



TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

ANNUAL REPORT - 2023

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VISION STATEMENT

Protection of interests of the initial TREC holders of erstwhile Lahore Stock Exchange.

MISSION STATEMENT

To manage and maintain the funds and incomes of the Trust for utilization to protect the interests of the initial working TREC holders of erstwhile LSE.

OBJECTIVES OF THE TRUST

1. To constitute and administer the Fund for the purposes as set out under the original objectives of the Trust and to utilize the funds to protect the interests of the initial working TREC holders for timely, orderly and efficient settlement of their respective clearings and in the event of non-compliance of the payment obligation of any defaulting TREC holder provided that the utilized amount is immediately credited after recovery to the Fund either through cash or through sale of available rights/assets.
2. To generate the earnings of the Fund through investments returns for the above stated purpose.
3. To release money from the Fund to NCCPL on its request to cover the shortfall created due to money obligations of a defaulting Clearing Member provided that the said released money shall be reimbursed by the exchange.

HISTORY

Establishment, Generation of Fund and Integration of Exchange:

During the year 2012, in the first phase under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 the stock exchanges were demutualized and became public companies and the brokers (earlier called members) were issued the shares of the public company (Lahore Stock Exchange Ltd.) along with the Trading Right Entitlement Certificates (TREC). In March-2013, under the above referred Demutualization Act.

While viewing the change of terminology of Members used for working brokers to TREC Holders, the Governing Board of Directors of erstwhile Lahore Stock Exchange Ltd. (LSE) established the Trading Right Entitlement Certificate (TREC) Holders Contribution Fund (TCF) Trust and accordingly, the Trust Deed of the TCF Trust with the approval of LSE Board of Directors and the SECP was executed and registered with the registrar concerned and the Chairman LSE, MD LSE, the Directors of LSE and the senior management were appointed as the Trustees of the TCF Trust and the LSE transferred the funds into the separate account of TCF Trust.

Role of SECP, Terms & Conditions of the Trust and Execution of Trust Deeds:

In the year 2015, in the second phase pursuant to the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 the stock exchanges were entered into the Scheme of Integration which was executed by January 11, 2016 under the Integration Order of the Commission and accordingly, Lahore Stock Exchange Ltd. ceased to be the stock exchange while converting into NBFC. In continuation of the Stock Exchanges Act, 2012 the Commission issued the amended Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012 dated, December 17th, 2015.

Under Regulation No. 15 of these Regulations, the Commission constituted the Funds Committee (replacing LSE) for oversight of the Trust Funds of LSE and also nominated its members. The Commission also sent the amended Trust Deeds as per the amended Regulations for onward execution by the Trusts in which the composition of the Trustees is also mentioned. The Commission also granted its approval for the appointment of the new Trustees of these Trust Funds as per recommendation of the Funds Committee for LSE as per given composition in the Trust Deeds.

Fund Distribution and Interest Income and Its Utilization:

Currently, the Trust is entertaining all the claims and cases against the defaulted Members/TREC holders of erstwhile LSE prior to the date of Integration i.e., January 11, 2016 as well as the claims against the Ex-TREC holders of erstwhile LSE inducted by Pakistan Stock Exchange (PSX) relating the period prior to the Integration.

Moreover, under the scheme of Integration as well as in consideration of continuity of business of the TREC holders, the Commission has permitted the provision of bank guarantees to PSX against the Base

Minimum Capital (BMC) requirement of all the Ex-TREC holders of erstwhile LSE inducted by PSX. BMC requirement is being calculated as per the BMC regulations of PSX (as per Chapter 19 of PSX Rule Book). The BMC calculation is reviewed and changed on the basis of Assets under custody of each TREC holder on monthly basis.

Dissolution of Fund:

Currently, the Trust is in transitional phase and this arrangement is on temporary basis as per the Regulation 19(9) of the amended Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012, after meeting all claims, liabilities of the Trusts, both the MCF and TCF Trusts shall be dissolved by the Trustees and any surplus assets, if any, shall be transferred forthwith to the Customer Protection Compensation Fund established and maintained in accordance with the regulations and rules for the Customer Protection Compensation Fund under Sections 169(2)(h) and 175(2)(c) of the Securities Act, 2015 within such time as may be determined by the Commission. The same had been incorporated in the last executed amended Trust Deeds as per direction of the Commission in the clause relating Integration and Winding up of the Trust.

CORPORATE INFORMATION

Board of Trustees

1.	Mr. Rashid Rahman Mir	Chairman
2.	Mr. Ammar ul Haq	Trustee
3.	Mr. Asif Baig Mirza	Trustee
4.	Mr. Jahanzeb Mirza	Trustee
5.	Dr. Yasir Mahmood	Trustee

Funds and Operational Manager

LSE Financial Services Limited

Management through Funds and Operational Manager:

Secretary to the Trust

Mr. Muhammad Sajjad Hyder

Head of Finance

Mr. Ghulam Mustafa

Auditors

RSM Avais Hyder Liaquat Nauman, Chartered Accountants

Registered Office

Lower Ground Floor, LSE Plaza, 19 – Khayaban-e-Aiwan-e-Iqbal, Lahore

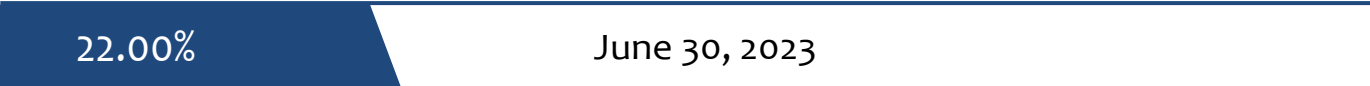
Annual Performance Review

Report of the Funds & Operational Manager of the IPF, TCF &MCF Trusts of LSE, on the financial performance of the Trust Funds for the periods ended June 30, 2023

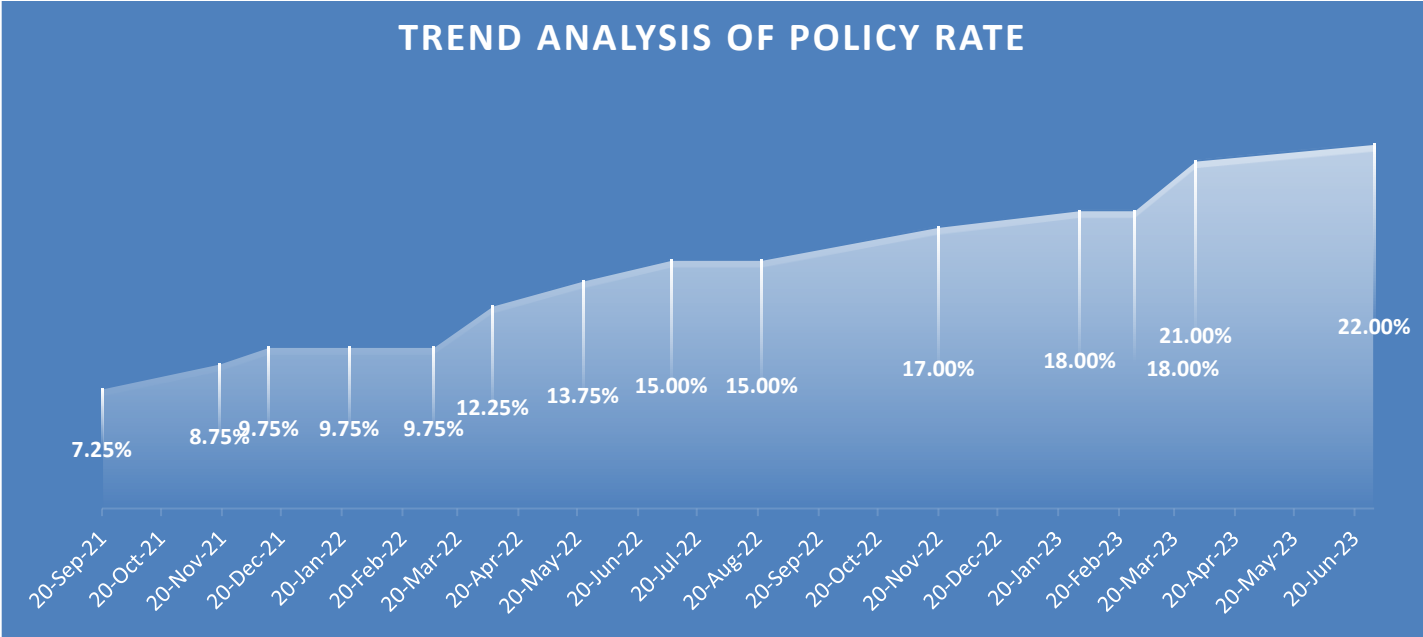
The Management of LSE Financial Services Ltd. is pleased to present its report to the Funds Committee and the Board of Trustees of IPF, TCF & MCF Trusts of LSE, on the financial performance of the Trust Funds for the period ended June 30, 2023.

We are to confirm that all the investments of the Trust Funds were strictly made and efficiently managed as per the Investment Policy, approved by the Board of Trustees of the three Funds, with the aim to protect the principal amount through diversification, avoiding concentration risk and to maximize the profits through efficient tax management.

POLICY RATE



During the period under review, the Monetary Policy Committee (MPC) increased the policy rate by 1 % from the previous policy rate. Which is now 22.00% per annum.



During the period, our profit rate on TDRs ranged from 16% to 20.70% p.a., The PLS account profit rate of the Banks is 19.50% p.a. The Funds were invested in Govt. Treasury bills, TDRs as well as placed in PLS accounts of MCB Bank Ltd., Allied Bank Ltd., and Bank-Al-Habib Bank Ltd., having the following rating:

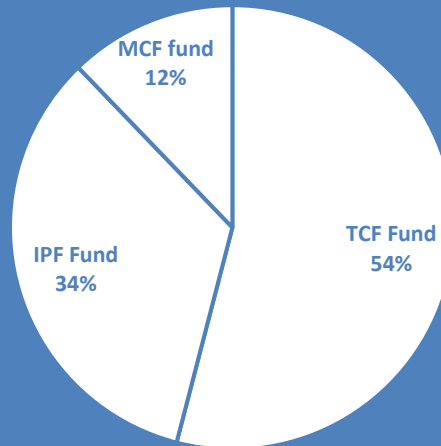
Trust	Bank	Rating		SBP Policy Rate/annum	SBP Weighted Avg. Policy Rate/annum
		Long Term	Short Term		
IPF	MCB Bank Limited	AAA	A1+	22.00%	18.00%
MCF	MCB Bank Limited	AAA	A1+	22.00%	18.00%
TREC	MCB Bank Limited	AAA	A1+	22.00%	18.00%
	Allied Bank Limited	AAA	A1+		
	Bank Al-Habib Limited	AA+	A1+		
Govt. Treasury bills				23%	

Based on projected cash flow, only the minimum required cash amount was maintained in the PLS accounts of the banks to cater for the regular payments related to fund management fees, meeting fees, misc. expenses, etc. of the trust funds. The remaining balances were kept invested in 3-month T-bills and TDRs with a profit at maturity.

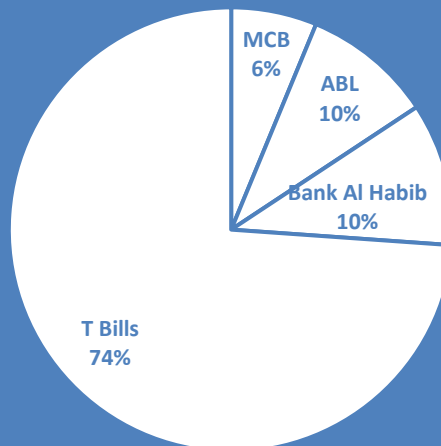
Following is a snapshot of the funds as of 30th June 2023

Particular	TREC Trust		IPF Trust		MCF Trust		Total	
	Un-audited 30-Jun-23	Audited 30-Jun-22	Un-audited 30-Jun-23	Audited 30-Jun-22	Un-audited 30-Jun-23	Audited 30-Jun-22	Un-audited 30-Jun-23	Audited 30-Jun-22
Fund & Reserves	594,718,884	524,684,273	367,981,717	326,713,578	133,535,760	112,885,995	1,096,236,361	964,283,846
Liabilities & Payable	2,032,567	1,361,979	7,844,874	6,950,268	855,783	1,378,760	10,733,224	9,691,007
Total Fund Size	596,751,451	526,046,252	375,826,591	333,663,846	134,391,543	114,264,755	1,106,969,585	973,974,853
Represented by:								
Cash, cash equivalent and short term investments available	558,625,576	502,523,412	350,922,180	316,637,170	125,971,030	111,562,070	1,035,518,786	930,722,652
Accrued Interest & other receivable	12,428,919	4,009,709	6,556,844	8,403,968	2,790,619	2,702,685	21,776,382	15,116,362
Tax refundable / Adjustable	25,696,956	19,513,131	18,347,567	8,622,708	5,629,894	-	49,674,417	28,135,839
	596,751,451	526,046,252	375,826,591	333,663,846	134,391,543	114,264,755	1,106,969,585	973,974,853
Difference	-	-	-	-	-	-	-	-
Cash available before settlement of liabilities	558,625,576	502,523,412	350,922,180	316,637,170	125,971,030	111,562,070	1,035,518,786	930,722,652
Bank Guarantees issued	208,000,000	208,000,000	280,000,000	280,000,000	84,000,000	84,000,000	572,000,000	572,000,000
Net Cash available after issuance of BG	350,625,576	294,523,412	70,922,180	36,637,170	41,971,030	27,562,070	463,518,786	358,722,652
BG issued In Favour of PSX against BMC	190,000,000	190,000,000	280,000,000	280,000,000	-	-	470,000,000	470,000,000
BG issued in favour of NCCPL for SG fund	18,000,000	18,000,000	-	-	84,000,000	84,000,000	102,000,000	102,000,000

FUNDS PIE CHART



PORTFOLIO OF TOTAL FUNDS



Weighted Average and Current Rates of the Funds Placed:

Description	IPF		MCF		TREC		Total	
	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22
Weighted Avg. Rate on TDR	17.00%	11.80%	17.00%	11.80%	17.00%	12.32%	17.00%	11.97%
Weighted Avg. Rate on PLS	15.50%	13.00%	15.50%	13.00%	15.50%	13.00%	15.50%	13.00%
Rate on T-bills' on Period end	22.00%	0.00%	22.00%	0.00%	22.00%	0.00%	22.00%	0.00%
Rate on TDRs on Period end	0.00%	11.80%	0.00%	11.80%	20.70%	12.51%	20.70%	18.06%
Rate on PLS's on Period end	19.75%	13.50%	19.75%	13.50%	19.75%	13.50%	19.75%	13.50%

Note: The major chunk of the trust(s) fund is marked under lien with MCB Bank against Bank Guarantees issued to PSX and NCCPL. Due ADR (Advance to Deposit Ratio) requirement of SBP the MCB bank was not agreeing to offer or even match market-compatible rates, therefore, the under-lien funds were invested in T-bills at more lucrative rates and marked as lien against BGs. Now the bank has discontinued the free BG Facility due to a change in collateral. Nevertheless, the 1.5% yield has been enhanced by switching of collateral. The financial impact of this is around PKR 10.5 million annually.

As a result, the net income from the investment during the periods was achieved in the following manner:

Description	IPF			MCF			TREC			Total		
	Jun-23	Jun-22	% Change	Jun-23	Jun-22	% Change	Jun-23	Jun-22	% Change	Jun-23	Jun-22	% Change
	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%
Income	53,621	25,302	111.92%	18,805	8,957	109.96%	81,653	40,418	102.02%	154,079	74,677	106.33%
Expense												
Direct	19,457	13,734	41.67%	3,105	2,624	18.32%	14,122	12,197	15.78%	36,684	28,555	28.47%
Administrative	2,608	2,149	21.36%	1,574	1,258	25.11%	3,515	3,621	-2.93%	7,697	7,028	9.52%
	22,065	15,883	38.92%	4,679	3,882	20.52%	17,637	15,818	11.50%	44,381	35,583	24.72%
Taxation	(9,713)	-	100%	(6,523)	-	100%	(6,172)	-	100%	(22,408)	-	100%
Net Income	41,269	9,419	338.15%	20,649	5,074	306.94%	70,188	24,600	185.32%	132,106	39,093	237.93%

During the year, an amount of Rs. 10.7 million was paid from IPF trust to PSX as BMC arrangement on behalf of Equity Master a defaulted TREC holder. Last year an amount of PKR 6 million was contributed from the same fund for the settlement of Wasi Securities claimants.

At the close of the financial period, i.e., on June 30, 2023, the investments of the Funds and net cash position are recorded as under:

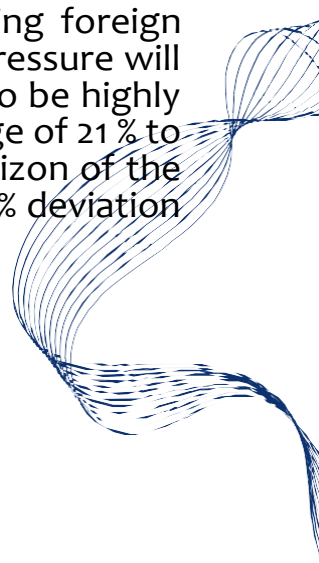
Description	IPF		MCF		TREC		Total	
	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22
	----- Rupee in 000 -----							
Investment	339,147	313,000	122,926	110,000	549,287	483,000	1,011,360	906,000
Bank	17,589	3,637	5,836	1,562	21,766	19,523	45,191	24,723
Total Fund	356,736	316,637	128,762	111,562	571,053	502,523	1,056,551	930,723
Increase in amount	40,099		17,200		68,530		125,828	
Increase in %	12.66%		15.42%		13.64%		13.52%	

In FY 2022-2023, the Management had successfully managed the tax exemptions u/s 151, therefore, no tax was deducted at source during the period.

The exemptions under section 2(36) of IPF and TCF Trusts funds have been reapplied, whereas, the exemption for MCF remains valid till June 30, 2024.

Future Outlook:

Monitory Policy Committee (MPC) in its meeting on June 26, has decided to increase the policy rate from 21.00% to 22%.00 i.e. 100 BPS. In view of upcoming foreign payments amounting to USD 24 Billion, increasing inflation constant pressure will be kept on PAK Rupee. A decrease in the discount rate is forecasted to be highly unlikely. The total portfolio of the funds has been invested at an average of 21 % to 22 % p.a. for 3 months T-bills and TDRs. The short to medium-term horizon of the policy rate is unlikely to change and maximum upside 1% or downside 1% deviation can be expected.

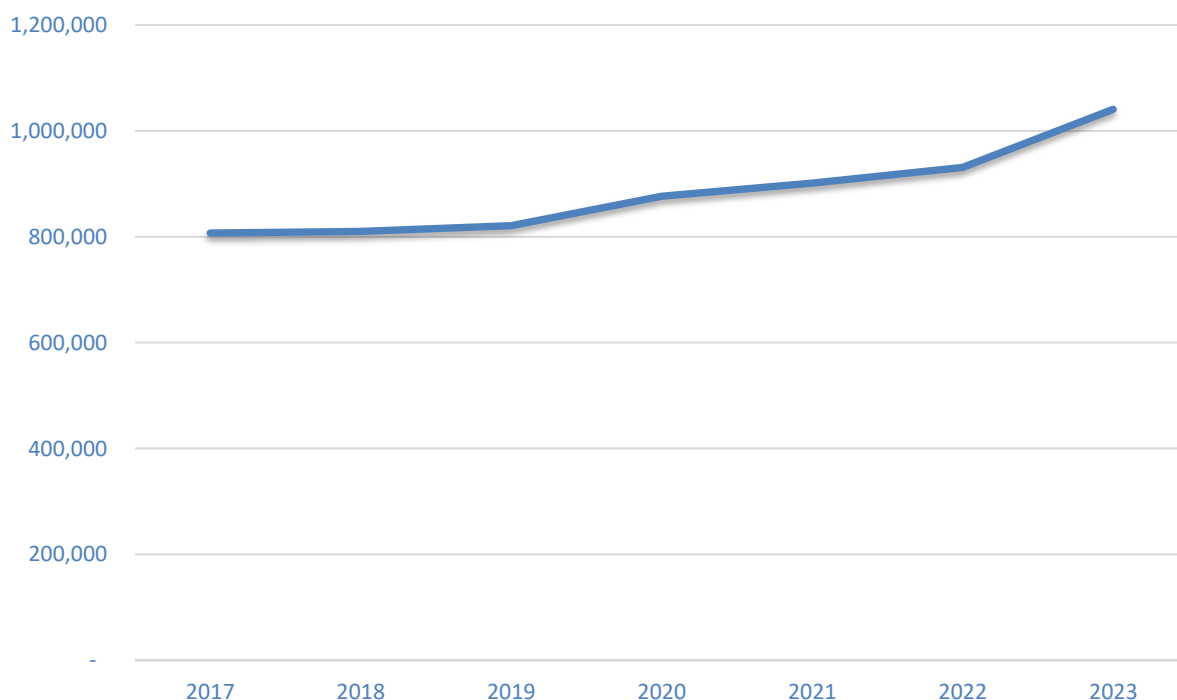


7 YEAR MANAGEMENT PERFORMANCE REVIEW

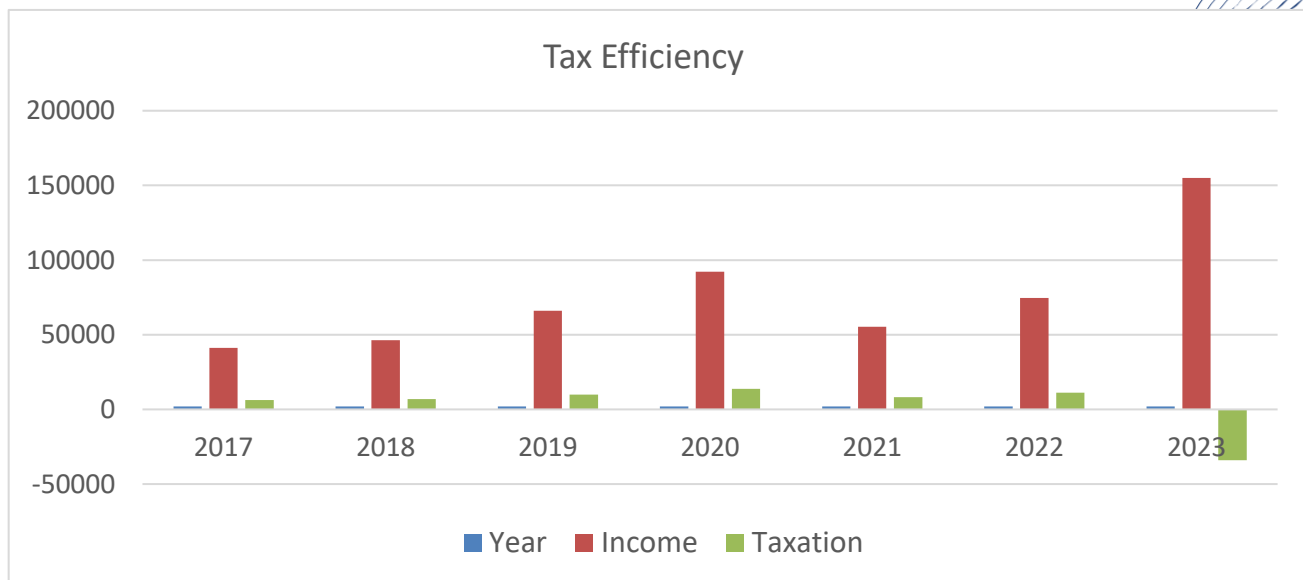
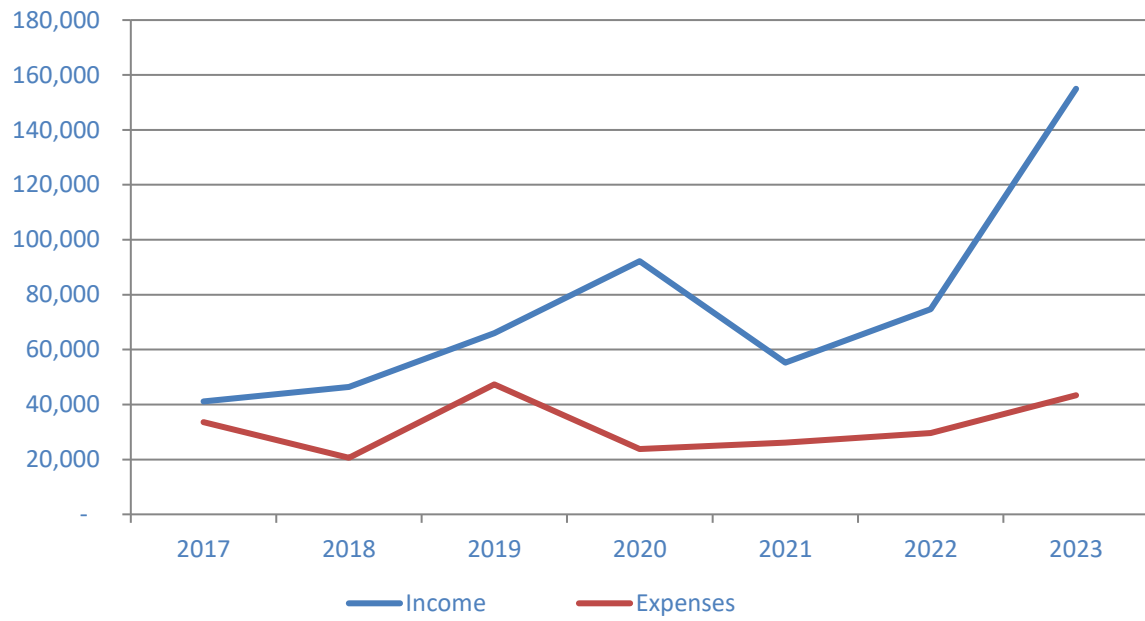
Seven Years Achievement

Funds	1-Jan-16	7 Years				30-Jun-23
	Cash & cash equivalent	Income	Fund Management Fee	Payment to defaulted members	Other Expense	Cash & Cash equivalent
TCF Fund	397,081,780	282,407,517	76,012,992	-	17,833,396	570,766,971
IPF Fund	295,384,116	183,972,866	48,302,264	53,447,412	12,532,051	356,588,000
MCF fund	91,514,099	63,447,212	16,299,508	-	6,927,830	128,836,106
	783,979,995	529,827,595	140,614,764	53,447,412	37,293,277	1,056,191,077

Funds growth in 7 years Rs. in '000



Income & Expense 7 years Rs in '000



Auditor's Report and Audited Financial Statements



RSM Avals Hyder Liaquat Nauman
Chartered Accountants

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**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF LAHORE STOCK EXCHANGE TRADING
RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST**

Opinion

We have audited the financial statements of LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST (The Trust), which comprise the statement of financial position as at June 30, 2023, and the income and expenditure statement, statement of changes in funds and reserves, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at June 30, 2023, and of its financial performance and changes in its funds and reserves and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust 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.

Emphasis of Matter

We draw attention to the matters stated in note 9 to these financial statements which describes the uncertainty related to the outcome of the legal cases being contested by and against the Trust. Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the 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, the Management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

The Trustees of the Trust are responsible for overseeing the Trust's financial reporting process.

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Peshawar : 92 (91) 527 8330/ 527 7205
Kabul : 93 (799) 058 155

RSM Avals Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent member of its own right. The RSM network is not a separate legal entity in any jurisdiction.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Trust's to cease to continue as a going concern.
- 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 Management 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.

The engagement partner on the audit resulting in this independent auditors' report is Syed Ali Adnan Tirmizey.



RSM AVAIS HYDER LIAQUAT NAUMAN

Chartered Accountants

Date: October 10, 2023

Place: Lahore

UDIN: AR202310193L50IE7Jv



**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
ASSETS			
Current Assets			
Short term investments	4	536,859,078	483,000,000
Accrued interest		12,428,919	4,009,709
Advances and prepayments	5	153,266	-
Tax Refunds due from Government	6	25,696,956	19,513,131
Bank balances	7	21,766,498	19,523,412
TOTAL ASSETS		596,904,717	526,046,252
FUNDS AND LAIBILITIES			
Funds and Reserves			
General fund		530,033,415	530,033,415
Accumulated surplus / (deficit)		64,838,735	(5,349,142)
		594,872,150	524,684,273
Current Liabilities			
Other payables	8	2,032,567	1,361,979
Contingencies and Commitments	9	-	-
TOTAL FUNDS AND LIABILITIES		596,904,717	526,046,252

The annexed notes from 1 to 16 form an integral part of these financial statements.

TRUSTEE

TRUSTEE

HEAD OF FINANCE

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
INCOME			
Interest income	10	81,652,606	40,418,778
EXPENDITURE			
Funds and operational management fee	8.1	14,122,327	12,197,881
Administrative expenses	11	3,515,210	3,620,423
Total expenditure		17,637,537	15,818,304
Surplus before taxation		64,015,069	24,600,474
Taxation	12	6,172,808	-
Surplus for the year		70,187,877	24,600,474

The annexed notes from 1 to 16 form an integral part of these financial statements.

TRUSTEE

TRUSTEE

HEAD OF FINANCE

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Funds	Accumulated surplus / (deficit)	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2021	530,033,415	(29,949,616)	500,083,799
Surplus for the year	-	24,600,474	24,600,474
Balance as at June 30, 2022	530,033,415	(5,349,142)	524,684,273
Surplus for the year	-	70,187,877	70,187,877
Balance as at June 30, 2023	<u>530,033,415</u>	<u>64,838,735</u>	<u>594,872,150</u>

The annexed notes from 1 to 16 form an integral part of these financial statements.


TRUSTEE


TRUSTEE


HEAD OF FINANCE

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	64,015,069	24,600,474
Adjustment for:		
Interest income	(81,652,606)	(40,418,778)
Guarantee commission	436,264	234,000
	(81,216,342)	(40,184,778)
Operating (deficit) before working capital changes	(17,201,273)	(15,584,304)
Changes in working capital		
(Increase) / Decrease in current assets:		
Advances & prepayments	(153,266)	234,000
Increase / (decrease) in current liabilities:		
Other payables	670,588	28,667
	517,322	262,667
Net cash (used in) operations	(16,683,951)	(15,321,637)
Guarantee commission	(436,264)	(234,000)
Tax paid during the year	(11,017)	(447,175)
Net cash (used in) operating activities (A)	(17,131,232)	(16,002,812)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	73,233,396	37,829,343
Short term investments made	(53,859,078)	(15,000,000)
Net cash generated from investing activities (B)	19,374,318	22,829,343
Net increase in cash and cash equivalents (A+B)	2,243,086	6,826,531
Cash and cash equivalents at the beginning of the year	19,523,412	12,696,881
Cash and Cash Equivalents at the end of the Year	21,766,498	19,523,412

The annexed notes from 1 to 16 form an integral part of these financial statements.


TRUSTEE


TRUSTEE


HEAD OF FINANCE

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

1 Legal status and activities

The Lahore Stock Exchange Trading Right Entitlement Certificate Holders' Contribution Fund Trust (referred to as the "LSE TCF Trust" or the "Trust") was established by the erstwhile Lahore Stock Exchange Limited vide Trust Deed registered on March 7, 2013. The Trust was established for the purpose of managing and maintaining a fund for the protection of interests of Trading Right Entitlement Certificate Holders (referred to as TREC holders of LSE) in accordance with regulations of the LSE, as amended from time to time. Pursuant to the Scheme of Integration under Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (referred to as the "Act") read with Regulation 11 and 12 of the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012 (referred to as the "Regulations") as amended on September 5, 2015, LSE surrendered its stock exchange license, being the transferor stock exchange under the scheme of integration, and continued to exist as a public company limited by shares. Accordingly, from the effective date of Integration of stock exchanges of Pakistan (i.e., January 11, 2016), the "TREC" holders of erstwhile LSE were inducted by the successor stock exchange namely Pakistan Stock Exchange Limited (the "PSX"- formerly: Karachi Stock Exchange Limited). Necessary amendments to LSE TCF Trust Deed were made through amendments to IPF Trust Deed dated, February 11, 2016 to give effect to these requirements.

The Regulations provided for the establishment of a "Funds Committee" for LSE TCF Trust as well as for Investors' Protection Fund Trust (the "IPF Trust") and Members Contribution Fund Trust (the "MCF Trust"). Thus, the Funds Committees were appointed and constituted by the Securities and Exchange Commission of Pakistan (the "SECP") according to Part V (Regulation 17-18) and Part VA (Regulation 19) of the Regulations as amended on December 17, 2015. These regulations provided that from the effective date of integration of the stock exchanges of Pakistan or as may otherwise be determined by the SECP, the Trustees of LSE TCF Trust shall transfer such amounts as may be determined by the SECP, remaining after the settlement of the claims, liabilities and incidental expenses determined by the Funds Committee, to the Clearing and Settlement Guarantee Fund established and maintained by the National Clearing Company of Pakistan Limited (NCCPL) as per the actuarial valuation contribution. Any balance amounts after these payments shall, however, be transferred by the Trustees to any centralized customer protection compensation fund established and maintained in accordance with rules and regulations for the Customer Protection Compensation Fund under section 169(2)(h) and 175(2)(c) of the Securities Act, 2015 within such time as may be determined by the SECP.

The Trust is an approved Non Profit Organization under section 2(36) of Income Tax Ordinance, 2001 and as disclosed in related notes to these financial statements, is entitled to a tax credit equal to 100% of its tax liabilities.

2 Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standard, as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise the Revised Accounting and Financial Reporting Standard for Small-Sized Entities (AFRS for SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements have been prepared in Pakistani Rupees which is the Trust's functional currency. All financial information presented in Pakistani Rupees has been rounded off to the nearest Rupee, unless otherwise stated.

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
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FOR THE YEAR ENDED JUNE 30, 2023**

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the Revised Accounting and Financial Reporting Standard for Small Sized Entities (SSEs) issued by Institute of Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

These estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Significant management estimates in these financial statements relate to the provision for taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

3 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless stated otherwise.

3.1 Provisions

A provision is recognized in the statement of financial position when the Trust has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and of which a reliable estimate can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.2 Taxation

3.2.1 Current

The charge for current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any. The Trust is an approved Non Profit Organization under section 2(36) of Income Tax Ordinance, 2001 and is entitled to full tax credits equal to tax liability as per section 100C of Income Tax Ordinance, 2001.

3.2.2 Deferred

Deferred tax is recognized using the statement of financial position liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases. Deferred tax liabilities are recognized for all major taxable temporary differences.

The carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable surplus will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

The Trust has not recorded deferred tax for the reporting year in these financial statements since the management believes that temporary differences will not arise because income of trust is subject to 100% tax credit for all applicable taxes.

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
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FOR THE YEAR ENDED JUNE 30, 2023**

3.3 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Trust.

3.4 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.5 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances. Cash and cash equivalents are carried at cost in statement of financial position.

3.6 Receivables

All outstanding receivables are reviewed at the balance sheet date. The Trust recognizes and carries these receivables at original invoice amount less an allowance for uncollectible amounts, if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of full amount is no longer probable.

3.7 Financial instruments

The Trust accounts for its financial instruments as per the Revised Accounting and Financial Reporting Standard for Small Sized Entities (SSEs). The management determines the classification of its financial instruments at the time of initial recognition. The Trust classifies its financial assets as basic financial instruments initially measured at fair value. Subsequently, these financial instruments are measured at amortized cost. Financial assets are derecognized when rights to cash flows from financial assets are settled or expired and financial liabilities are derecognized when these are extinguished.

3.7.1 Short Term Investments

These investments are financial assets with fixed or determinable payments and fixed maturity and are carried at amortized cost because the management has the intention and ability to hold such investments till maturity.

3.7.2 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Trust has currently legally enforceable right to set-off the recognized amounts and the Trust intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Trust or the counter parties.

3.8 Interest income

Income on investments and bank deposits is recognized on accrual basis when the right to receive the interest is established.

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3.9 Related party transactions

Transactions with related parties are carried out on arm's length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price methods which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer un-related to the seller.

4	Short Term Investments	Note	2023	2022
			Rupees	Rupees
	Term Deposit Receipts (TDRs) :			
	MCB Bank Limited		-	108,000,000
	Allied Bank Limited	4.1	100,000,000	100,000,000
	Bank Al-Habib Limited	4.2	110,000,000	275,000,000
	Treasury Bills			
	MCB Bank Limited	4.3	326,859,078	-
			<u>536,859,078</u>	<u>483,000,000</u>

4.1 This is held with a bank carrying return at the average rate of 19.00% per annum (2022: 13.25% per annum) and is due to mature on July 17, 2023 (2022: July 29, 2022).

4.2 This is held with a bank carrying return at the average rate of 20.00 % per annum (2022: 12.00 % per annum) and is due to mature on August 16, 2023 (2022: October 14, 2022).

4.3 These are investment in SBP Treasury bill held with bank carrying returns at the from 12.80 % to 21.95% per annum and are due to mature on August 24, 2023.

4.4 The Treasury bills of MCB Bank Limited & TDR of Allied Bank Limited have been lien marked, as these banks have issued irrevocable bank guarantees of Rs. 90 million and Rs 100 million (2022: Rs. 90 million and Rs 100 million), respectively in favour of Pakistan Stock Exchange Limited as per Regulation 19, sub regulation 8(b) of the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

4.5 On the basis of lien marked on these Treasury bills, MCB Bank Limited has issued a guarantee of Rs 18 million in favour of the National Clearing Company of Pakistan's Settlement Guarantee Fund as per Regulation 19, sub regulation 8(a), of the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

5	Advances and prepayments	Note	2023	2022
			Rupees	Rupees
	Amount due from defaulted members	5.1	161,636,730	161,636,730
	Less: Provision for doubtful receivable		<u>(161,636,730)</u>	<u>(161,636,730)</u>
			-	-
	Guarantee Commission		153,266	-
			<u>153,266</u>	<u>-</u>

5.1 This represents the amounts due from defaulted / suspected members who could not settle their clearing house liabilities.

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
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6	Tax Refunds due from Government	Note	2023	2022
			Rupees	Rupees
	Income tax deducted at source		25,696,956	38,236,848
	Less: Provision for taxation		-	(18,723,717)
	Closing balance		<u>25,696,956</u>	<u>19,513,131</u>
			Income Tax	Provision for Taxation
6.1	Balance at beginning of the year		38,236,848	(18,723,717)
	Amount reversed during the year		<u>(12,539,892)</u>	<u>18,723,717</u>
			<u>25,696,956</u>	<u>-</u>

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
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7	Bank Balances	Note	2023	2022
			Rupees	Rupees
	Current accounts		4,108,083	5,910,909
	Saving accounts	7.1	17,658,415	13,612,503
			<u>21,766,498</u>	<u>19,523,412</u>

7.1 This is held with a bank carrying return at the average rate of 12.25% to 19.50% per annum (2022: 5.50% to 12.25% per annum) throughout the year.

8	Other Payables	Note	2023	2022
			Rupees	Rupees
	Funds and operational management fee	8.1	1,341,859	1,086,478
	Audit fee payable		113,377	103,500
	Others		577,331	172,001
			<u>2,032,567</u>	<u>1,361,979</u>

8.1 LSE Financial Services Limited renders the services of managing the investment portfolio of funds and operations of the Trading Right Entitlement Certificate Holders' Contribution Fund Trust under the supervision of Funds Committee. For such services, it is entitled to a remuneration in terms of funds and operational management fee charged at the rate of 2% per annum (2022: 2% per annum) applicable on the size of the Fund. The funds and operational management fee is payable in arrears on monthly basis.

9 Contingencies and Commitments

9.1 As per Regulation 19, Sub Regulation 8(a) of Part V-A of the amended Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012, the Trustees of the TCF Trust have provided a bank guarantee amounting Rs. 18 million (2022: Rs. 18 million) to National Clearing Company of Pakistan Limited (NCCPL) as per actuarial valuation provided by NCCPL for contribution towards 'Settlement Guarantee Fund' (SGF) constituted by NCCPL to implement centralized risk management at NCCPL.

9.2 As per Regulation 19, Sub Regulation 8(b) of Part V-A of the amended Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012, the Trust has provided bank guarantees amounting Rs. 90 million (2022: Rs. 90 million) and Rs. 100 million (2022: Rs. 100 million) from MCB Bank Limited and Allied Bank Limited, respectively, to Pakistan Stock Exchange Ltd (the "PSX") to meet the shortfall of Base Minimum Capital (BMC) as calculated under regulatory requirements of PSX towards determining the maximum allowable exposure of respective Trading Right Entitlement Certificate (TREC) holders of erstwhile Lahore Stock Exchange Limited as inducted by PSX.

9.3 Pursuant to the integration of Lahore Stock Exchange into Pakistan Stock Exchange under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, (the Act) the court cases for or against the erstwhile LSE have now been impleaded and contested by the Funds Committee appointed by the SECP under the Act. The sub committees of Funds Committee include "Fund Arbitration Committee" and "Default Management Committee". These sub committees resolve any dispute between an ex-TRE certificate holder of the erstwhile Lahore Stock Exchange and his customer(s) related to any trade or transaction related to, or business activity with the ex-TRE certificate holder under the regulations of the said exchange prior to the effective date of integration. The information of such cases / disputes is given as under:

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9.3.1 Certain investors / parties have filed recovery suits for damages against brokers at appropriate fora and have prayed for attachment of properties including the shares in CDC accounts and sub-accounts. LSE Financial Services Limited (LSE FSL) has a prior and preferential charge on the said account(s) and any order passed in respect of such account(s) will adversely effect the rights of LSE FSL. Thus, it has preferred applications before competent forum for inclusion of LSE FSL as a necessary party to the issue so as to safeguard the interests of LSE FSL. The parties / cases are cited as under:

9.3.1.1 M/s AKD Securitas vs. Mr. Iftikhar A. Shafi and others

9.3.1.2 Mr. Iqbal Khawaja, etc. vs. Mr. Iftikhar A. Shafi, Diamond Industries, CDC and others

9.3.1.3 Mr. M. Javaid Awan vs. Mr. Iqbal Khawaja, for debarring from shares, LSE Room and TREC.

9.3.1.4 Mr. Shahid Hafeez vs. Mr. Iqbal Khawaja, for transferring LSE Room and TREC.

9.3.2 Recovery suits / suits for damages

Certain investors / parties have filed recovery suits for damages against brokers also impleading LSE FSL as well as other authorities. The parties / cases as well as principal claimed amounts are cited as under:

9.3.2.1 Mr. Aslam Motiwala vs. LSE, Diamond Industries, etc. - suit for damages for Rs. 109.363 Million.

9.3.2.2 Mr. Iftikhar Shafi vs. LSE, Allied Bank, CDC, etc. - suit for damages for Rs. 1.00 Billion.

9.3.3 Recovery suits by LSE

LSE has filed recovery suits against brokers and other related parties. The parties / cases as well as principal claimed amounts are cited as under:

9.3.3.1 LSE vs. Mr. Iftikhar A. Shafi, Diamond Industries, CDC and others for Rs. 194.704 Million.

9.3.3.2 LSE vs. Mr. Iqbal Khawaja and others for Rs. 17.735 Million.

9.4 There were no commitments as at June 30, 2023 (2022: Nil).

10	Interest Income		2023	2022
			Rupees	Rupees
	Profit on savings account		12,754,187	849,620
	Profit on Term Deposits Receipts		46,727,459	39,569,158
	Profit on Treasury Bills		22,170,960	-
			<u>81,652,606</u>	<u>40,418,778</u>
11	Administrative expenses	Note	2023	2022
			Rupees	Rupees
	Auditors' remuneration		113,850	103,500
	Meeting fee	11.1	1,979,000	1,909,500
	Guarantee commission		436,264	234,000
	Legal and professional charges		817,975	1,366,836
	Bank charges		18,121	6,587
	Misc. Charges		150,000	-
			<u>3,515,210</u>	<u>3,620,423</u>

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
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11.1 Meeting fee

- Trustees	875,000	1,297,500
- Members of Funds Committee	1,104,000	612,000
	1,979,000	1,909,500

12	TAXATION	Note	2023 Rupees	2022 Rupees
	Current tax – for prior years	12.1	6,172,808	-

12.1 No provision are being charged as trust is an approved Non Profit Organisation under section 2(36) of Income Tax Ordinance, 2001 and is subject to 100% tax credit of its tax liability. Provisions for tax years 2014, 2015, 2016 and 2017 of Rs. 1,583,951/-, Rs. 9,565,190/-, Rs. 4,620,542/- and Rs. 2,954,034, respectively, and taxes deducted at source during tax years 2014 and 2015 of Rs. 10,068,068/- and Rs. 2,482,841/-, respectively, were recognized in these financial statements in excess of value reported/assessed in tax returns. These have been considered no longer payable/recoverable and, accordingly, been reversed during the year.

13 Transactions with Related Parties

The related parties comprise Trustees, members of Funds Committee of the Trust and LSE Financial Services Limited. Transactions with related parties are as follows:

Related party	Nature of Transaction	2023 Rupees	2022 Rupees
Trustees and members of Funds Committee	Meeting fee	1,979,000	1,909,500
LSE Financial Services Limited	Funds and operational management fee	14,122,327	12,197,881
Outstanding balance			
LSE Financial Services Limited.	Funds and operational management fee	1,341,859	1,086,478

14 Remuneration of Trustees and Members of Fund Committee

No remuneration has been paid to Trustees and members of the Fund Committee of the Trust during the year, except for the meeting fee as disclosed in Note 11.1.

**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
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15 Financial Instruments

Basic financial instruments by categories are as follows ;

Financial Assets

At amortized cost

	Notes	2023 Rupees	2022 Rupees
Short term investment	4	536,859,078	483,000,000
Accrued interest		12,428,919	4,009,709
Bank balances	7	21,766,498	19,523,412
		<u>34,195,417</u>	<u>23,533,121</u>

Financial Liabilities

At amortized cost

		2023 Rupees	2022 Rupees
Other payables	8	<u>2,032,567</u>	<u>1,361,979</u>

16 Date of Authorization for Issue

These financial statements were approved and authorized for issue on - 8 SEP 2023 by the Board of Trustees.


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