

TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

ANNUAL REPORT

2022



TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

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TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

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.

TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

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).

TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

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

TRADING RIGHT ENTITLEMENT CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST

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 Avas Hyder Liaquat Nauman, Chartered Accountants

Registered Office

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

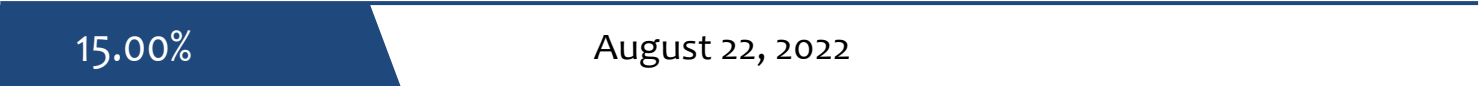
Annual Performance Review

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, 2022 & September 30, 2022.

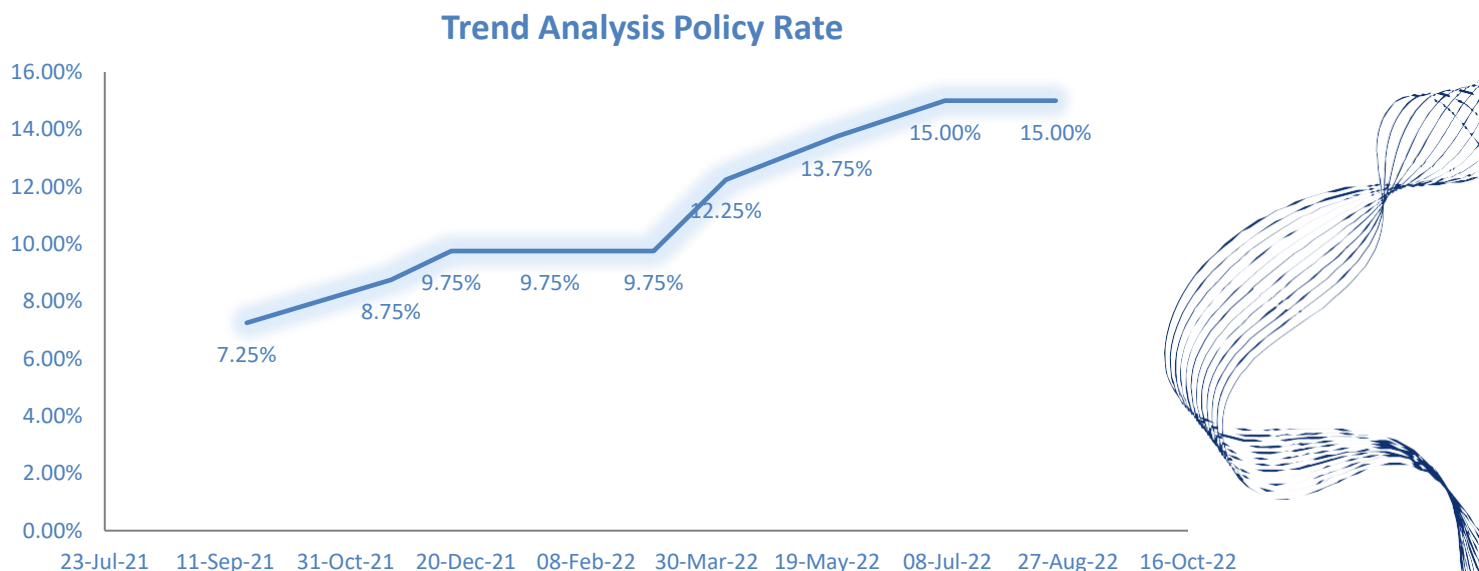
The Management of LSE Financial Services Ltd. is pleased to present its report to the Funds Committee and the Board of Trustees of IPF, TCF & MCF Trusts of LSE, on the financial performance of the Trust Funds during the period ended September 30, 2022.

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.

POLICY RATE



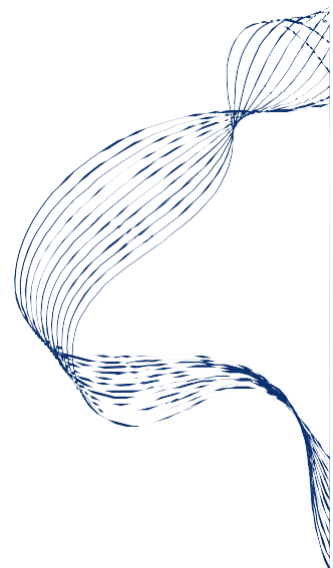
During the period under review, the Monetary Policy Committee (MPC) has increased policy rate by 1.25% from previous policy rate. Which is now 15.00% per annum.



During the period, our profit rate ranged from 6.50% to 14.70% p.a., on TDRs. The PLS account profit rate of the Banks is 13.25% p.a. 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	SBP W.Avg Policy Rate / annum
		Long Term	Short Term		
IPF	MCB Bank Limited	AAA	A1+	15.00%	12.44%
MCF	MCB Bank Limited	AAA	A1+	15.00%	12.44%
TREC	MCB Bank Limited	AAA	A1+	15.00%	12.44%
	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		MCF		TREC		Total	
	Sep-22	Jun-22	Sep-22	Jun-22	Sep-22	Jun-22	Sep-22	Jun-22
Weighted Avg. Rate on TDR	11.80%	8.40%	11.80%	8.50%	12.32%	9.77%	11.97%	8.89%
Weighted Avg. Rate on PLS	13.00%	7.58%	13.00%	7.58%	13.00%	7.58%	13.00%	7.58%
Rate on TDR's on Period end	11.80%	11.80%	11.80%	11.80%	12.51%	12.74%	12.04%	12.11%
Rate on PLS's on Period end	13.50%	7.58%	13.50%	7.58%	13.50%	7.58%	13.50%	7.58%

Note: TDR of IPF & MCF were purchased in April-2022 for 6 months and that time policy rate was 12.25% p.a. the pre-mature encashment of TDR is subject to penalty of 2% and rack PLS rate of purchased date is applicable which was 8.25% in April-2022.

Resultantly, the net income from the investment during the periods were achieved in the following manner:

Description	IPF			MCF			TREC			Total		
	Jun-22	Jun-21	% Change	Jun-22	Jun-21	% Change	Jun-22	Jun-21	% Change	Jun-22	Jun-21	% Change
	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%
Income	25,302	18,720	35.16%	8,957	6,561	36.52%	40,419	30,028	34.60%	74,677	55,308	35.02%
Expense												
Direct	7,735	7,376	4.87%	2,624	2,505	4.76%	12,198	11,619	4.98%	22,557	21,499	4.92%
Administrative	2,149	1,207	78.11%	1,258	725	73.55%	3,620	2,497	45.01%	7,027	4,428	58.70%
	9,884	8,582	15.17%	3,882	3,230	20.20%	15,818	14,116	12.06%	29,585	25,927	14.10%
Net Income	15,418	10,137	52.09%	5,074	3,331	52.34%	24,600	15,912	54.60%	45,093	29,381	53.48%

Description	IPF			MCF			TREC			Total		
	Sep-22	Sep-21	Change	Sep-22	Sep-21	Change	Sep-22	Sep-21	% Change	Sep-22	Sep-21	Change
	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%	Rupee in 000		%
Income	9,385	5,002	87.63%	3,308	1,783	85.55%	15,310	8,172	87.36%	28,004	14,957	87.23%
Expense												
Direct	1,939	1,858	4.32%	670	631	6.14%	3,116	2,929	6.37%	5,724	5,419	5.64%
Administrative	460	728	-36.75%	212	383	-44.54%	735	1,367	-46.20%	1,408	2,478	-43.17%
	2,399	2,586	-7.24%	882	1,014	-12.98%	3,851	4,296	-10.36%	7,133	7,896	-9.67%
Net Income	6,986	2,416	189.22%	2,426	769	215.49%	11,459	3,876	195.67%	20,871	7,060	195.62%

At the close of the financial period, i.e., on September 31, 2022, the investments of the Funds and net cash position is recorded as under:

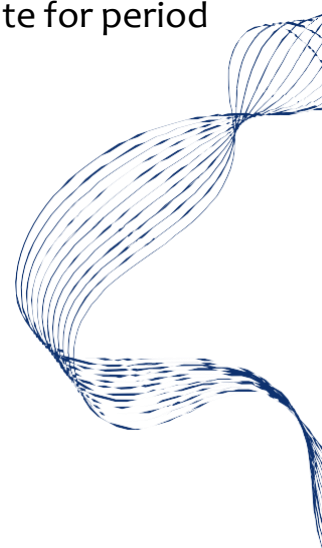
Description	IPF		MCF		TREC		Total	
	Sep-22	Jun-22	Sep-22	Jun-22	Sep-22	Jun-22	Sep-22	Jun-22
	----- Rupee in 000 -----							
Investment	313,000	313,000	110,000	110,000	483,000	483,000	906,000	906,000
Bank	1,302	3,637	785	1,562	26,634	19,523	28,721	24,723
Net Cash	314,302	316,637	110,785	111,562	509,634	502,523	934,721	930,723
Accrued Profit	17,008	7,690	5,978	2,703	8,481	4,010	31,468	14,403
Total Fund	331,311	324,328	116,763	114,265	518,115	506,533	966,189	945,125
Increase in Rs.	6,983		2,499		11,582		21,064	
Increase in %	2.15%		2.19%		2.29%		2.23%	

2021-2022, the Management has successfully obtained exemption under section 2(36) of Income Tax Ordinance, 2001 as NPO for IPF, MCF & TCF Trusts in July 2022 which expired on June 30, 2023.

Also, the exemptions on collecting withholding tax on profit (sec 151) have been granted by the department.

Future Outlook:

MPC in its meeting of October 10, 2022, has decided to retain the policy rate at 15.00% from August 22, 2022. All TDR have been booked on above 15% policy rate for period of 6 months which will ensure given rate profitability.

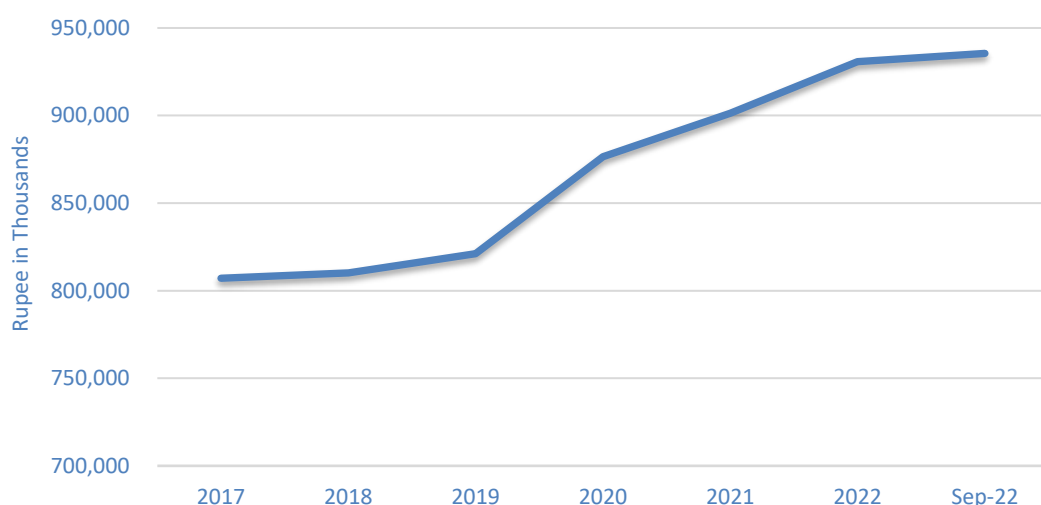


6 YEAR MANAGEMENT PERFORMANCE REVIEW

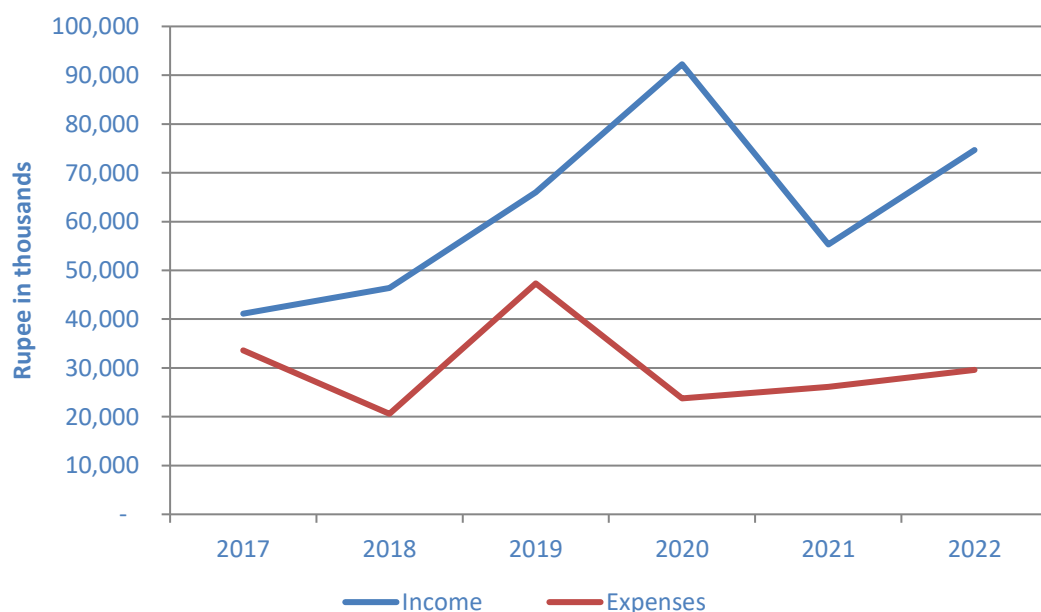
Six Years Achievement

Funds	01-Jan-16	6 Years				30-Sep-22
	Cash & cash equivalent	Income	Fund Management Fee	Payment to defaulted members	Other Expense	Cash & Cash equivalent
TCF Fund	397,081,780	216,064,593	65,006,406	-	15,053,031	509,633,868
IPF Fund	295,384,116	139,737,318	41,657,762	36,674,542	10,383,566	314,302,078
MCF fund	91,514,099	47,949,772	13,864,314	-	5,565,443	110,784,924
	783,979,995	403,751,683	120,528,482	36,674,542	31,002,040	934,720,870

Funds growth in 6 years



Income & Exepense 6 years



Auditor's Report

and

Audited Financial Statements

**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, 2022, 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, 2022, 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.

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: 12 OCT 2022

Place: Lahore

UDIN:AR202210193iPdVEu3cO




**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
ASSETS			
Current Assets			
Short term investments	4	483,000,000	468,000,000
Interest accrued		4,009,709	1,420,274
Advances and prepayments	5	-	234,000
Tax Refunds due from Govt.	6	19,513,131	19,065,956
Bank balances	7	19,523,412	12,696,881
		526,046,252	501,417,111
TOTAL ASSETS		526,046,252	501,417,111
FUNDS AND LAIBILITIES			
Funds and Reserves			
General fund		530,033,415	530,033,415
Accumulated deficit		(5,349,142)	(29,949,616)
		524,684,273	500,083,799
Current Liabilities			
Other payables	8	1,361,979	1,333,312
Contingencies and Commitments	9	-	-
TOTAL FUNDS AND LIABILITIES		526,046,252	501,417,111

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


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**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
INCOME			
Interest income	10	40,418,778	30,027,765
EXPENDITURE			
Direct expenses	11	12,197,881	11,618,890
Administrative expenses	12	3,620,423	2,496,641
Total expenditure		15,818,304	14,115,531
Surplus for the year		24,600,474	15,912,234

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


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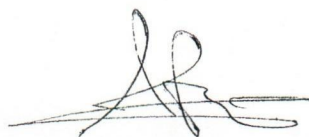

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**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2022**

	General Funds	Accumulated (Deficit)	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2020	530,033,415	(45,861,850)	484,171,565
surplus for the year	-	15,912,234	15,912,234
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

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



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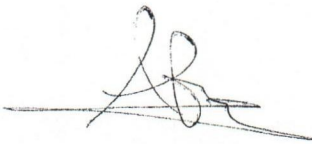



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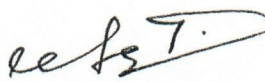
**LAHORE STOCK EXCHANGE TRADING RIGHT ENTITLEMENT
CERTIFICATE HOLDERS' CONTRIBUTION FUND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	24,600,474	15,912,234
Adjustment for:		
Interest income	(40,418,778)	(30,027,765)
Guarantee commission	234,000	234,000
	<u>(40,184,778)</u>	<u>(29,793,765)</u>
Operating (deficit) before working capital changes	(15,584,304)	(13,881,531)
(Increase) / Decrease in current assets:		
- Advances & prepayments	234,000	(234,000)
Increase / (decrease) in current liabilities:		
- Other payables	28,667	(7,529)
	<u>262,667</u>	<u>(241,529)</u>
Net cash (used in) operations	(15,321,637)	(14,123,060)
Guarantee commission	(234,000)	(234,000)
Tax deducted at source	(447,175)	(4,414,348)
Net cash (used in) operating activities (A)	(16,002,812)	(18,771,408)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	37,829,343	29,434,505
Short term investments made	(15,000,000)	(85,000,000)
Net cash generated / (used in) from investing activities (B)	22,829,343	(55,565,495)
CASH FLOW FROM FINANCING ACTIVITIES (C)	-	-
Net increase in cash and cash equivalents (A+B+C)	6,826,531	(74,336,903)
Cash and cash equivalents at the beginning of the year	12,696,881	87,033,784
Cash and Cash Equivalents at the end of the Year	19,523,412	12,696,881

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


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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, 2022

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 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 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 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.

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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.

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.

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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.

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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.

4	Short Term Investments	Note	2022	2021
			Rupees	Rupees
Term Deposit Receipts (TDRs) :				
	MCB Bank Limited	4.1	108,000,000	108,000,000
	Allied Bank Limited	4.2	100,000,000	100,000,000
	Bank Al-Habib Limited	4.3	275,000,000	260,000,000
			483,000,000	468,000,000

4.1 This is held with a bank carrying return at the average rate of 11.80% per annum (2021: 6.4% per annum) and is due to mature on October 15, 2022.

4.2 This is held with a bank carrying return at the average rate of 13.25% per annum (2021: 7.10% per annum) and is due to mature on July 29, 2022.

4.3 This is held with a bank carrying return at the average rate of 12.00 % per annum (2021: 6.50 % per annum) and is due to mature on October 14, 2022.

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4.4 The TDRs of MCB Bank Limited & Allied Bank Limited have been lien marked, as these banks have issued irrevocable bank guarantees of 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 TDRs, 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	2022	2021
			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)
			-	-
	Prepayments - Guarantee commission		-	234,000
			-	234,000

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

6	Tax Refunds due from Govt.	Note	2022	2021
			Rupees	Rupees
	Income tax deducted at source		38,236,848	37,789,673
	Less: Provision for taxation	6.1	(18,723,717)	(18,723,717)
	Closing balance		19,513,131	19,065,956

6.1 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.

7	Bank Balances	Note	2022	2021
			Rupees	Rupees
	Current accounts		5,910,909	6,802,115
	Saving accounts	7.1	13,612,503	5,894,766
			19,523,412	12,696,881

7.1 This is held with a bank carrying return at the average rate of 5.50% to 12.25% per annum throughout the year.(2021: 5.50% per annum).

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8	Other Payables	Note	2022	2021
			Rupees	Rupees
	Funds and operational management fee	8.1	1,086,478	1,032,312
	Auditors' remuneration		103,500	110,000
	Legal and professional charges		172,001	191,000
			<u>1,361,979</u>	<u>1,333,312</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 (2021:2% 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 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 (2021: Rs. 90 million) and 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:

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:

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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 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 The Commissioner of Income Tax has filed appeals before Lahore High Court for setting aside the orders of Income Tax Appellate Tribunal, Lahore whereby an exemption was allowed to LSE as charitable institution and the addition for the head MCF was deleted. The projected liability based on the current size of fund amounting to Rs. 185.690 million (2021: Rs. 172.666 million) whereas TREC portion of prorata is Rs. 152.266 million (2021: Rs. 140.914 million).

9.5 There were no commitments as at June 30, 2022 (2021: Nil).

10	Interest Income	2022	2021
		Rupees	Rupees
	Profit on savings account	849,620	1,289,644
	Profit on Term Deposits Receipts	39,569,158	28,738,121
		<u>40,418,778</u>	<u>30,027,765</u>
11	Direct expenses	2022	2021
		Rupees	Rupees
	Funds and operational management fee	12,197,881	11,618,890

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12	Administrative expenses	Note	2022 Rupees	2021 Rupees
	Auditors' remuneration		103,500	110,000
	Meeting fee	12.1	1,909,500	1,938,000
	Guarantee commission		234,000	234,000
	Legal and professional charges		1,366,836	198,400
	Bank charges		6,587	16,241
			<u>3,620,423</u>	<u>2,496,641</u>

12.1 Meeting fee

- Trustees	1,297,500	750,000
- Members of Funds Committee	612,000	1,188,000
	<u>1,909,500</u>	<u>1,938,000</u>

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	2022 Rupees	2021 Rupees
Trustees and members of Funds Committee	Meeting fee	1,909,500	1,938,000
LSE Financial Services Limited.	Funds and operational management fee	12,197,881	11,618,890
Outstanding balance			
LSE Financial Services Limited.	Funds and operational management fee	1,086,478	1,032,312

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 12.1.

15 Financial Instruments

Basic financial instruments by categories are as follows ;

	Notes	Amortized Cost Rupees	Fair value through profit or loss Rupees	Total Rupees
Financial Assets as at June 30, 2022				
Accrued interest		4,009,709	-	4,009,709
Short term investment	4	483,000,000	-	483,000,000
Bank balances	7	19,523,412	-	19,523,412
		<u>506,533,121</u>	-	<u>506,533,121</u>

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	Notes	Amortized Cost	Fair value through profit or loss	Total
		Rupees	Rupees	Rupees
Financial Assets as at June 30, 2021				
Accrued interest		1,420,274	-	1,420,274
Short term investment	4	468,000,000	-	468,000,000
Bank balances	7	12,696,881	-	12,696,881
		<u>482,117,155</u>	<u>-</u>	<u>482,117,155</u>

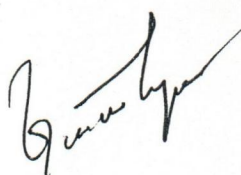
Financial Liabilities

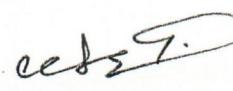
	Note	2022 Rupees	2021 Rupees
At amortized cost			
Other payables	8	<u>1,361,979</u>	<u>1,333,312</u>

16 Date of Authorization for Issue

These financial statements were approved and authorized for issue on 20 OCT 2022 by the Board of Trustees.


TRUSTEE


TRUSTEE


HEAD OF FINANCE