



---

# **INVESTORS' PROTECTION FUND TRUST**

---

**ANNUAL REPORT  
2021**



## Investors' Protection Fund Trust

### **TABLE OF CONTENTS**

<b>Sr. No.</b>	<b>Item</b>	<b>Page No.</b>
1	Vision, Mission Statement and Objectives of the Trust	2
2	History	3
3	Corporate Information	5
4	Annual Performance Review	6
5	Auditors' Report	9
6	Audited Financial Statements	



## Investors' Protection Fund Trust

### VISION STATEMENT

Protection of interests of the Investors of erstwhile Lahore Stock Exchange.

### MISSION STATEMENT

To manage and maintain the funds and incomes of the Trust and settlement of investor claims as per Rules and Regulations of erstwhile Lahore Stock Exchange.

### OBJECTIVES OF THE TRUST

1. to constitute and administer the Trust Funds for providing protection to the Investors.
2. to generate earnings of the Trust for this purpose.
3. to pay off the claims of the Investors in accordance with the LSE's IPF Regulations.
4. to generate earnings for this purpose through the Trust's working and investments.
5. the winding up of the Trust and transfer of surplus assets/funds to the Customer Protection Compensation Fund as per direction of the Commission after meeting all claims and liabilities.



## Investors' Protection Fund Trust

### HISTORY

#### **Establishment OF Investors' Protection Fund Trust (IPF):**

The Investors' Protection Fund (IPF) Trust was established by erstwhile Lahore Stock Exchange Limited (LSE). In May-2013, with the permission of the Securities and Exchange Commission of Pakistan (SECP) and the Board of Directors of LSE, its Trust Deed was registered. Initially, the Chairman, MD and Directors of LSE were appointed as the Trustees of the IPF Trust and accordingly, LSE transferred the Trusts' funds into its separate bank accounts.

#### **Generation of the Funds till the date of Integration of Stock Exchanges:**

The main purpose of the IPF Trust was to manage and maintain this fund for the protection and benefits of the investors so as to generate funds and earnings for paying off the claims of the investors in accordance with LSE's Regulations. Since September-2005, as per transaction rates, IPF had been collected @ 0.0008925% per transaction from Members/TREC holders on weekly basis till the date of Integration of Stock Exchanges i.e., January 11, 2016.

#### **Demutualization and Integration:**

During the year 2012, under the first phase of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, the stock exchanges were demutualized and LSE became a public company. All brokers/members were issued shares of LSE along with the Trading Right Entitlement Certificates (TRECs).

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

In the year 2015, under the second phase of the Stock Exchanges Act, 2012, the three stock exchanges were entered into the Scheme of Integration, executed by January 11, 2016 as per the Integration Order of the Commission. Accordingly, Lahore Stock Exchange Ltd. ceased to be a stock exchange while converting into NBFC. Moreover, the Commission also 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 for LSE (replacing LSE) for oversight of the Trust Funds of LSE and also nominated its members. The Trust Deeds were amended as per direction of the Commission which includes the terms and conditions, bylaws of the Trust and also the composition of the Trustees as per the amended Regulations. 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.

#### **Funds Distribution:**

Currently, these Trusts are 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. As per IPF Regulations of erstwhile LSE, the contribution against the approved claims of a TREC holder is released up to Rs. 6 million from the IPF.



## Investors' Protection Fund Trust

### **Interest Income and Its Utilization:**

As per scheme of Integration and considering the continuity of business of the TREC holders of LSE, the Commission accorded permission to provide 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 updated on monthly basis as per the detail of Assets under custody of each TREC holder.

### **Dissolution of Fund:**

As per the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2015 applicable to the Trust Fund currently, the IPF Trust is in a transitional phase and this arrangement is on temporary basis. As per Regulation 15(16) of these Regulations, after meeting all claims, liabilities, with the permission of the Funds Committee IPF Trust 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 Deed of the IPF Trust as per direction of the Commission in the clause relating Integration and Winding up of the Trust.



## Investors' Protection Fund 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**  
**Head of Finance**

Mr. Muhammad Sajjad Hyder  
Mr. Ghulam Mustafa

#### Auditors

Crowe Hussain Chaudhry & Co. Chartered  
Accountants

#### Registered Office

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



Investors' Protection Fund Trust

# Annual Performance Review

**Report of the Funds & Operational Manager of IPF, TCF & MCF Trusts of LSE, on the financial performance of the Trust Funds for the year ended June 30, 2021.**

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 during the financial year 2020-21.

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 through diversification, avoiding concentration risk and to maximize the profits.

During the year under review, the Monetary Policy Committee (MPC) maintained the policy rate at 7% which was fixed on June 25, 2020.

During the year, the profit rate ranged from 6.4% to 6.5% p.a., on TDRs as compared to fluctuated rates from 12.65 % to 6.5 % in the previous financial year. The PLS account profit rates of the Banks also showed similar effect. The Funds were invested in 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
		Long Term	Short Term	
IPF	MCB Bank Limited	AAA	A1+	7%
MCF	MCB Bank Limited	AAA	A1+	7%
TREC	MCB Bank Limited	AAA	A1+	7%
	Allied Bank Limited	AAA	A1+	
	Bank Al-Habib Limited	AA+	A1+	

Based on projected cash flow, only minimum required cash amount was maintained in the PLS accounts of the Banks to cater for the regular payments related Fund Management Fee, meeting fee and misc. expenses etc. of the Trust Funds. The remaining balances were kept invested in 3 to 6 months TDRs with profit at maturity.

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

Description	IPF (12 Months)		MCF (12 Months)		TREC (12 Months)		Total	
	June 21	Jun 20	June 21	Jun 20	June 21	Jun 20	June 21	Jun 20
Weighted avg. Rate on TDR's	6.40%	10.79%	6.40%	11.09%	6.49%	11.00%	6.43%	10.96%
Weighted avg. Rate on PLS	5.50%	10.40%	5.50%	10.40%	5.50%	10.40%	5.50%	10.40%
Rate of TDR's as on June 30	6.40%	6.50%	6.40%	6.50%	6.45%	6.50%	6.42%	6.50%
Rate on PLS as on June 30	5.50%	6.50%	5.50%	6.50%	5.50%	6.50%	5.50%	6.50%



Resultantly, the net income from the investment during the year was achieved in the following manner:

Description	IPF (12 Months)		MCF (12 Months)		TREC (12 Months)		Total (12 Months)	
	June 21	June 20	June 21	June 20	June 21	June 20	June 21	June 20
Income	18,719,520	31,467,877	6,560,718	11,201,238	30,027,765	49,570,350	55,308,003	92,239,465
Expenses	8,582,050	8,212,850	3,229,905	2,933,438	14,115,531	12,597,770	25,927,486	23,744,058
Net Income	10,137,470	23,255,027	3,330,813	8,267,800	15,912,234	36,972,580	29,380,517	68,495,407

At the close of the financial year, i.e., on June 30, 2021, the investments of the Funds and net cash position is recorded as under:

Description	IPF (12 Months)		MCF (12 Months)		TREC (12 Months)		Total	
	June 21	Jun 20	June 21	Jun 20	June 21	Jun 20	June 21	Jun 20
Investment	300,000,000	280,000,000	104,000,000	84,000,000	468,000,000	383,000,000	872,000,000	747,000,000
Bank	5,860,191	20,056,446	4,122,093	22,421,165	12,696,881	87,033,784	22,679,165	129,511,395
Net Cash	305,860,191	300,056,446	108,122,093	106,421,165	480,696,881	470,033,784	894,679,165	876,511,395

In June 2021, the Management was successful in seeking exemption under section 2(36) of Income Tax Ordinance, 2001 as NPO for IPF & TCF Trusts and in July 2021 for MCF Trust. Furthermore, the exemptions on collecting withholding tax on profit (sec 151) have also been granted by department. Based on prevailing interest rate the expected annual savings from this arrangement for all funds would be around Rs. 8.3 million.



Investors' Protection Fund Trust

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

INVESTORS' PROTECTION FUND TRUST  
ANNUAL REPORT - 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST**

### ***Opinion***

We have audited the financial statements of **LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST** (the "Trust"), which comprise the statement of financial position as at June 30, 2021, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at June 30, 2021, and its financial performance, the changes in its funds and reserves and its cash flows for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan.

### ***Basis for 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 Auditor's Responsibilities for the audit of 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.

*CAC*



### ***Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust 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 the Trustees 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.

Lahore

Dated **10 OCT 2021**

  
**CROWE HUSSAIN CHAUDHURY & CO.**  
*Chartered Accountants*

(Engagement Partner: Amin Ali)

*CAC*

# LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Short term investment	4	300,000,000	280,000,000
Accrued interest		3,945,206	2,144,110
Income tax refundable	5	7,828,614	5,289,829
Receivable from defaulted member		623,601	623,601
Bank balances	6	5,860,191	20,056,446
<b>TOTAL ASSETS</b>		<b>318,257,612</b>	<b>308,113,986</b>
<b>FUNDS AND LIABILITIES</b>			
General fund		276,785,515	276,785,515
Accumulated reserves		40,510,043	30,372,573
		317,295,558	307,158,088
<b>Current Liabilities</b>			
Funds and operational management fee payable	7	683,054	630,273
Other payables	8	279,000	325,625
		962,054	955,898
<b>Contingencies and Commitments</b>	9	-	-
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>318,257,612</b>	<b>308,113,986</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

one,

  
TRUSTEE

  
TRUSTEE

  
HEAD OF FINANCE

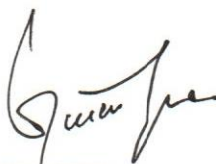
# LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST

## INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

		<b>2021</b>	<b>2020</b>
	Note	Rupees	Rupees
<b>INCOME</b>			
Interest income	10	18,719,520	31,467,877
<b>EXPENDITURE</b>			
Direct expenses	11	7,375,526	7,140,479
Administrative expenses	12	1,206,524	1,072,371
<b>Total Expenditure</b>		(8,582,050)	(8,212,850)
<b>Surplus for the Year</b>		<u>10,137,470</u>	<u>23,255,027</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

*che*



**TRUSTEE**



**TRUSTEE**



**HEAD OF FINANCE**



# LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST

## STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Accumulated Reserves	Total
	Rupees	Rupees	Rupees
<b>Balance as at 30 June 2019</b>	276,785,515	7,117,546	283,903,061
Net surplus for the year	-	23,255,027	23,255,027
<b>Balance as at 30 June 2020</b>	276,785,515	30,372,573	307,158,088
Net surplus for the year	-	10,137,470	10,137,470
<b>Balance as at 30 June 2021</b>	276,785,515	40,510,043	317,295,558

The annexed notes from 1 to 17 form an integral part of these financial statements.

etc.

  
TRUSTEE

  
TRUSTEE

  
HEAD OF FINANCE

# LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus for the year	10,137,470	23,255,027
Adjustments:		
Interest income	(18,719,520)	(31,467,877)
<b>Operating deficit before working capital changes</b>	(8,582,050)	(8,212,850)
(Increase) / Decrease in current assets	-	-
Increase / (Decrease) in current liabilities:		
-Funds and operational management fee payable	52,781	35,685
-Other payables	(46,625)	46,000
	6,156	81,685
<b>Net Cash Used in Operations</b>	(8,575,894)	(8,131,165)
Tax deducted at source	(2,538,785)	(4,518,187)
<b>Net Cash Used in Operating Activities</b>	(11,114,679)	(12,649,352)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	16,918,424	30,575,712
Short term investments	(20,000,000)	-
<b>Net Cash (Used In) / Generated from Investing Activities</b>	(3,081,576)	30,575,712
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	(14,196,255)	17,926,360
Cash and Cash Equivalents at the Beginning of the Year	20,056,446	2,130,086
<b>Cash and Cash Equivalents at the End of the Year</b>	5,860,191	20,056,446

The annexed notes from 1 to 17 form an integral part of these financial statements.

CAC

TRUSTEE

TRUSTEE

HEAD OF FINANCE



# LAHORE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Note 1

#### Status and Activities

The Lahore Stock Exchange Investors' Protection Fund Trust (referred to as the "LSE IPF Trust" or the "Trust") was established by erstwhile Lahore Stock Exchange Limited (referred to as "LSE") vide Trust Deed registered on May 19, 2013. The Trust was established for the purpose of managing and maintaining a fund for the protection and benefit of investors so as to generate funds and earnings for paying off the claims of the investors in accordance with the rules and regulations of 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 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 Trading Right Entitlement Certificate Holders (referred to as "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 IPF 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 Funds Committee for LSE IPF Trust as well as for TREC Holders' Contribution Fund Trust (the "TCF 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 December 17, 2015. The Funds Committee of LSE IPF Trust was tasked to expedite settlement of any pending claims / liabilities / contingent liabilities so that once all liabilities are cleared, the LSE IPF Trust can be dissolved and balance amount, if any, remaining in the LSE IPF Trust after settlement of all claims / liabilities / contingent liabilities shall be transferred to Customer Protection Compensation Fund established and maintained in accordance with the rules and regulations for the Centralized Customer Protection Compensation Fund under section 169(2)(h) and 175(2)(c) of Securities Act, 2015. The LSE IPF Trust shall be maintained in accordance with these Regulations till such time that rules and regulations for the Customer Protection Compensation Fund under section 169(2)(h) and 175(2)(c) of the Securities Act, 2015 are made effective or as may otherwise 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.

### Note 2

#### Basis of Preparation

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. 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 (ICAP).

#### 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 are presented in Pakistani Rupees which is also the Trust's functional currency. All financial information is presented in Pak Rupees and has been rounded off to the nearest Rupee.

CAC



*Note 2, Basis of Preparation - Cont...*

## **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with the Revised Accounting and Financial Reporting Standard for SSEs issued by ICAP 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.

Note 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 the periods presented unless otherwise stated.

### **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 balance sheet 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 reporting 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.

CAC

*Note 3, Summary of Significant Accounting Policies - Cont...*

**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 Financial instruments**

The Trust accounts for its financial instruments as per Revised Accounting and Financial Reporting Standard for 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.

**3.6.1 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.

**3.6.2 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities and tax assets and tax liabilities are set off in the statement of financial liabilities, only when the Trust has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**3.7 Interest income**

Interest income on short term investments and bank deposits is recognized on accrual basis when the right to receive the interest is established.

CAC



Note 4

**Short Term Investment**

		<b>2021</b>	<b>2020</b>
	Note	Rupees	Rupees
Term Deposit Receipts	4.1	<u>300,000,000</u>	<u>280,000,000</u>

**4.1** This represents the two Term Deposit Receipts placed with MCB Bank Limited, carrying mark-up at the rate of 6.40% per annum (2020: 6.50% to 12.60% per annum) and maturing on July 16, 2021. These are renewable after the date of maturity.

**4.2** These Term Deposits Receipts have been placed with MCB Bank Limited (the Bank) and based on lien marked on these TDRs, the Bank has issued an irrevocable bank guarantee of Rs. 280 million (2020: 280 million) 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.

Note 5

**Income Tax Refundable**

		<b>2021</b>	<b>2020</b>
	Note	Rupees	Rupees
Income tax refundable - net	5.1	<u>7,828,614</u>	<u>5,289,829</u>

**5.1** The Trust is an approved Non Profit Organization under section 2(36) of Income Tax Ordinance, 2001 and has availed full tax credits equal to tax liability as per section 100C of Income Tax Ordinance, 2001, hence the management has not recorded any provision for taxation in the financial statements.

Note 6

**Bank Balances**

		<b>2021</b>	<b>2020</b>
	Note	Rupees	Rupees
Current account		12,988	12,988
Savings accounts	6.1	<u>5,847,203</u>	<u>20,043,458</u>
		<u>5,860,191</u>	<u>20,056,446</u>

**6.1** Savings accounts interest rate yield is 5.50% to 6.50% per annum (2020: 6.50% to 9.00% per annum).

Note 7

**Funds and Operational Management Fee Payable**

		<b>2021</b>	<b>2020</b>
	Note	Rupees	Rupees
Funds and operational management fee payable	7.1	<u>683,054</u>	<u>630,273</u>

**7.1** LSE Financial Services Limited (LSE - FSL) renders the services of managing the investment portfolio of funds and operations of the IPF Trust under the supervision of Funds Committee. For such services, LSE - FSL is entitled to a remuneration in terms of funds and operational management fee charged at the rate of 2% per annum (2020: 2% per annum) applicable on the size of the Fund. The fund and operational management fee is payable in arrears on monthly basis.

CAC

Note 8

**Other Payables**

	2021	2020
	Rupees	Rupees
Auditors' remuneration	100,000	96,625
Professional charges payables	179,000	229,000
	<u>279,000</u>	<u>325,625</u>

Note 9

**Contingencies and Commitments**

**9.1** As stated in Note 4.2, under Regulation 15, Sub Regulation 15 of Part IV-A of the amended Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012, the Trust has provided a bank guarantee amounting Rs. 280 million (2020: Rs. 280 million) 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.

**9.2** Pursuant to the integration of Lahore Stock Exchange into Pakistan Stock Exchange under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, the court cases for or against the erstwhile LSE have now been impleaded and contested by the Funds Committee appointed by the Securities and Exchange Commission of Pakistan 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:

**9.2.1 Arbitration cases**

In certain disputes between the investors and brokers, the arbitration decisions / proceedings made by the LSE have been challenged by either party vis-à-vis the other party seeking Court's orders for (or against) implementing LSE arbitration decision or issuance of decree etc. The parties / cases are cited as under:

**9.2.1.1** Dispute between Mr. Nadeem Zaman (investor) and Mr. Khawaja Samee Rasheed (broker)

**9.2.1.2** Dispute between Mr. Agha Arshad Mahmood (investor) and Zafar S. Moti (broker)

**9.2.1.3** Dispute between Mr. Malik Manzoor Maqbool (investor) and M/s Plus Securities (broker)

**9.2.1.4** Dispute between Mr. Azmat Ullah (investors) and M/s Switch Securities (broker)

**9.2.2 Winding up cases**

Certain brokerage companies have filed winding up petitions under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and in some cases, the Court Auctioneer and Liquidators have been appointed. Such companies have either filed or in the process of filing applications for release of their amounts in Investor Protection Fund and Members Contribution Fund. Companies under serial no's. 9.2.2.1, 9.2.2.4 and 9.2.2.5 have claimed the fund, whereas, there is likelihood that companies at serial no's. 9.2.2.2 and 9.2.2.3 shall also file application for contribution. The parties/ cases are cited as under:

**9.2.2.1** M/s HSZ Securities (Private) Limited

**9.2.2.2** M/s Stock Master Securities (Private) Limited

**9.2.2.3** M/s Y.S Securities (Private) Limited

*CMC*



*Note 9, Contingencies and Commitments - Continued...*

*Note 9.2.2, Winding up cases - Continued...*

Certain brokerage companies have filed winding up petitions under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) which have either been rejected or under process / at appeal stage. The parties / cases are cited as under:

**9.2.2.4** M/s Capital Vision Securities (Private) Limited

**9.2.2.5** M/s Wasi Securities (Private) Limited

The maximum liability of the Trust is Rs. 6 million for each case in all the above cases, subject to the decision of the competent forum.

**9.2.3 Recovery suits / suits for damages**

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

**9.2.3.1** Mr. Khaliq Dad vs. Mr. Sarhad Masood Al Husaini for Rs. 0.97 Million.

**9.2.3.2** Mr. Qasim Zia vs. Mr. Ali Usman and others for Rs. 69.56 Million.

**9.2.3.3** Mr. Shabbir Malik vs. Mr. Tauqeer Malik for Rs. 56.247 Million.

**9.2.4 Complaints and Criminal Charges Applications**

LSE has filed complaints / criminal charges applications against brokers and other related parties and has filed appeals in respect of certain orders passed against LSE. Similarly, the aggrieved parties have filed appeals / petition against the orders passed by the competent authorities. The parties / cases as well as relevant fora are cited as under:

**9.2.4.1** LSE vs. M/s Y.S. Securities at the Accountability Court under the National Accountability Bureau Ordinance, 1999 (the NAB Ordinance).

**9.2.4.2** Appeal filed by Mr. Tauqeer Malik titled as Mr. Tauqeer Malik vs. LSE and others pending at Securities and Exchange Commission of Pakistan (the SECP) under the Securities and Exchange Commission of Pakistan Act, 1997 (the SECP Act) and Securities and Exchange Ordinance, 1969.

**9.2.4.3** Writ petition by M/s Capital Vision vs. Federation of Pakistan under NAB Ordinance at Lahore High Court

**9.2.4.4** Mr. Rehmat Ali vs. Mr. Tauqeer Malik against the orders of additional District Judge at Divisional Bench, Lahore High Court.

**9.2.4.5** LSE vs. Director-Securities Markets Division of SECP and others under SECP Act at Lahore High Court. IPF maybe required to return claimed shares or invested amount of Rs. 101,450 to defaulter member of LSE.

**9.4** There were no commitments as at June 30, 2021 (2020: Nil).

CAC.

Note 10

**Interest income**

	<b>2021</b>	<b>2020</b>
	Rupees	Rupees
Income from savings accounts	1,125,326	1,290,779
Income from Term Deposit Receipts	17,594,194	30,177,098
	<u>18,719,520</u>	<u>31,467,877</u>

Note 11

**Direct expenses**

	<b>2021</b>	<b>2020</b>
	Rupees	Rupees
Funds and operational management fee	<u>7,375,526</u>	<u>7,140,479</u>

Note 12

**Administrative expenses**

		<b>2021</b>	<b>2020</b>
	Note	Rupees	Rupees
Legal and professional service charges		83,400	338,074
Meeting fee	12.1	1,014,000	637,000
Bank charges		9,124	672
Auditors' remuneration		100,000	96,625
		<u>1,206,524</u>	<u>1,072,371</u>

**12.1 Meeting Fee**

Meeting fee paid to Trustees	375,000	250,000
Meeting fee paid to Fund Committee	594,000	342,000
Meeting fee paid to Default Management Committee	45,000	45,000
	<u>1,014,000</u>	<u>637,000</u>

Note 13

**Transactions with Related Parties**

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

		<b>2021</b>	<b>2020</b>
		Rupees	Rupees
<b>Related party</b>	<b>Nature of Transaction</b>		
Trustees and members of Fund Committee	Meeting fee	1,014,000	637,000
LSE Financial Services Limited	Funds and operational management fee	7,375,526	7,140,479
<b>Outstanding balance</b>			
LSE Financial Services Limited	Funds and operational management fee	683,054	630,273

CAC,

Note 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 disclosed in Note 12.1.

Note 15

**Financial Instruments**

**Basic Financial Instruments by Categories**

	Amortized Cost	Fair value through profit or loss	Total
	Rupees	Rupees	Rupees
<b>Financial Assets as at June 30, 2021</b>			
- Accrued interest	3,945,206	-	3,945,206
- Short term investment	300,000,000	-	300,000,000
- Bank balances	5,860,191	-	5,860,191
	<u>309,805,397</u>	<u>-</u>	<u>309,805,397</u>

**Financial Assets as at June 30, 2020**

- Accrued interest	2,144,110	-	2,144,110
- Short term investment	280,000,000	-	280,000,000
- Bank balances	20,056,446	-	20,056,446
	<u>302,200,556</u>	<u>-</u>	<u>302,200,556</u>

**Financial Liabilities as at June 30,**

**At amortized cost**

	2021	2020
	Rupees	Rupees
Funds and operational management fee payable	683,054	630,273
Other payables	<u>279,000</u>	<u>325,625</u>
	<u>962,054</u>	<u>955,898</u>

Note 16

**Date of Authorization for Issue**

These financial statements were approved and authorized for issue on 04 OCT 2021 by the Board of Trustees.

Note 17

**General**

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangement / reclassification has been made in these financial statements

  
TRUSTEE

  
TRUSTEE

  
HEAD OF FINANCE