

# TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

ANNUAL REPORT - 2024

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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 (TRECs). 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 17<sup>th</sup>, 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

**Annual Report - 2024**  
**TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST**

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. Jahanzeb Mirza	Trustee
4.	Mr. Omar Khalil Malik	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. Sarmad Raheel

### **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, 2024

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, 2024.

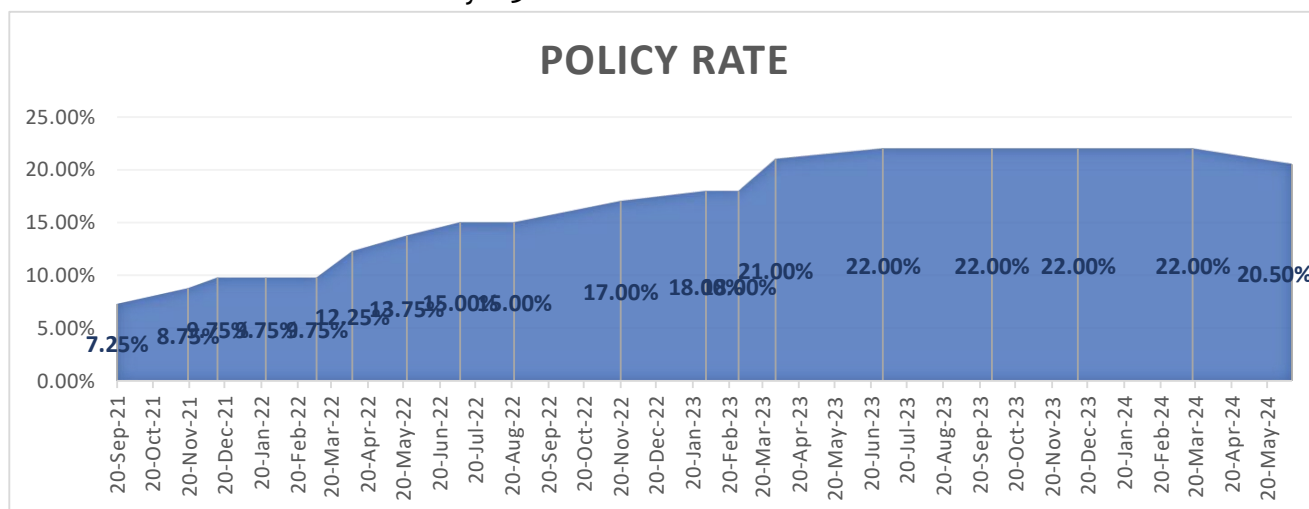
We are to confirm that all the investments of the Trust Funds were strictly made and efficiently managed as per the Investment Policy, approved by the Board of Trustees of the three Funds, with the aim to protect the principal amount through diversification, avoiding concentration risk and to maximize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

## POLICY RATE

20.50%

June 10, 2024

During the period under review, the Monetary Policy Committee (MPC) reduced the discount rate by 1.50%.



During the period, our profit rate on TDRs remained 20.50% p.a., The PLS account profit rate of the Banks was also 19.00% 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+	20.50%	19.81%
MCF	MCB Bank Limited	AAA	A1+	20.50%	19.81%
TREC	MCB Bank Limited	AAA	A1+	20.50%	19.81%
	Allied Bank Limited	AAA	A1+		
	Bank Al-Habib Limited	AA+	A1+		
	Govt. Treasury bills			19.50%	



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 12-month T-bills with a profit at maturity.

Following is a snapshot of the funds as of JUNE 30, 2024:

Particular	TREC Trust		IPF Trust		MCF Trust		Total of All trusts	
	Un-audited 30-Jun-24	Un-Audited 30-Jun-23	Un-Audited 30-Jun-24	Un-Audited 30-Jun-23	Un-Audited 30-Jun-24	Un-Audited 30-Jun-23	Un-Audited 30-Jun-24	Un-Audited 30-Jun-23
Fund & Reserves	700,752,449	594,872,150	431,382,371	367,981,717	156,090,303	133,535,773	1,288,225,123	1,096,389,640
Liabilities & Payable	2,379,873	2,032,567	1,964,869	7,844,875	1,111,705	855,770	5,456,447	10,733,212
<b>Total Fund Size</b>	<b>703,132,322</b>	<b>596,904,717</b>	<b>433,347,240</b>	<b>375,826,592</b>	<b>157,202,008</b>	<b>134,391,543</b>	<b>1,293,681,570</b>	<b>1,107,122,852</b>
<b>Represented by:</b>								
Cash, cash equivalent and short term investments available	605,271,917	558,625,576	362,771,093	350,922,181	133,257,839	125,971,030	1,101,300,849	1,035,518,787
Accrued Interest & other receivable	70,929,420	12,582,185	51,885,520	6,556,844	18,182,531	2,790,619	140,997,471	21,929,648
Tax refundable / Adjustable	26,930,985	25,696,956	18,690,627	18,347,567	5,761,638	5,629,894	51,383,250	49,674,417
	<b>703,132,322</b>	<b>596,904,717</b>	<b>433,347,240</b>	<b>375,826,592</b>	<b>157,202,008</b>	<b>134,391,543</b>	<b>1,293,681,570</b>	<b>1,107,122,852</b>
<b>Difference</b>	-	-	-	-	-	-	-	-
<b>Cash available before settlement of liabilities</b>	<b>605,271,917</b>	<b>558,625,576</b>	<b>362,771,093</b>	<b>350,922,181</b>	<b>133,257,839</b>	<b>125,971,030</b>	<b>1,101,300,849</b>	<b>1,035,518,787</b>
<b>Bank Guarantees issued</b>	<b>208,000,000</b>	<b>208,000,000</b>	<b>280,000,000</b>	<b>280,000,000</b>	<b>84,000,000</b>	<b>84,000,000</b>	<b>572,000,000</b>	<b>572,000,000</b>
<b>Net Cash available after issuance of BG</b>	<b>397,271,917</b>	<b>350,625,576</b>	<b>82,771,093</b>	<b>70,922,181</b>	<b>49,257,839</b>	<b>41,971,030</b>	<b>529,300,849</b>	<b>463,518,787</b>
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

#### Financial performance for the Year ended June 30, 2024

Description	IPF			MCF			TREC			Total		
	Jun-24	Jun-23	% Change	Jun-24	Jun-23	% Change	Jun-24	Jun-23	% Change	Jun-24	Jun-23	% Change
	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%
<b>Income</b>	79,479	53,621	48.22%	28,923	18,806	53.80%	126,580	82,557	53.32%	234,981	154,984	51.62%
<b>Expense</b>												
Direct	10,030	18,506	-45.80%	3,629	3,105	16.87%	16,293	14,122	15.37%	29,952	35,733	-16.18%
Administrative	6,048	2,599	132.75%	2,739	1,564	75.11%	4,406	3,505	25.71%	13,193	7,668	72.07%
	16,078	21,104	-23.82%	6,368	4,670	36.38%	20,699	17,627	17.43%	43,146	43,401	-0.59%
Surplus before ta	63,401	32,517	94.98%	22,555	14,136	59.55%	105,880	64,930	63.07%	191,835	111,582	71.92%
Taxation	-	9,713	100%	-	6,524	100%	-	18,724	100%	-	34,961	100%
<b>Net surplus</b>	<b>63,401</b>	<b>42,230</b>	<b>50.13%</b>	<b>22,555</b>	<b>20,660</b>	<b>9.17%</b>	<b>105,880</b>	<b>83,653</b>	<b>26.57%</b>	<b>191,835</b>	<b>146,543</b>	<b>30.91%</b>

## Weighted Average and Current Rates of the Funds Placed:

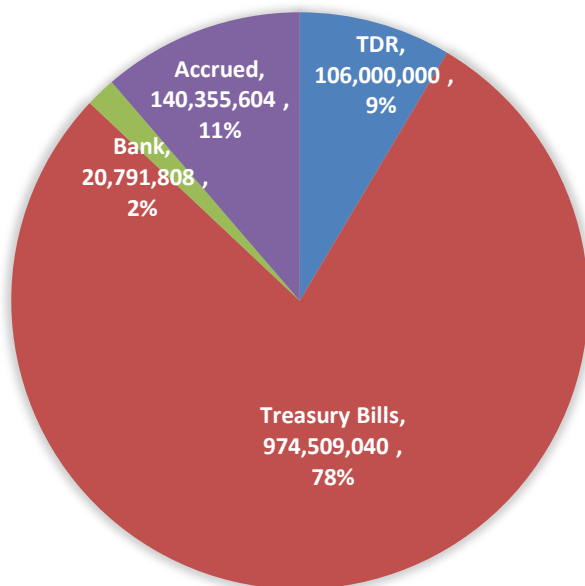
Description	IPF		MCF		TREC		Total	
	June-24	June-23	June-24	June-23	June-24	June-23	June-24	June-23
Weighted Avg. Rate on TDR	0%	16.80%	0%	16.80%	20.70%	16.80%	20.70%	16.80%
Weighted Avg. Rate on PLS	20.34%	15.07%	20.50%	15.07%	20.50%	15.07%	20.50%	15.07%
Rate on T-bills' on Period end	21.42%	0.00%	21.57%	0.00%	21.32%	0.00%	21.45%	0.00%
Rate on TDRs on Period end	0%	16.80%	0.00%	16.80%	20.70%	16.80%	20.70%	16.80%
Rate on PLS's on Period end	19.00%	15.50%	19.00%	15.50%	19.00%	15.50%	19.00%	15.50%

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.

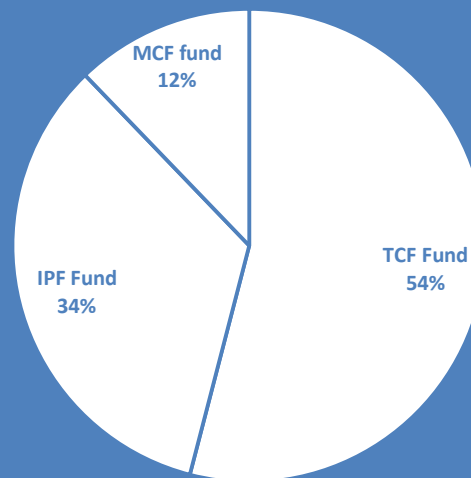
At the close of the financial period, i.e., on June 30, 2024, the investments of the Funds and net cash position are recorded as under:

Description	IPF		MCF		TREC		Total	
	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23
	----- Rupee in 000 -----							
Investment	359,831	333,333	130,814	120,134	589,864	536,859	1,080,509	990,326
Accrued Profit	51,322	5,813	18,183	2,791	70,851	12,429	140,356	21,033
Bank	2,940	17,588	2,444	5,836	15,408	21,766	20,792	45,190
<b>Total Fund</b>	<b>414,093</b>	<b>356,734</b>	<b>151,440</b>	<b>128,761</b>	<b>676,123</b>	<b>571,054</b>	<b>1,241,656</b>	<b>1,056,549</b>
<b>Increase in amount</b>	<b>57,359</b>		<b>22,680</b>		<b>105,069</b>		<b>185,108</b>	
<b>Increase in %</b>	<b>16.08%</b>		<b>17.61%</b>		<b>18.40%</b>		<b>17.52%</b>	

### TYPES OF INVESTMENTS



### FUNDS PIE CHART

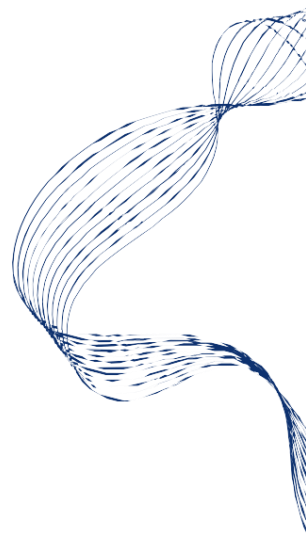


The exemptions under section 2(36) of IPF and TCF Trusts funds have been reapplied, whereas, the exemption for MCF remains valid till June 30, 2024.

### Future Outlook:

Monitory Policy Committee (MPC) in its meeting on June 10, 2024, had decided to reduce policy rate to 20.50%. In view of upcoming foreign payments amounting to USD 24 Billion, increasing inflation, constant pressure will be kept on PAK Rupee despite continuous decline of USD against PAK Rupee through various control mechanisms and regulating Afghan transit trade to manage internal revenue

leakages. Inflow of funds through FDI is very vital to keep the aspirations alive to contain the internal and external debt. The higher interest rates have severely impacted business sector as a whole due to unsustainable financial expense. The policy makers intend to reduce the discount rate to make the environment feasible for businesses and control their internal debt which increases with Rs. 300 billion with increase of only 50 BPS. Considering control measures taken by the government, it is expected that the policy makers will keep the rate unchanged or maximum slighter reduction is expected. Major reduction is expected in second Quarter of Year 2024. The total portfolio of the funds has been invested at an average of 21 % to 22 % p.a. for 12 months T-bills and TDRs. The short to medium-term horizon of the policy rate is likely to sustain and maximum downside 0.5-1% is expected. In case of minor reduction / unchanged rate major reduction is forecasted in later period of second quarter of 2024.



# **Auditor's Report and Audited Financial Statements**

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

We have audited the financial statements of TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST (The Trust), which comprise the statement of financial position as at June 30, 2024, 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, 2024, 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.

**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.



## Auditors' Responsibilities for the Audit of the Financial Statements

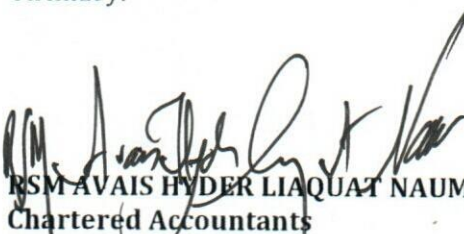
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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: 31 OCT 2024

Place: Lahore

UDIN: AR202410193Tg0hC8DEa



**TRADING RIGHT ENTITLEMENT CERTIFICATE  
HOLDERS' CONTRIBUTION FUND TRUST  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Short term investments	4	589,863,817	536,859,078
Accrued interest		70,515,880	12,428,919
Advances and prepayments	5	-	153,266
Tax refunds due from government		27,137,572	25,696,956
Bank balances	6	15,759,027	21,766,498
<b>TOTAL ASSETS</b>		<u>703,276,296</u>	<u>596,904,717</u>
<b>FUNDS AND LAIBILITIES</b>			
<b>Funds and Reserves</b>			
General fund		530,033,415	530,033,415
Accumulated surplus		170,863,008	64,838,735
		<u>700,896,423</u>	<u>594,872,150</u>
<b>Current Liabilities</b>			
Other payables	7	2,379,873	2,032,567
<b>Contingencies and Commitments</b>	8	-	-
<b>TOTAL FUNDS AND LIABILITIES</b>		<u>703,276,296</u>	<u>596,904,717</u>

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

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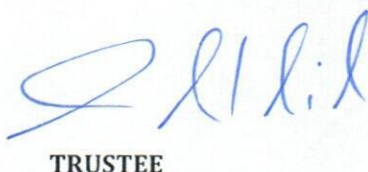



**TRADING RIGHT ENTITLEMENT CERTIFICATE  
HOLDERS' CONTRIBUTION FUND TRUST  
INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>INCOME</b>			
Interest income	9	126,801,885	81,652,606
<b>EXPENDITURE</b>			
Direct expenses	10	16,825,447	14,558,591
Administrative expenses	11	3,952,165	3,078,946
<b>Total expenditure</b>		20,777,612	17,637,537
<b>Surplus before taxation</b>		106,024,273	64,015,069
Taxation	12	-	6,172,808
<b>Surplus for the year</b>		106,024,273	70,187,877

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

  
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**TRADING RIGHT ENTITLEMENT CERTIFICATE  
HOLDERS' CONTRIBUTION FUND TRUST  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
FOR THE YEAR ENDED JUNE 30, 2024**

	General Funds	Accumulated surplus	Total
	Rupees	Rupees	Rupees
Balance as at July 01, 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	530,033,415	64,838,735	594,872,150
Surplus for the year	-	106,024,273	106,024,273
Balance as at June 30, 2024	530,033,415	170,863,008	700,896,423

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

  
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**TRADING RIGHT ENTITLEMENT CERTIFICATE  
HOLDERS' CONTRIBUTION FUND TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024**

	2024 Rupees	2023 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus before taxation	106,024,273	64,015,069
Adjustment for:		
Interest income	(126,801,885)	(81,652,606)
Guarantee commission	532,183	436,264
	<u>(126,269,702)</u>	<u>(81,216,342)</u>
<b>Operating deficit before working capital changes</b>	<b>(20,245,429)</b>	<b>(17,201,273)</b>
<b>Changes in working capital</b>		
Decrease/(increase) in current assets:		
Advances & prepayments	153,266	(153,266)
Increase / (decrease) in current liabilities:		
Other payables	347,306	670,588
	<u>500,572</u>	<u>517,322</u>
<b>Net cash used in operations</b>	<b>(19,744,857)</b>	<b>(16,683,951)</b>
Guarantee commission	(532,183)	(436,264)
Tax paid during the year	<u>(1,440,616)</u>	<u>(11,017)</u>
<b>Net cash used in operating activities (A)</b>	<b>(21,717,656)</b>	<b>(17,131,232)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	68,714,924	73,233,396
Short term investments made	<u>(53,004,739)</u>	<u>(53,859,078)</u>
<b>Net cash generated from investing activities (B)</b>	<b>15,710,185</b>	<b>19,374,318</b>
<b>Net (decrease)/increase in cash and cash equivalents (A+B)</b>	<b>(6,007,471)</b>	<b>2,243,086</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>21,766,498</b>	<b>19,523,412</b>
<b>Cash and cash equivalents at the end of the Year</b>	<b><u>15,759,027</u></b>	<b><u>21,766,498</u></b>

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

TRUSTEE

TRUSTEE

HEAD OF FINANCE



**TRADING RIGHT ENTITLEMENT CERTIFICATE  
HOLDERS' CONTRIBUTION FUND TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

**1 Legal status and activities**

The 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 TCF 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 funds of the Trust are 'Restricted Funds' as provided under the objective clause (i.e. Clause 3) of its Trust Deed and the relevant provisions of the amended Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2015, the objectives of the Trust are to manage and maintain the funds for the protection of the customers and from the effective date of Integration the Trust and Funds shall be maintained in accordance with the Regulations till such time that the Regulations for the Settlement Guarantee Fund under Section 26 of the Securities Act, 2015 are made effective or as may be determined by the Commission.

Accordingly, with effect from the date of Integration of stock exchanges, after discontinuation of exchange operations, no contributions have been received into the Trust. The funds of the Trust have been accumulated with the income generated only through investments of funds into government securities and banking instruments as per the provisions of the Trust deed and can only be utilized for settlement of the claims, liabilities and incidental expenses against ex-members of erstwhile Lahore Stock Exchange or other charges as allowed under the applicable Regulations and Laws after the approval of the Funds Committee nominated by SECP.



# **TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024**

The Trust was approved under section 2(36) of the Income Tax Ordinance, 2001 by the Commissioner Inland Revenue, Corporate Office, Lahore vide his office letter no. 100000105161367 dated September 24, 2021. Application for renewal of approval of the Trust under section 2(36) of the Income Tax Ordinance, 2001(ITO) was duly filed and is presently is pending before the Commissioner Inland Revenue, Zone-I, CTO, Lahore (CIR). Since the Trust fully meet the requirements of approval prescribed under section 2(36)/ 100C read with applicable income tax rules, therefore, it is expected that renewal of approval will be issued by CIR in due course for the next three years effective from tax year 2024 and onward. The Trust will be 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.

### **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.



**TRADING RIGHT ENTITLEMENT CERTIFICATE  
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**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 was an approved Non Profit Organization under section 2(36) of Income Tax Ordinance, 2001 and is in process of reapproval as Non Profit Organization and will be 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.

**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.



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**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.

**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 unrelated to the seller.

4	Short Term Investments	Note	2024	2023
			Rupees	Rupees
	<b>Term Deposit Receipts (TDRs) :</b>			
	Allied bank limited	4.1	106,000,000	100,000,000
	Bank Al-Habib limited	4.2	-	110,000,000
	<b>Treasury Bills</b>			
	MCB bank limited	4.3	483,863,817	326,859,078
			<u>589,863,817</u>	<u>536,859,078</u>

**4.1** This is held with a bank carrying return at the average rate of 21.50% per annum (2023: 19.00% per annum) and is due to mature maximum by October 27, 2024 (2023: July 17, 2023).

**4.2** This was held with a bank carrying return at the average rate of 20.00 % per annum and had been matured on August 16, 2023.

**4.3** These are investment in SBP Treasury bill held with bank carrying returns at average rate of 20.91 % per annum (2023: 12.80% to 21.95% per annum) and are due to mature maximum by December 31, 2024 (2023: 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 (2023: Rs. 90 million and Rs 100 million), respectively in favor 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 favor 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.



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5	Advances and prepayments	Note	2024	2023
			Rupees	Rupees
	Amount due from defaulted members	5.1	161,636,730	161,636,730
	Less: Provision for doubtful receivable		(161,636,730)	(161,636,730)
			-	-
	Guarantee Commission		-	153,266
			-	153,266

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

6	Bank Balances	Note	2024	2023
			Rupees	Rupees
	Current accounts		967,474	4,108,083
	Saving accounts	6.1	14,791,553	17,658,415
			15,759,027	21,766,498

**6.1** This is held with a bank carrying return at the average rate of 20.50% per annum (2023: 12.25% to 19.50 per annum) throughout the year.

7	Other Payables	Note	2024	2023
			Rupees	Rupees
	Funds and operational management fee	7.1	1,543,503	1,341,859
	Audit fee payable		125,240	113,377
	Others		711,130	577,331
			2,379,873	2,032,567

**7.1** 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 (2023: 2% per annum) applicable on the size of the Fund. The funds and operational management fee is payable in arrears on monthly basis.

**8 Contingencies and Commitments**

- 8.1** 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 (2023: 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.
- 8.2** 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 (2023: Rs. 90 million) and Rs. 100 million (2023: 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.



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**8.3** 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:

**8.3.1** 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:

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

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

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

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

**8.3.2 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:

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

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

**8.3.3 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:

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

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

**8.4** There were no commitments as at June 30, 2024 (2023: Nil).

9	Interest Income	2024	2023
		Rupees	Rupees
	Profit on savings account	6,771,234	12,754,187
	Profit on term deposits receipts	24,882,374	46,727,459
	Profit on treasury bills	95,148,277	22,170,960
		<u>126,801,885</u>	<u>81,652,606</u>
10	Direct expenses	2024	2023
		Rupees	Rupees
	Funds and operational management fee 7.1	16,293,264	14,122,327
	Guarantee commission	532,183	436,264
		<u>16,825,447</u>	<u>14,558,591</u>



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11	Administrative expenses	Note	2024	2023
			Rupees	Rupees
	Auditors' remuneration		125,713	113,850
	Meeting expenses	11.1	2,852,500	1,979,000
	Legal and professional charges		341,175	817,975
	Bank charges		90,203	18,121
	Misc. Charges		542,574	150,000
			<u>3,952,165</u>	<u>3,078,946</u>

**11.1 Meeting expenses**

- Trustees	1,822,500	875,000
- Members of funds committee	1,030,000	1,104,000
	<u>2,852,500</u>	<u>1,979,000</u>

12	TAXATION	Note	2024	2023
			Rupees	Rupees
	Current tax – for prior years	12.1	-	6,172,808

- 12.1** No provision has been charged as renewal of approval of the Trust under section 2(36) of the Income Tax Ordinance, 2001(ITO) is presently pending before the Commissioner Inland Revenue, Zone-I, CTO, Lahore (CIR). Since the Trust fully meet the requirements of approval prescribed under section 2(36)/ 100C read with applicable income tax rules, therefore, it is expected that renewal of approval will be issued by CIR shortly for the next three years effective from tax year 2024 and onward. The Trust will be entitled to a tax credit equal to 100% of its tax liabilities, as per section 100C of Income Tax Ordinance, 2001, hence the management has not recorded any provision for taxation in the financial statements.

**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	2024	2023
		Rupees	Rupees
Trustees and members of Funds Committee	Meeting expenses	2,852,500	1,979,000
LSE Financial Services Limited	Funds and operational management fee	16,825,447	14,558,591
<b>Outstanding balance</b>			
LSE Financial Services Limited.	Funds and operational management fee	1,543,503	1,341,859



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**14 Financial Instruments**

*Basic financial instruments by categories are as follows ;*

**Financial Assets**

**At amortized cost**

	Notes	2024 Rupees	2023 Rupees
Short term investment	4	589,863,817	536,859,078
Accrued interest		70,515,880	12,428,919
Bank balances	6	15,759,027	21,766,498
		<u>86,274,907</u>	<u>34,195,417</u>

**Financial Liabilities**

**At amortized cost**

		2024 Rupees	2023 Rupees
Other payables	7	<u>2,379,873</u>	<u>2,032,567</u>

**15 GENERAL**

Corresponding figures are rearranged / reclassified for better presentation and comparison. Following rearrangements have been made in these financial statements that does not have any impact on the statement of financial position and profitability of the fund.


**Income And Expenditure Statement**

Nature	From	To	2023 Rupees
Funds and operational management fee	Expenditure	Direct expenses	14,122,327
Guarantee commission	Administrative expenses	Direct expenses	436,264

**16 Date of Authorization for Issue**

These financial statements were approved and authorized for issue on 17 OCT 2024 by the Board of Trustees.

  
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