plan.	140, 141
5.14	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	144 to 147
5.15	"Disclosure about: a) Shares held by Sponsors / Directors / Executives; b) Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors / Executives or close family member of Directors / Executives etc.) or foreign shareholding (if any)."	262, 263
5.16	Details about Board meetings and its attendance.	49
5.17	TORs, composition and meeting attendance of the board committees including (Audit, Human Resource, Nomination and Risk management).	149 to 151
5.18	"Timely Communication: Date of authorization of financial statements by the board of directors: Within 40 days - 6 marks Within 50 days - 6 marks (in case of holding company who has listed subsidiary / subsidiaries) Within 60 days - 3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee)."	259

S.No.	BCR Criteria	Page No.
5.19	"Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include: 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. b) Committee's overall role in discharging its responsibilities for the significant issues related to the financial statements, and how these issues were addressed. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. d) Role of Internal Audit in risk management and internal control, and the approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. e) Review of arrangements for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters, and recommended instituting remedial and mitigating measures. 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. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. 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. i) Results of the self-evaluation of the Audit Committee carried out of its own performance. j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year."	152, 153
5.20	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities.	154
5.21	"Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including: 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; b) Management support in the effective implementation and continuous updation; c) Details about user training of ERP software; d) How the company manages risks or control risk factors on ERP projects; e) How the company assesses system security, access to sensitive data and segregation of duties."	155
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.	

S.No.	BCR Criteria	Page No.
5.23	Information on company's contribution to the national exchequer (in terms of payment of duties, taxes and levies) and to the economy (measured in terms of GDP contribution, new jobs creation, increase in exports, contributions to society & environment and community development etc.)	109

6.	Analysis of the Financial Information	
6.01	"Analysis of the financial and non-financial performance using both qualitative and quantitative indicators, showing linkage between: a) Past and current performance; b) Performance against targets /budget; and The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred, as well as future prospects of profits."	158, 159
6.02	"a) Analysis of financial ratios (Annexure I) with graphical presentation and disclosure of methods and assumptions used in compiling the indicators. b) Explanation of negative change in the performance as compared to last year."	"160, 161 168"
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years. Weightage to be given to graphical presentation.	162, 163
6.04	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	170
6.05	"a) Information about business segment and non-business segment; and b) Segmental analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities."	171, 172
6.06	Disclosure of market share of the company and share price sensitivity analysis.	173
6.07	"Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business."	174
6.08	"Statement of Economic value added (EVA) [EVA = NOPAT – WACC x TC, where NOPAT is Net Operating Profit After Tax, WACC is Weighted Average Cost of Capital, and TC is Total Invested Capital]"	175
6.09	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).	172

7.	Business Model	
7.01	Describe the business model including inputs, business activities, outputs and outcomes as per international applicable framework.	180, 181
7.02	Explanation of any material changes in the entity's business model during the year.	181

S.No.	BCR Criteria	Page No.
8.	Disclosures on IT Governance and Cybersecurity	
8.01	The Board responsibility statement on the IT system/ controls and AI strategy of the company including compliance of legal and regulatory requirements regarding data privacy and cyber security and how the board is engaging with management in case of any breaches.	184
8.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	184
8.03	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.	184
8.04	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.	185
8.05	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	185
8.06	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.	185
8.07	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (Artificial Intelligence (AI), RPA, Data Analytics, Block Chain, Cloud Computing etc.) to improve transparency and governance, value creation and reporting.	186
8.08	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks. "Explanatory Note Companies are recommended to assess the risks related to the potential theft or compromise of their technology, data or intellectual property in connection with their operations, as well as how the recognition of these risks may impact their business, including their financial condition and results of operations, and any effects on their reputation, stock price -and long-term value. Where these risks are material to investment and voting decisions, they should be disclosed, and we encourage companies to provide disclosure that allows investors to evaluate these risks through the eyes of management. Further, the Company should not make such detailed disclosures that could compromise its cybersecurity efforts – for example, by providing a "roadmap or product details" for those who seek to penetrate a company's security protections. However, companies should disclose IT governance and cybersecurity risks and incidents that are material to investors, including the associated financial, legal, or reputational consequences, if any."	186

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.	190
9.02	Status of the projects in progress and those disclosed in the forward-looking statement in the previous year and whether the performance of the company is aligned with the forward- looking statement.	191

S.No.	BCR Criteria	Page No.
9.03	Disclosures about the company's future plans for AI adoption and its potential impact on the company's long-term strategy.	192
9.05	Sources of information and assumptions used for projections / forecasts in the forward- looking statement, and any assistance taken by any external consultant	192
9.04	Disclosure about company's future Research & Development initiatives.	193

10.	Stakeholders Relationship and Engagement	
10.01	Stakeholder's engagement policy of the company and how the company has identified its stakeholders.	196, 197
10.02	"Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how the relationship is likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees; and g) Analysts."	196, 197
10.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	198
10.04	Investors' Relations section on the corporate website with all relevant information including audited annual reports are available in the section.	198
10.05	Issues raised in the last AGM, decisions taken and their implementation status.	198
10.06	"a) Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions; and b) Disclosure of brief summary of Corporate Analyst briefing conducted during the year."	198
10.07	Highlights about redressal of investors' complaints including number of complaints received and resolved during the year.	198
10.08	Details about corporate benefits to shareholders like value appreciation, dividend etc.	31
10.09	Disclosure of whistle blowing mechanism to receive and handle complains in a fair and transparent manner, and provide protection to the complainant against victimization and reporting in the Audit Committee's report.	138

11.	Striving for Excellence in Corporate Reporting	
11.01	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	202
11.02	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).	265 to 275

12.	Specific Disclosures of the Financial Statements	
12.01	Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs (Annexure II).	276

Annexure I - Financial Ratios (refer section 6 of the criteria)

Financial Sector

Profitability Ratios		Page No.
a)	Profit before tax ratio	160
b)	Gross Yield on Earning Assets	160
c)	Gross Spread ratio	160
d)	Cost/Income ratio	160
e)	Return on Equity	160
f)	Return on Capital employed	160
g)	Gross Profit ratio	160
h)	Net Profit to Sales	160
i)	EBITDA Margin to Sales	160
j)	Return on Equity / Shareholders' Funds	160
Liquidity Ratios		
a)	Advances to deposits ratio	161
b)	Current ratio	161
c)	Net interest income as a percentage of working funds / operating cost – Efficiency ratio	
d)	Non-interest income as a percentage of working funds	
e)	Quick / Acid test ratio	161
f)	Cash to Current Liabilities	161
g)	Cost of Funds	161
h)	Cash flow coverage ratio	161
i)	Gross Non-Performing assets to gross advances	161
Investment / Market Ratios		
a)	Earnings per share (EPS) and diluted EPS	161
b)	Price Earnings ratio	161
c)	Price to Book ratio	161
d)	Dividend Yield ratio	161
e)	Dividend Payout ratio / Dividend Cover Ratio	161
f)	Cash Dividend per share / Stock Dividend per share	161
g)	Market value per share at the end of the year and high/low during the year	161
h)	DuPont Analysis	176
i)	Free Cash Flow	164
j)	Economic Value Added (EVA)	175
Capital Structure		
a)	Capital Adequacy ratio	161
b)	Earning assets to total assets ratio	161
c)	Weighted Average cost of deposit	161
d)	Net assets per share	161
e)	Debt to Equity ratio (as per book and as per market value)	161
Non-Financial Ratios		
a)	Staff turnover ratio	161
b)	Customer Satisfaction Index	161
c)	Employee Productivity Rate	161
d)	Revenue per Employee	161
e)	Customer Retention Ratio	161

For Specific Disclosures of the Financial Statements

	"Annexure II - Specific Disclosures of the Financial Statements (refer section 12 of the criteria)"	Page No.
1	Fair value of Property, Plant and Equipment.	228
2	Particulars of significant / material assets and immovable property including location and area of land.	Not Applicable
3	Capacity of an industrial unit, actual production and the reasons for shortfall.	Not Applicable
4	Specific disclosures required for shariah compliant companies / companies listed on the Islamic Indices as required under clause 10 of the Fourth Schedule of the Companies Act, 2017.	277
5	Disclosure requirements for common control transactions as specified under the Accounting Standard on 'Accounting for common control transactions' developed by ICAP and notified by SECP (through SECP S.R.O. 53(I)/2022 dated January 12, 2022)	Not Applicable
6	Disclosure about Human Resource Accounting (includes the disclosure of process of identifying and measuring the cost incurred by the company to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets).	Not Applicable
7	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	Not Applicable

Specific Disclosures For Shariah Compliant Companies And The Companies Listed On The Islamic Indices

The disclosures required under clause 10 of the Fourth Schedule of the Companies Act, 2017 for Sharia compliant companies and the companies listed on Islamic index are as follows:

Disclosure Required	Reference to the disclosure in financial statements	Page No.
Loans/advances obtained as per Islamic mode	Refer Note 20 and 22	236 and 241
Shariah compliant bank deposits/bank balances;	Refer Note 9.2 and 15	231 and 234
Profit earned from shariah compliant bank deposits/bank balances	Refer Note 26	244
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 26	244
Exchange gain earned from actual currency	Not applicable	-
Financial Charges paid on Islamic mode of financing	Refer "Financial Charges paid" in Cashflow from Operating Activities	215
Relationship with shariah compliant banks	Refer Note 15	234
Profits earned or interest paid on any conventional loan or advance	Not applicable	-

FIRST HABIB MODARABA

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