



TRG PAKISTAN LIMITED



**ANNUAL REPORT
2019**

Vision

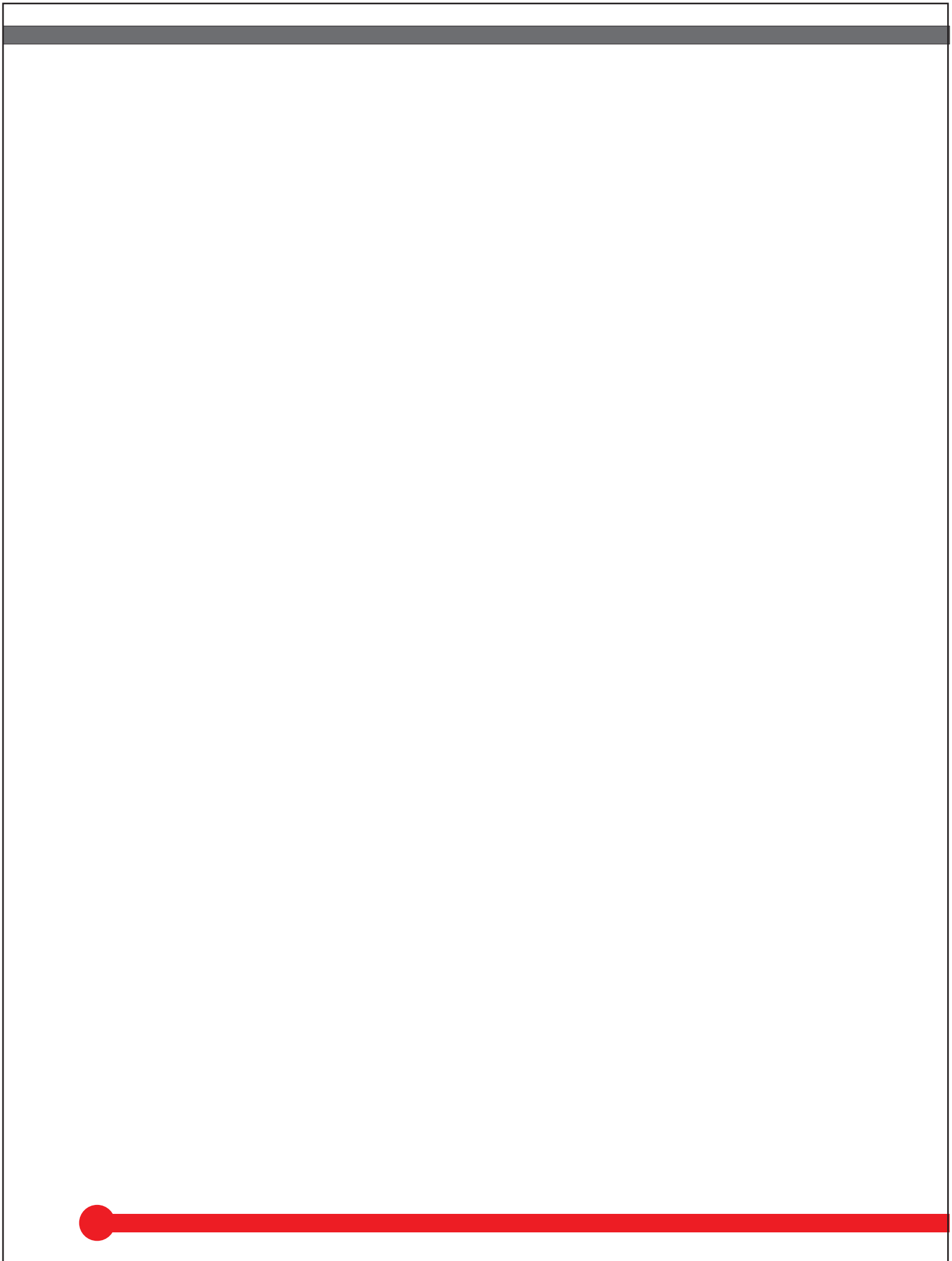
To be the global leader in providing business process outsourcing services.

Mission

We aim to be the most efficient provider of business process outsourcing services by setting the industry standards for cost and quality of services.

We will grow through acquisition of other business process outsourcing companies that can benefit from our expertise, as well as through organic growth resulting from the strength of our franchise. Our long term success will be driven by our relentless focus on recruiting and developing the most talented pool of human capital in our industry.

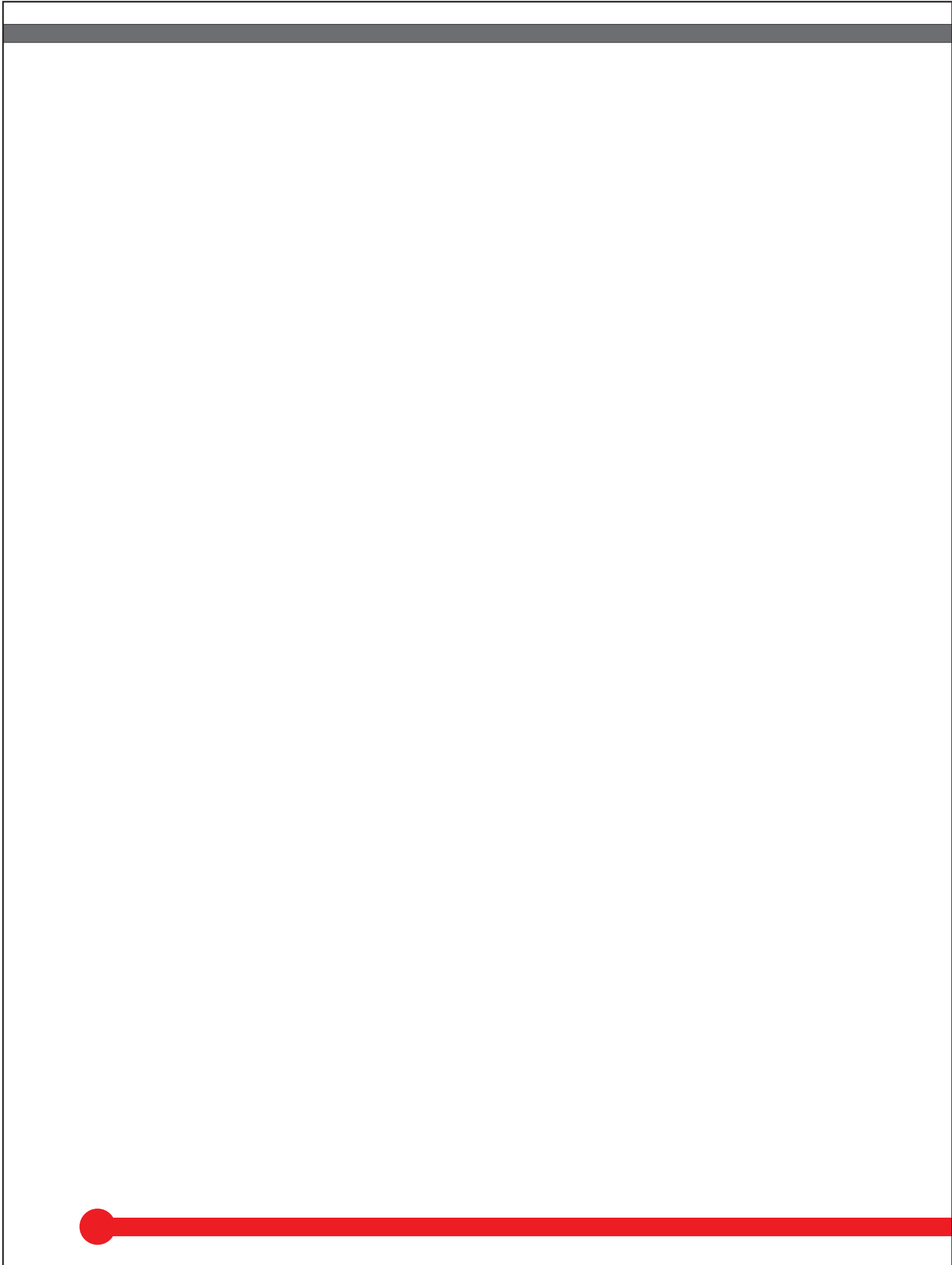




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Corporate Information

Board of Directors

Peter H.R. Riepenhausen

Chairman

Muhammad Ziaullah Khan Chishti

CEO

Zafar Iqbal Sobani

Muhammad Ali Jameel

John Leone

Mohammadullah Khan Khaishgi

Patrick McGinnis

Ameer S. Qureshi

Asad Nasir

Sabiha Sultan Ahmad

Audit Committee

Zafar Iqbal Sobani - Chairman

Patrick McGinnis

Ameer S. Qureshi

Asad Nasir

HR Recruitment &

Remuneration Committee

Sabiha Sultan Ahmad - Chairman

John Leone

Peter H.R. Riepenhausen

Mohammed Khaishgi

Chief Financial Officer

Hassan Farooq

Company Secretary

Rahat Lateef

Legal Advisor

Lexium - Attorneys at Law

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

Shares Registrar

THK Associates (Pvt.) Ltd.

Share Department,

1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi-75400, Pakistan.

Phone: +92 (021) 111-000-322

FAX: +92 (021) 34168271

Registered Office

Centre Point Building, Level 18, Plot

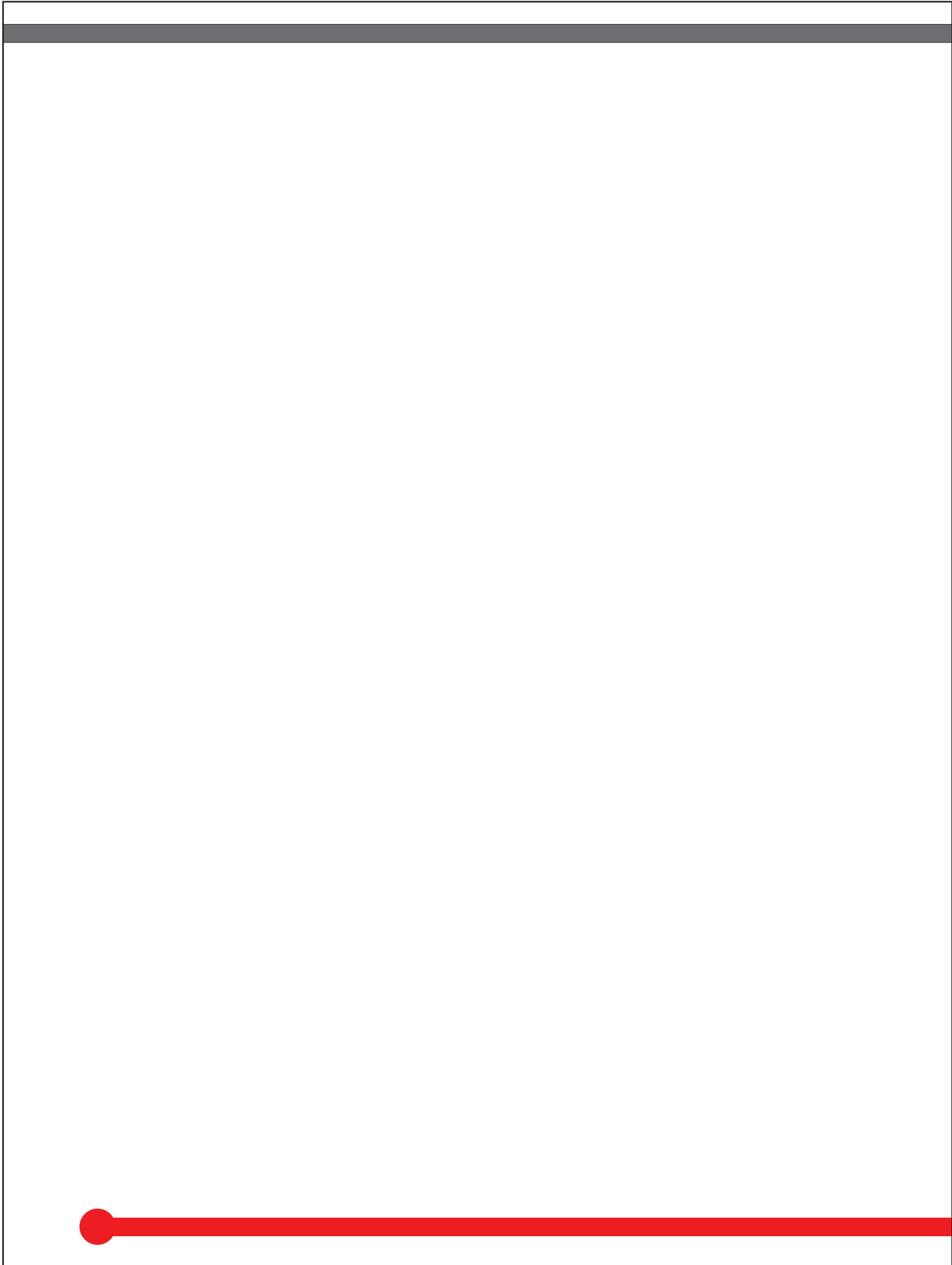
No. 66/3-2, Off. Shaheed-e-Millat

Expressway, Near KPT Interchange

Flyover, Karachi-74900, Pakistan.

UAN: (021) 111-874-874

FAX: (021) 35805893



Notice of Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of TRG Pakistan Limited (the "Company") will be held at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton Karachi, Pakistan on November 25, 2019 at 12:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the Minutes of the Extraordinary General Meeting of the Company held on January 14, 2019.
2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2019.
3. To appoint the Auditors for the ensuing year ending June 30, 2020 and fix their remuneration.

Other Business

4. To transact any other business as may be placed before the meeting with the permission of the Chair.

Karachi, November 4, 2019

By Order of the Board


Rahat Lateef
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from November 19, 2019 to November 25, 2019 (both days inclusive). Transfers received by our registrars, Messrs THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi at the close of business on November 18, 2019 will be treated in time for the purpose of attending the meeting.
2. A member entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend, speak, and vote for him/her. A proxy need not be a member of the Company.
3. The instrument appointing a proxy and the power of attorney, or other authority under which it is signed, or a notarially certified copy of such power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
4. The Company shall provide the video link facility to those member(s) who hold minimum 10% shareholding of the total paid-up capital and resident of city other than Karachi where Company's Annual General Meeting is taking place, upon request. Such member(s) should submit request in writing to the Company at least ten days before the date of the meeting.
5. Members are requested to notify any change in their address immediately.
6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending meeting:

- (i) In case of individuals, the account holder or the sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

Notice of Annual General Meeting

B. For appointing proxies

- (i) In case of individuals the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his / her original CNIC at the time of the meeting.
- (v) In case of corporate entity, the Board of Directors' resolutions / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Chairman's Review Report

For the year ended June 30, 2019

It gives me immense pleasure to provide an update to our shareholders on the performance of their Board.

The evaluation of the Board's performance is assessed on key areas where the Board provides high level oversight, including the strategic process; key business drivers and performance milestones, the global economic environment and competitive context in which the Company operates. I am pleased to report that the Board played a key role in all of these areas and continues to provide leadership and effective oversight through its committees.

The Board has laid down policies and procedures that ensure a professional corporate environment that promotes timely disclosure, accountability, high ethical standards, and compliance with applicable laws, regulations and corporate governance. During the year under review, the Board has effectively discharged its responsibility towards the Company and participated in all strategic affairs carefully. All quarterly, half yearly and annual financial results were thoroughly reviewed and Board also played a key role in monitoring of management performance and focus on major risk areas.

The Board has ensured that an adequate system of internal control is in place and its regular assessment is carried out. The Board has prepared and approved the Directors' report and has ensured that the Directors' report is published with the quarterly, half yearly and annual financial statements of the Company and the contents of the Directors' report are in accordance with the requirement of applicable laws and regulations.

Lastly, I would like to extend my heartfelt gratitude and appreciation to the Board Members for their commendable performance throughout the year. Moving forward, I am confident that the Company has all the necessary ingredients to achieve the expectations of all its stakeholders.

Karachi: October 23, 2019



Peter H.R. Riepenhausen
Chairman

Report of the Directors

For the Year ended June 30, 2019

Your Directors are pleased to present the standalone and consolidated Financial Statements of TRG Pakistan Limited for the year ended June 30, 2019.

Key Developments

2019 was a year of significant growth across our portfolio. Consolidated revenues increased by 43% to Rupees 70 billion. The record topline growth was broad based and across all of our subsidiaries. The consistent growth over the last few years has helped enhance the value of our operating assets, as we get closer to monetization.

This was a landmark year for e-Telequote, our health insurance marketing subsidiary. Revenues increased from Rupees 3.8 billion in fiscal 2018 to Rupees 8.8 billion. This increase was a result of the investment made in new facilities in 2018 to address the buoyant Medicare insurance market in the US. With this larger scale, e-Telequote has been successful in improving operational efficiencies and profitability. As a result, EBITDA increased from Rupees 1,003 million in fiscal 2018 to Rupees 3,694 million in fiscal 2019. The Company also closed a US\$ 75 million debt financing during the fiscal year, which will help sustain and fuel growth in fiscal 2020.

Towards the end of the year, we spun off e-Telequote from the IBEX Holdings special purpose vehicle (that had been set up as an intermediate vehicle owning the IBEX and e-Telequote assets). This decision was based on the fact that e-Telequote and IBEX have different cash flow and investor profiles and with the proportionate growth of e-Telequote, it would no longer be beneficial to retain e-Telequote under IBEX Holdings in case of monetization.

During the current fiscal year, our IBEX business continued its transition away from revenues delivered from onshore locations by growing significantly its nearshore presence in Jamaica and is also in the process of further growing its Philippines operations. IBEX also reduced its dependence on telecommunications clients with a roster of new logo wins as well as significant growth in existing non-telecommunications clients. During this fiscal year, we also completed the integration of our digital business (previously known as Digital Globe Solutions) into IBEX, allowing the company to offer a broader range of solutions to its enterprise clients. Revenues grew to Rupees 42.2 billion, up from Rupees 30.8 billion last year. This growth is especially impressive given the low single digit growth rates (in US\$ terms) of the overall BPO market. The above developments allowed IBEX to attain significant operating leverage in line with increasing gross margins. IBEX EBITDA (adjusted for one time items) was Rupees 3,349 million in fiscal 2019, up from Rupees 473 million in fiscal 2018, reflecting the margin effects referred to above.

Our Afiniti operating subsidiary (which utilizes artificial intelligence to pair individuals on the basis of behavior while generating successful interactions with increased profitability) continued its trajectory of growth, with revenues increasing to Rupees 11.2 billion in fiscal 2019, up from Rupees 7.54 billion in fiscal 2018, representing a top line increase of 49%. With a number of large scale deployments in the pipeline, we expect Afiniti to grow at an even higher clip in 2020. We continue to invest into the Afiniti business, building out its global footprint as well as investing heavily into its technology delivery capabilities and its client facing presence. As a result, the Afiniti cost base during fiscal 2019 increased to Rupees 14.8 billion, up from Rupees 9.6 billion during fiscal 2018 whereas Afiniti's EBITDA loss during fiscal 2019 stood at Rupees 3.6 billion, up from Rupees 2.01 billion during fiscal 2018. We expect to realize the operating leverage inherent within this pure technology business as the continuing revenue increases outpace the increase in the cost base and the business attains breakeven. To fund its expansion, Afiniti closed a debt funding round in fiscal 2019 with a leading credit provider for a total of US\$150 million with an upfront US\$125 million that refinanced existing debt and provided additional expansion capital, and a further US\$25 million available as a delayed draw within the next 2 years.

Financial Performance

TRG Pakistan's financial statements consist of the financial statements of the parent company on a standalone basis, as well as the consolidated financial statements of the entire group.

TRG Pakistan Limited Stand Alone Financial Statements

TRG Pakistan Limited essentially serves as a holding company, with its sole material asset being its investment in The Resource Group International Limited (TRGIL). The value of TRG Pakistan's share in TRGIL as of June 30, 2019 is Rs. 16.4 billion. On a like for like basis, this value was Rs. 16.1 billion as of June 30, 2018. This represents an increase of Rs.0.3 billion during the year and an overall increase that is more than double the value of its original investment. As per the relevant accounting standards, this increase is recorded directly into the equity account of the balance sheet.

On a standalone basis, the Company recognized income of Rupees 240.9 million in its income statement, whereas it incurred expenses of Rupees 238.6 million. In addition, tax expense amounting to Rupees 0.538 million was also incurred during the year. As a result, TRG Pakistan Limited posted a net profit of Rupees 1.9 million for the year ended June 30, 2019.

Consolidated Financial Statements

For the year ended June 30, 2019, our consolidated revenues amounted to Rupees 70,260 million, which represents a 43% increase from revenues of Rupees 49,057 million for the comparative period in 2018. Our recurring earnings before interest, taxes, depreciation and amortization were Rupees 5,514 million up from a negative 434 million last year. In non-cash adjustments, we had depreciation and amortization expenses of Rupees 4,304 million, a non-cash stock option expense of Rupees 881 million, an exchange gain of Rupees 460 million and tax expense of Rupees 427 million. In addition, we incurred cash and non-cash interest expenses of Rupees 3,066 million and Rupees 1,660 million respectively and recognized a further one-time non-cash charge of Rupees 794 million. The net result of the above was a loss for the year of Rupees 5,504 million as compared to a loss of Rupees 6,773 million during the same period in 2018.

Results of TRG International Limited

TRG Pakistan Limited's sole direct subsidiary, The Resource Group International Limited's (TRGIL) stake in its operating subsidiaries is reflected in its financial statements as investment in portfolio companies and carried at fair value. TRGIL's audited results for FY19 have gross assets of Rupees 52.5 billion and Net Asset Value of Rupees 278 per share.

Corporate and Financial Reporting Framework

As required by the Corporate Governance Regulations, the directors are pleased to report the following:

- a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of account of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts upon the Company's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- h) The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not trade in shares of the company except as disclosed in the Pattern of Shareholding; and
- i) The value of investments of the recognized provident fund for TRG Pakistan Limited (on a stand-alone basis) as at June 30, 2019 was Rupees 0.792 million (unaudited) and as at June 30, 2018 was Rupees 0.792 million (unaudited).

Board of Directors

The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes the following Directors:

| S. No. | Category | Name of Director |
|--------|-------------------------|--|
| 1. | Executive Directors | Muhammad Ziaullah Khan Chishti Mohammed Khaishgi |
| 2. | Non-Executive Directors | Muhammad Ali Jameel Patrick McGinnis John Leone Peter H.R. Riepenhausen Ameer S. Qureshi |
| 3. | Independent Directors | Zafar Iqbal Sobani Asad Nasir Sabiha Sultan Ahmad |

Board Sub-Committees

| S. No. | Category | Name of Member |
|--------|---|---|
| 1. | Audit Committee | Zafar Iqbal Sobani Patrick McGinnis Ameer S. Qureshi Asad Nasir |
| 2. | HR Recruitment & Remuneration Committee | Sabiha Sultan Ahmad John Leone Peter H.R. Riepenhausen Mohammed Khaishgi |

Board Meetings during the Year

During the year four meetings of the Board of Directors were held. Attendance by the Directors was as follows:

| Name of Director | Meetings attended |
|-------------------------------|-------------------|
| Mr. Muhammad Ziaullah Chishti | 4 |
| Mr. Muhammad Ali Jameel | 2 |
| Mr. Mohammedulla Khaishgi | 4 |
| Mr. Rafiq Dossani (**) | 0 |
| Mr. John Leone | 4 |
| Mr. Peter H. R. Riepenhausen | 3 |
| Mr. Ameer Shabu Qureshi | 4 |
| Mr. Patrick McGinnis | 3 |
| Mr. Zafar Iqbal Sobani | 3 |
| Mr. Hassan Farooq (**) | 1 |
| Mr. Asad Nasir (*) | 2 |
| Ms. Sabiha Sultan Ahmad (*) | 2 |
| Mr. Zahid Ullah Khan (***) | 0 |

(*) Elected on January 14, 2019

(**) Retired on January 14, 2019

(***) Resigned on January 21, 2019

Board Audit Committee Meetings during the Year

Following was the Board Audit Committee attendance:

| Name of Director | Meetings attended |
|-------------------------|-------------------|
| Mr. Patrick McGinnis | 2 |
| Mr. Rafiq K. Dosani | 0 |
| Mr. Ameer Shabu Qureshi | 3 |
| Mr. Zafar Iqbal Sobani | 1 |
| Mr. Asad Nasir | 2 |

Board HR Recruitment & Compensation Committee Meetings during the Year

No meeting of the HR Recruitment & Compensation Committee was held during the year.

Appropriations

The directors do not recommend any appropriations for the current year.

Earnings per Share

The company recognized earnings per share of Rupee 0.003 on a standalone basis. On a consolidated basis, the loss per share was Rupees 2.69.

Auditor

The retiring auditor Messrs KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their re-appointment for the ensuing year ending June 30, 2020.

Shareholding Pattern

A statement showing pattern of shareholding of the Company and relevant additional information as at June 30, 2019 is included in this report.

Outlook

We continue to execute on our strategic plan on enhancing the value of our operating assets and preparing for the realization of this value. We believe that our e-Telequote and IBEX businesses have attained sufficient scale and earnings attractiveness for the private or public capital markets and continue to believe that our Afinity subsidiary presents significant upside potential for our shareholders, given its unique product offering and strong intellectual property.

Shareholder Acknowledgment

We are thankful to our shareholders for their continued support of our unique business model, and for their trust and confidence in the management team. From our side, we feel greatly honored at having been given the opportunity to place Pakistan on the map in this industry.



Muhammad Ziaullah Khan Chishti
Chief Executive

On behalf of the Board of Directors



Muhammad Ali Jameel
Director

Karachi

Dated: October 23, 2019

Statement of Compliance with the Corporate Governance Regulations 2017

For the year ended June 30, 2019

This statement is being presented to comply with the Corporate Governance Regulations, 2017 contained in Regulation No. 40 for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied with the requirements of the Regulations in the following manner:

1. The total number of directors are 10 as per the following:

- a. Male: 9
- b. Female: 1

2. The composition of board is as follows:

| S. No. | Category | Name of Director |
|--------|-------------------------------|--|
| 1. | Independent Directors | Zafar Iqbal Sobani Asad Nasir Sabiha Sultan Ahmad |
| 2. | Other Non-Executive Directors | Muhammad Ali Jameel John Leone Peter H.R. Riepenhausen Patrick McGinnis Ameer S. Qureshi |
| 3. | Executive Directors | Muhammad Ziaullah Khan Chishti Mohammadullah Khan Khaishgi |

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Directors Training Programme has been arranged or exemption thereof has been applied for the following:
- Mr. Zafar Iqbal Sobani
 - Ms. Sabiha Sultan Ahmad
 - Mr. Asad Nasir
 - Mr. Muhammad Ali Jameel
 - Mr. Peter H.R. Riepenhausen
 - Mr. Muhammad Ziaullah Khan Chishti

10. During the year no appointment of CFO was made and appointment of Company Secretary and Head of Internal Audit, were made including their remuneration and terms and conditions of employment and relevant requirements of the Regulations were complied with.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The board has formed committees comprising of members given below:

Audit Committee:

- | | |
|----------------------|----------|
| - Zafar Iqbal Sobani | Chairman |
| - Patrick McGinnis | Member |
| - Ameer S. Qureshi | Member |
| - Asad Nasir | Member |

HR Recruitment & Remuneration Committee:

- | | |
|-------------------------------|----------|
| - Sabiha Sultan Ahmad | Chairman |
| - John Leone | Member |
| - Peter H.R. Riepenhausen | Member |
| - Mohammadullah Khan Khaishgi | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. No meeting of HR Recruitment & Remuneration Committee was held during the year.

15. The Board has setup an effective internal audit function. Personnel of the internal audit department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board of Directors

Karachi

Dated: October 23, 2019



Peter H.R. Riepenhausen

Chairman

**To the members of TRG Pakistan Limited
Review Report on Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations”) prepared by the Board of Directors of TRG Pakistan Limited (“the Company”) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

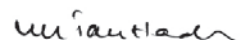
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Karachi



**KPMG Taseer Hadi & Co.
Chartered Accountants**

Dated: October 23, 2019

Pattern of Shareholding

As at June 30, 2019

| No. of Shareholders | Number of Shares | | | No. of Shareholders | Number of Shares | | |
|---------------------|------------------|--------|-------------------|---------------------|------------------|--------|-------------------|
| | From | To | Total Shares Held | | From | To | Total Shares Held |
| 575 | 1 | 100 | 12817 | 1 | 285001 | 290000 | 29000 |
| 1447 | 101 | 500 | 667523 | 7 | 295001 | 300000 | 2100000 |
| 1474 | 501 | 1000 | 1431107 | 2 | 310001 | 315000 | 628879 |
| 2796 | 1001 | 5000 | 7901670 | 2 | 320001 | 325000 | 646000 |
| 844 | 5001 | 10000 | 6883426 | 1 | 330001 | 335000 | 331000 |
| 308 | 10001 | 15000 | 3973147 | 1 | 335001 | 340000 | 340000 |
| 215 | 15001 | 20000 | 3982844 | 1 | 340001 | 345000 | 342500 |
| 165 | 20001 | 25000 | 3897972 | 1 | 345001 | 350000 | 348000 |
| 92 | 25001 | 30000 | 2643540 | 1 | 355001 | 360000 | 358500 |
| 62 | 30001 | 35000 | 2052379 | 1 | 365001 | 370000 | 370000 |
| 46 | 35001 | 40000 | 1773688 | 1 | 370001 | 375000 | 371248 |
| 28 | 40001 | 45000 | 1205195 | 1 | 380001 | 385000 | 382000 |
| 77 | 45001 | 50000 | 3772870 | 1 | 385001 | 390000 | 386000 |
| 24 | 50001 | 55000 | 1281711 | 1 | 395001 | 400000 | 400000 |
| 27 | 55001 | 60000 | 1586103 | 1 | 400001 | 405000 | 405000 |
| 18 | 60001 | 65000 | 1132679 | 4 | 405001 | 410000 | 1636500 |
| 11 | 65001 | 70000 | 752968 | 1 | 410001 | 415000 | 411000 |
| 22 | 70001 | 75000 | 1630779 | 2 | 420001 | 425000 | 848547 |
| 14 | 75001 | 80000 | 1101195 | 1 | 435001 | 440000 | 437572 |
| 9 | 80001 | 85000 | 759000 | 2 | 440001 | 445000 | 885000 |
| 11 | 85001 | 90000 | 972739 | 1 | 445001 | 450000 | 450000 |
| 6 | 90001 | 95000 | 561000 | 1 | 450001 | 455000 | 454500 |
| 43 | 95001 | 100000 | 4289592 | 1 | 460001 | 465000 | 461000 |
| 8 | 100001 | 105000 | 826509 | 2 | 470001 | 475000 | 948000 |
| 10 | 105001 | 110000 | 1089768 | 2 | 485001 | 490000 | 975500 |
| 9 | 110001 | 115000 | 1026760 | 3 | 495001 | 500000 | 1500000 |
| 10 | 115001 | 120000 | 1190988 | 1 | 500001 | 505000 | 500170 |
| 10 | 120001 | 125000 | 1238487 | 1 | 520001 | 525000 | 525000 |
| 5 | 125001 | 130000 | 645500 | 1 | 535001 | 540000 | 537000 |
| 3 | 130001 | 135000 | 402000 | 3 | 540001 | 545000 | 1629912 |
| 8 | 135001 | 140000 | 1111595 | 2 | 545001 | 550000 | 1100000 |
| 5 | 140001 | 145000 | 716000 | 2 | 580001 | 585000 | 1164840 |
| 12 | 145001 | 150000 | 1789168 | 1 | 590001 | 595000 | 592000 |
| 5 | 150001 | 155000 | 766565 | 3 | 595001 | 600000 | 1799904 |
| 4 | 155001 | 160000 | 630113 | 2 | 605001 | 610000 | 1220000 |
| 2 | 160001 | 165000 | 328500 | 1 | 625001 | 630000 | 630000 |
| 4 | 165001 | 170000 | 675687 | 2 | 635001 | 640000 | 1279500 |
| 6 | 170001 | 175000 | 1050000 | 1 | 640001 | 645000 | 643000 |
| 1 | 175001 | 180000 | 180000 | 3 | 645001 | 650000 | 1947290 |
| 4 | 180001 | 185000 | 734000 | 1 | 650001 | 655000 | 655000 |
| 3 | 185001 | 190000 | 562200 | 1 | 660001 | 665000 | 660487 |
| 5 | 190001 | 195000 | 965542 | 1 | 665001 | 670000 | 666000 |
| 12 | 195001 | 200000 | 2400000 | 1 | 690001 | 695000 | 694500 |
| 3 | 200001 | 205000 | 609706 | 1 | 695001 | 700000 | 700000 |
| 1 | 205001 | 210000 | 206000 | 1 | 705001 | 710000 | 708500 |
| 5 | 210001 | 215000 | 1072500 | 1 | 715001 | 720000 | 718500 |
| 3 | 215001 | 220000 | 647452 | 1 | 720001 | 725000 | 721000 |
| 2 | 220001 | 225000 | 450000 | 1 | 725001 | 730000 | 729500 |
| 2 | 225001 | 230000 | 456000 | 1 | 730001 | 735000 | 733324 |
| 2 | 230001 | 235000 | 464904 | 1 | 735001 | 740000 | 738500 |
| 5 | 235001 | 240000 | 1191952 | 1 | 745001 | 750000 | 750000 |
| 4 | 240001 | 245000 | 976404 | 2 | 755001 | 760000 | 1516500 |
| 8 | 245001 | 250000 | 2000000 | 1 | 760001 | 765000 | 765000 |
| 5 | 250001 | 255000 | 1260509 | 2 | 765001 | 770000 | 1533048 |
| 3 | 255001 | 260000 | 765814 | 3 | 775001 | 780000 | 2336475 |
| 1 | 260001 | 265000 | 265000 | 1 | 790001 | 795000 | 795000 |
| 2 | 265001 | 270000 | 537000 | 1 | 795001 | 800000 | 800000 |
| 3 | 270001 | 275000 | 820540 | 1 | 820001 | 825000 | 824000 |

| No. of Shareholders | Number of Shares | | | No. of Shareholders | Number of Shares | | |
|---------------------|------------------|---------|-------------------|---------------------|----------------------|----------|-------------------|
| | From | To | Total Shares Held | | From | To | Total Shares Held |
| 2 | 825001 | 830000 | 1655500 | 1 | 2340001 | 2345000 | 2345000 |
| 1 | 840001 | 845000 | 845000 | 1 | 2410001 | 2415000 | 2412500 |
| 1 | 845001 | 850000 | 850000 | 1 | 2530001 | 2535000 | 2530500 |
| 2 | 870001 | 875000 | 1747508 | 1 | 2635001 | 2640000 | 2638000 |
| 1 | 890001 | 895000 | 891500 | 1 | 2685001 | 2690000 | 2687016 |
| 1 | 895001 | 900000 | 899085 | 1 | 2700001 | 2705000 | 2702000 |
| 1 | 930001 | 935000 | 932500 | 1 | 2930001 | 2935000 | 2930500 |
| 1 | 965001 | 970000 | 968500 | 1 | 2990001 | 2995000 | 2992000 |
| 1 | 975001 | 980000 | 977500 | 1 | 3515001 | 3520000 | 3517000 |
| 1 | 985001 | 990000 | 989500 | 1 | 3670001 | 3675000 | 3675000 |
| 6 | 995001 | 1000000 | 6000000 | 1 | 3995001 | 4000000 | 4000000 |
| 1 | 1080001 | 1085000 | 1085000 | 1 | 4045001 | 4050000 | 4050000 |
| 3 | 1095001 | 1100000 | 3300000 | 1 | 4925001 | 4930000 | 4925500 |
| 1 | 1100001 | 1105000 | 1105000 | 1 | 5155001 | 5160000 | 5156820 |
| 1 | 1110001 | 1115000 | 1111000 | 1 | 5185001 | 5190000 | 5189194 |
| 1 | 1145001 | 1150000 | 1145500 | 1 | 5655001 | 5660000 | 5659417 |
| 1 | 1165001 | 1170000 | 1170000 | 1 | 6075001 | 6080000 | 6075051 |
| 1 | 1185001 | 1190000 | 1189500 | 1 | 6425001 | 6430000 | 6426000 |
| 1 | 1195001 | 1200000 | 1198500 | 1 | 6485001 | 6490000 | 6490000 |
| 1 | 1210001 | 1215000 | 1211000 | 1 | 6595001 | 6600000 | 6600000 |
| 1 | 1230001 | 1235000 | 1232673 | 1 | 7220001 | 7225000 | 7225000 |
| 1 | 1295001 | 1300000 | 1300000 | 1 | 7330001 | 7335000 | 7332000 |
| 1 | 1335001 | 1340000 | 1336500 | 1 | 7970001 | 7975000 | 7973905 |
| 1 | 1355001 | 1360000 | 1357324 | 1 | 8280001 | 8285000 | 8281600 |
| 1 | 1385001 | 1390000 | 1387000 | 1 | 8730001 | 8735000 | 8730832 |
| 1 | 1490001 | 1495000 | 1491000 | 1 | 9720001 | 9725000 | 9722000 |
| 1 | 1495001 | 1500000 | 1500000 | 1 | 10095001 | 10100000 | 10100000 |
| 1 | 1500001 | 1505000 | 1501486 | 1 | 10585001 | 10590000 | 10585745 |
| 1 | 1570001 | 1575000 | 1574500 | 1 | 19575001 | 19580000 | 19576000 |
| 1 | 1665001 | 1670000 | 1668500 | 1 | 20785001 | 20790000 | 20790000 |
| 1 | 1670001 | 1675000 | 1674491 | 1 | 35380001 | 35385000 | 35383760 |
| 1 | 1855001 | 1860000 | 1860000 | 1 | 51105001 | 51110000 | 51109067 |
| 1 | 2265001 | 2270000 | 2268099 | 1 | 79905001 | 79910000 | 79908289 |
| 1 | 2295001 | 2300000 | 2300000 | | | | |
| 1 | 2305001 | 2310000 | 2307500 | | | | |
| | | | | 8655 | Company Total | | 545,390,665 |

Category of Shareholders

As on June 30, 2019

| Categories | Share Holders | Share Holding | Percentage |
|---------------------------|---------------|--------------------|------------|
| DIRECTORS, CEO & CHILDREN | 14 | 86,425,056 | 15.8464 |
| ASSOCIATED COMPANIES | 2 | 59,000 | 0.0108 |
| BANKS, DFI & NBFI | 10 | 40,871,036 | 7.4939 |
| INSURANCE COMPANIES | 3 | 155,612 | 0.0285 |
| MUTUAL FUNDS | 9 | 20,369,517 | 3.7348 |
| GENERAL PUBLIC (LOCAL) | 8073 | 205,287,133 | 37.6404 |
| GENERAL PUBLIC (FOREIGN) | 389 | 27,618,045 | 5.0639 |
| OTHERS | 14 | 158,186,314 | 29.0042 |
| FOREIGN COMPANIES | 14 | 6,418,952 | 1.1769 |
| Company Total | 8,655 | 545,390,665 | 100 |

| Detail of Associated Companies | Number of Share Held |
|--------------------------------|----------------------|
| TPL HOLDINGS (PRIVATE) LIMITED | 59,000 |
| | 59,000 |

| Detail of Directors, CEO and their spouse and minor children | Number of Shares Held |
|--|-----------------------|
| MR. MUHAMMAD ZIAULLAH CHISTI | 84,833,789 |
| MR. MUHAMMAD ALI JAMEEL | 298 |
| MR. MUHAMMADULLA KHAISHGI | 612,840 |
| MR. JOHN LEONE | 3 |
| MR. PETER H. R. RIEPENHAUSEN | 877,617 |
| MR. AMEER S. SHABU QURESHI | 3 |
| MR. PATRICK MCGINNIS | 3 |
| MR. ZAFAR IQBAL SOBANI | 100,000 |
| MR. ASAD NASIR | 500 |
| MS. SABIHA SULTAN AHMAD | 3 |
| | 86,425,056 |

**Pattern of Shareholding
As Per Requirement of Code of Corporate Governance**

As at June 30, 2019

| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds | Number of Shares Held |
|--|------------------------------|
| JAHANGIR SIDDIQUI & CO. LTD. | 51,284,067 |
| J S BANK LIMITED. | 35,383,760 |
| PEARL SECURITIES LIMITED | 13,130,725 |
| CDC - TRUSTEE AKD OPPORTUNITY FUND | 10,585,745 |
| MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD. | 8,289,100 |
| AKD SECURITIES LIMITED | 6,600,000 |
| DJM SECURITIES (PRIVATE) LIMITED | 6,490,000 |
| MARKET 786 (PRIVATE) LIMITED | 6,426,000 |
| GOLDEN ARROW SELECTED STOCKS FUND LIMITED | 5,659,417 |
| MUHAMMAD ANAF KAPADIA SECURITIES (SMC-PRIVATE) LIMITED | 4,000,000 |
| MRA SECURITIES LIMITED | 3,675,000 |
| Y.H. SECURITIES (PVT.) LTD. | 2,638,000 |
| TAURUS SECURITIES LIMITED | 2,530,500 |
| PAKISTAN KUWAIT INVESTMENT CO. (PVT) LTD. | 2,412,500 |
| CDC - TRUSTEE FAYSAL MTS FUND - MT | 2,307,500 |
| JS GLOBAL CAPITAL LIMITED - MF | 1,668,500 |
| NATIONAL BANK OF PAKISTAN | 1,574,776 |
| CDC - TRUSTEE FIRST HABIB INCOME FUND - MT | 1,336,500 |
| ABA ALI HABIB SECURITIES (PVT) LIMITED - MT | 1,300,000 |
| EATON VANCE TRT CO COLLEE INVSTMT TR FOR EMP BEN PLANS III | 1,105,000 |
| PARAMETRIC EMERGING MARKETS FUND | 989,500 |
| M. J. MEMON SECURITIES (PVT) LIMITED. | 968,500 |
| EATON VANCE COLLECTIVE INV TRT FOR EMP BENEFIT PLANS | 795,000 |
| MAYARI SECURITIES (PVT) LIMITED | 779,000 |
| ADAM SECURITIES LTD. - MT | 765,500 |
| TRUSTEES OF PAKISTAN MOBILE COMMUNICATION LTD-PROVIDENT FUND | 760,000 |
| MRA SECURITIES LIMITED - MF | 718,500 |
| FAWAD YUSUF SECURITIES (PVT.) LIMITED | 708,500 |
| SAAO CAPITAL (PVT) LIMITED | 705,170 |
| ABA ALI HABIB SECURITIES (PVT) LIMITED | 666,000 |
| ASKARI BANK LIMITED | 650,000 |
| FAYSAL BANK LIMITED | 643,000 |
| AQEEL KARIM DHEDHI SECURITIES (PVT.) LIMITED STAFF PRO.FUND | 600,000 |
| ZAHID LATIF KHAN SECURITIES (PVT) LTD. | 592,000 |
| ADAM SECURITIES LIMITED | 582,000 |
| LAERERNES PENSION FORSIKRINGSAKTIESELSKAB | 541,000 |
| MAAN SECURITIES (PRIVATE) LIMITED - MT | 487,000 |
| ADVANCE SERIES TRUST - AST PARAMETRIC EMERGING MKTS EQT PRTF | 473,000 |
| EVAN TR C CIT FOR EM BEN PLN EVTC PARA SE COR EQT FD | 454,500 |
| PARAMETRIC TMECM FUND LP | 442,000 |
| CITY OF NEW YORK GROUP TRUST | 370,000 |
| SPDR S&P EMERGING ASIA PACIFIC ETF | 348,000 |
| BEST SECURITIES (PVT) LIMITED | 321,000 |

| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds | Number of Shares Held |
|--|------------------------------|
| GENERAL SHIPPING AGENCIES (PRIVATE) LIMITED | 300,000 |
| MC FSL TRUSTEE JS - INCOME FUND | 255,500 |
| RAH SECURITIES (PVT) LIMITED | 255,000 |
| SPDR S&P EMERGING MARKETS SMALL CAP ETF | 250,000 |
| FANCY PETROLEUM SERVICES (PVT.) LIMITED | 245,000 |
| A. H. M. SECURITIES (PRIVATE) LIMITED | 240,000 |
| HABIB BANK AG ZURICH, ZURICH, SWITZERLAND | 237,452 |
| MEMON SECURITIES (PVT.) LIMITED | 233,000 |
| CREATIVE CAPITAL SECURITIES (PRIVATE) LIMITED - MF | 216,000 |
| GROWTH SECURITIES (PVT) LTD. | 204,500 |
| DALAL SECURITIES (PVT) LTD. | 175,000 |
| SEVEN STAR SECURITIES (PVT.) LTD. | 163,000 |
| BIPL SECURITIES LIMITED | 157,000 |
| MULTILINE SECURITIES (PVT) LIMITED - MF | 152,500 |
| CENTURY INSURANCE COMPANY LTD. | 150,000 |
| AUSTRALIAN CATHOLIC SUPERANNUATION AND RETIREMENT FUND | 146,000 |
| HABIB BANK AG ZURICH, DEIRA DUBAI | 142,000 |
| DARSON SECURITIES (PVT) LIMITED | 140,500 |
| THE BUNTING FAMILY EMERGING EQUITY LIMITED LIABILITY COMPANY | 125,500 |
| ALTAF ADAM SECURITIES (PVT) LTD. | 115,000 |
| CDC - TRUSTEE AKD INDEX TRACKER FUND | 108,855 |
| BANK ALFALAH LIMITED | 100,000 |
| CONCORDIA SECURITIES (PVT) LIMITED | 100,000 |
| PAK LIBYA HOLDING COMPANY (PVT.) LIMITED | 100,000 |
| WATEEN TELECOM LIMITED STAFF GRATUITY FUND | 85,000 |
| R.T. SECURITIES (PVT) LIMITED | 76,112 |
| GHANI OSMAN SECURITIES (PRIVATE) LIMITED | 75,000 |
| SOUTH ASIAN SECURITIES (PRIVATE) LIMITED | 73,500 |
| SPECTRUM SECURITIES LIMITED | 62,000 |
| AZEE SECURITIES (PRIVATE) LIMITED | 57,500 |
| YOUSUF YAQOOB KOLIA AND COMPANY (PVT) LTD | 50,403 |
| BHAYANI SECURITIES (PVT) LTD. | 45,500 |
| TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND | 45,035 |
| AGROMET COMMODITIES (PVT.) LIMITED | 45,000 |
| MULTILINE SECURITIES (PVT) LIMITED | 41,236 |
| PACIFIC CAPITAL (PRIVATE) LIMITED | 40,000 |
| NH SECURITIES (PVT) LIMITED. | 32,909 |
| AR MANAGEMENT SERVICES (PRIVATE) LIMITED | 30,000 |
| B & B SECURITIES (PRIVATE) LIMITED | 30,000 |
| FDM CAPITAL SECURITIES (PVT) LIMITED | 30,000 |
| BMA CAPITAL MANAGEMENT LTD. - MF | 29,500 |
| ARIF HABIB LIMITED - MF | 27,000 |
| ASDA SECURITIES (PVT.) LTD. | 26,500 |
| SHERMAN SECURITIES (PRIVATE) LIMITED | 26,000 |
| BEST SECURITIES (PRIVATE) LIMITED - MF | 25,000 |
| CMA SECURITIES (PVT) LIMITED | 25,000 |
| SUPER PETROCHEMICALS PRIVATE LIMITED | 25,000 |
| TRUSTEE-EXALO DRILLING S.A. GRATUITY FUND | 20,000 |
| PARAMOUNT COMMODITIES (PRIVATE) LIMITED | 19,500 |
| GMI CAPITAL SECURITIES (PVT) LTD. | 15,000 |

| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds | Number of Shares Held |
|---|-----------------------|
| APEX FINANCIAL SERVICES (PVT.) LIMITED | 13,500 |
| INTERMARKET SECURITIES LIMITED - MF | 10,000 |
| TRUSTEES MOOSA LAWAI FOUNDATION | 10,000 |
| TRUSTEES OF ZAFAR PHAR LAB.STAFF P.FUND | 10,000 |
| WORLDCALL SERVICES (PRIVATE) LIMITED | 10,000 |
| ZAFAR MOTI CAPITAL SECURITIES (PVT) LTD. | 9,193 |
| PEARL SECURITIES LIMITED - MF | 9,000 |
| ROYAL SECURITIES (PVT.) LIMITED - MF | 9,000 |
| CAPITAL FINANCIAL SERVICES (PVT.) LIMITED | 8,000 |
| PATEL SECURITIES (PVT) LTD. | 7,500 |
| ESCORTS INVESTMENT BANK LIMITED | 6,500 |
| WASI SECURITIES (SMC-PVT) LTD. | 6,001 |
| MUHAMMAD AHMAD NADEEM SECURITIES (SMC-PVT.) LIMITED | 5,950 |
| AKHAI SECURITIES (PRIVATE) LIMITED | 5,500 |
| BAWA SECURITIES (PVT) LTD. - MF | 5,500 |
| ASKARI SECURITIES LIMITED - MF | 5,000 |
| HAMID ADAMJEE TRUST | 5,000 |
| PROGRESSIVE INSURANCE COMPANY LIMITED | 5,000 |
| SHAFFI SECURITIES (PVT) LIMITED | 4,000 |
| Z.A. GHAFAR SECURITIES (PRIVATE) LTD. | 4,000 |
| IMPERIAL INVESTMENT (PVT) LTD. | 3,200 |
| M. F. STOCKS (PRIVATE) LIMITED | 3,000 |
| PRUDENTIAL DISCOUNT & GUARANTEE HOUSE LIMITED | 3,000 |
| DR.ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED | 2,836 |
| FAIR EDGE SECURITIES (PRIVATE) LIMITED | 2,500 |
| BIPL SECURITIES LIMITED - MF | 2,000 |
| STRONGMAN SECURITIES (PVT.) LIMITED | 2,000 |
| TRUST SECURITIES & BROKERAGE LIMITED - MF | 2,000 |
| TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST | 1,580 |
| DARSON SECURITIES (PVT.) LIMITED - MF | 1,500 |
| ABA ALI HABIB SECURITIES (PVT) LIMITED - MF | 1,000 |
| DAWOOD EQUITIES LTD. | 1,000 |
| HAFIZ FOUNDATION | 1,000 |
| EXCEL INSURANCE CO.LTD. | 612 |
| PRUDENTIAL SECURITIES LIMITED | 534 |
| AKD SECURITIES LIMITED - AKD TRADE | 500 |
| ASHFAQ ASHRAF SECURITIES (PRIVATE) LIMITED | 500 |
| MARKET 786 (PRIVATE) LIMITED - MF | 500 |
| R.A. SECURITIES (PVT.) LIMITED | 500 |
| SONERI BANK LIMITED | 500 |
| EXCEL SECURITIES (PVT.) LTD. | 450 |
| MUHAMMAD AMER RIAZ SECURITIES (PVT) LTD. | 300 |
| TRUSTEES OF FIRST UDL MODARABA STAFF PROVIDENT FUND | 277 |
| INTERMARKET SECURITIES LIMITED | 109 |
| H.S.Z. SECURITIES (PRIVATE) LIMITED | 1 |
| IGI FINEX SECURITIES LIMITED | 1 |
| Total: | 188,305,806 |

Pattern of Shareholding As Per Requirement of Code of Corporate Governance

As at June 30, 2019

| Shareholders Holding 5% or More Voting Interest | Number of Shares Held | Voting Interest |
|---|-----------------------|-----------------|
| MR. MUHAMMAD ZIAULLAH KHAN CHISHTI | 84,833,789 | 15.55 |
| JAHANGIR SIDDIQUI & CO. LTD. | 51,284,067 | 9.40 |
| J.S. BANK LIMITED | 35,383,760 | 6.49 |
| | 171,501,616 | 31.45 |

| Details of movement in the shares of Director / CEO and their spouses and minor children | Designation | Opening Balance July 1, 2018 | Closing Balance June 30, 2019 |
|--|-----------------------|------------------------------|-------------------------------|
| MR. MUHAMMAD ZIAULLAH KHAN CHISHTI (*) | CEO and Director | 84,650,789 | 84,833,789 |
| MR. MUHAMMAD ALI JAMEEL | Director | 298 | 298 |
| MR. MUHAMMADULLA KHAISHGI | Director | 612,840 | 612,840 |
| MR. JOHN LEONE | Director | 3 | 3 |
| MR. PETER H. R. RIEPENHAUSEN | Chairman and Director | 877,617 | 877,617 |
| MR. AMEER S. SHABU QURESHI | Director | 3 | 3 |
| MR. PATRICK MCGINNIS | Director | 3 | 3 |
| MR. ZAFAR IQBAL SOBANI | Director | 20,000 | 100,000 |
| MR. ASAD NASIR | Director | - | 500 |
| MS. SABIHA SULTAN AHMAD | Director | - | 3 |
| | | 86,161,556 | 86,425,056 |

(*) During the year, Mr. Muhammad Ziaullah Khan Chishti released 183,000/- shares through MTS.

Details of Purchase of Shares by Directors

As at June 30, 2019

| Name | Designation | Date of Purchase | Number of Shares | Rate |
|----------------------------|-------------|------------------|------------------|------|
| MR. ZAFAR IQBAL SOBANI (*) | Director | 25/06/2019 | 80,000 | - |

(*) Gift of shares by his wife.

Historical Financial Information

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--------------------------------------|-----------------------------|------------|------------|------------|------------|------------|-------------|-----------|-----------|-------------|
| | ------(Rupees in '000)----- | | | | | | | | | |
| Revenue | 240,969 | 228,516 | 214,386 | 167,735 | 46,050 | 169 | 1,388 | 2,086 | 1,002 | 615 |
| Expenses - net | 238,579 | 445,431 | 207,984 | 58,685 | 39,933 | (24,624) | (2,006,107) | 26,799 | 71,740 | 1,617,447 |
| Taxation | 538 | 626 | 1,043 | 11,888 | 4,138 | - | 173 | (173) | - | - |
| Net profit / (loss) | 1855 | (217,541) | 5,359 | 97,162 | 1,979 | (24,455) | 2,007,668 | (24,889) | (70,738) | (1,616,832) |
| (Loss) / earnings per share | 0.003 | (0.399) | 0.010 | 0.18 | 0.004 | (0.06) | 5.21 | (0.06) | (0.18) | (4.20) |
| Non - current assets | 17,972,350 | 16,138,572 | 15,007,481 | 13,849,915 | 12,842,934 | 12,258,314 | 3,304,027 | 1,105,316 | 1,006,387 | 1,056,665 |
| Current assets | 1,685 | 1,634,597 | 226,711 | 691,423 | 49,363 | 3,872 | 3,361 | 9,113 | 13,527 | 16,063 |
| Share capital and reserves | 15,153,739 | 14,858,733 | 12,779,626 | 12,353,686 | 10,814,799 | 10,120,200 | 3,145,514 | 1,018,256 | 950,653 | 1,015,698 |
| Non - current liabilities | 2,791,380 | 2,830,461 | 2,228,329 | 2,106,344 | 1,983,595 | 1,957,432 | - | 173 | - | 206 |
| Current liabilities | 28,916 | 83,975 | 226,237 | 81,308 | 93,903 | 184,554 | 161,874 | 96,000 | 69,261 | 56,824 |
| Dividend | - | - | - | - | - | - | - | - | - | - |
| Market share price | 16.36 | 28.64 | 40.09 | 33.55 | 30.55 | 14.03 | 10.19 | 3.42 | 2.56 | 4.11 |
| Number of employees | 1 | 1 | 1 | 1 | 3 | 3 | 3 | 4 | 4 | 4 |
| Number of consolidating subsidiaries | 70 | 70 | 68 | 45 | 39 | 35 | 28 | 26 | 32 | 29 |



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ANNUAL REPORT

Unconsolidated Financial Statements
for the year ended June 30, 2019



2019

ANNUAL REPORT



INDEPENDENT AUDITORS' REPORT

To the members of TRG Pakistan Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of TRG Pakistan Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

| S No. | Key audit matter | How the matter was addressed in our audit |
|-------|---|--|
| 1. | <p>Valuation of investment in unquoted subsidiary</p> <p>Refer to notes 3.1.2, 3.3 and 5 to the financial statements.</p> <p>The Company measures its investment in unquoted subsidiary at fair value at each reporting date. The Company has applied valuation techniques to determine fair value which involves the exercise of judgment and the use of significant assumptions and estimates.</p> <p>We identified valuation of investment in unquoted subsidiary as key audit matter due to its significance to the Company's financial position, involvement of inherent uncertainty in estimating its fair value and the first time application of the new accounting standard IFRS 9 'Financial Instruments'.</p> | <p>Our audit procedures to assess valuation of investment in unquoted subsidiary, amongst others, included the following:</p> <ul style="list-style-type: none">obtaining an understanding of and testing the design and operating effectiveness of controls established by the Company for valuation of long term investment in unquoted subsidiary;obtaining cash flow projections prepared by expert engaged by management and assessing its reasonableness, testing the mathematical accuracy and challenging management's assumptions by comparing them to historical results and checking current year's results with prior year forecast and other relevant information;involving our own valuation specialist to assist us in evaluating the valuation techniques, assumptions and methodologies used by management, in particular, relating to the cash flows projections, growth rates, terminal values and discount rates including marketability discount and sensitivity analysis of key assumptions; andreviewed management's IFRS 9 assessment to verify the reasonableness, accuracy and completeness of the impact on the financial statements of the Company. |

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

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 Company'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 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 Company'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 Company 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 board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

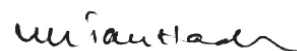
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Karachi

Date: October 23, 2019



KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

As at June 30, 2019

| | | June 30, 2019 | June 30, 2018 |
|--|------|-------------------|-------------------|
| | Note | (Rupees in '000) | |
| ASSETS | | | |
| Non-current assets | | | |
| Operating fixed assets | 4 | 101 | 26 |
| Long term investment | 5 | 16,392,528 | 16,138,471 |
| Long term loan to related party | 6 | 1,579,646 | - |
| Long term deposits | | 75 | 75 |
| | | 17,972,350 | 16,138,572 |
| Current assets | | | |
| Current maturity of accrued mark-up | | - | 110,572 |
| Current maturity of long term loan | 6 | - | 1,523,226 |
| Cash and bank balances | 7 | 1,685 | 799 |
| | | 1,685 | 1,634,597 |
| Total assets | | 17,974,035 | 17,773,169 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized share capital | 8 | 7,330,000 | 7,330,000 |
| <i>Share capital</i> | | | |
| Issued, subscribed and paid-up capital | 8 | 5,453,907 | 5,453,907 |
| <i>Revenue reserves</i> | | | |
| Foreign currency translation reserve | | 8,202,725 | 5,065,891 |
| Fair value reserve - net of deferred tax | | 2,022,911 | 4,866,594 |
| Accumulated losses | | (525,804) | (527,659) |
| | | 15,153,739 | 14,858,733 |
| Non-current liability | | | |
| Deferred tax liability | 14.2 | 2,791,380 | 2,830,461 |
| Current liabilities | | | |
| Accrued and other liabilities | 9 | 9,529 | 68,414 |
| Payable to related parties | 10 | 4,579 | 1,274 |
| Taxation - net | | 14,808 | 14,287 |
| | | 28,916 | 83,975 |
| Total equity and liabilities | | 17,974,035 | 17,773,169 |
| Contingencies and commitments | | | |
| | 11 | | |

The annexed notes 1 to 23 form an integral part of these financial statements.



Director



Chief Financial Officer



Director

Statement of Profit or Loss and Other Comprehensive Income

For the year ended June 30, 2019

| | | June 30, 2019 | June 30, 2018 |
|--|------|------------------|------------------|
| | Note | (Rupees in '000) | |
| Revenue | 12 | 240,969 | 228,516 |
| Administrative and other expenses | 13 | (238,576) | (445,431) |
| Profit / (loss) before taxation | | 2,393 | (216,915) |
| Taxation | 14 | (538) | (626) |
| Profit / (loss) for the year | | 1,855 | (217,541) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to statement of profit or loss</i> | | | |
| Equity investments at FVOCI - net of tax | | 293,151 | 2,296,648 |
| Total comprehensive income for the year | | 295,006 | 2,079,107 |
| | | (Rupee) | |
| Earnings / (loss) per share - basic and diluted | 15 | 0.003 | (0.399) |

The annexed notes 1 to 23 form an integral part of these financial statements



Director



Chief Financial Officer



Director

Statement of Changes in Equity

For the year ended June 30, 2019

| | Issued, subscribed and paid-up capital | Revenue Reserves | | Total | |
|---|---|---|---|------------------|-----------------------|
| | | Foreign currency translation reserve | Fair value reserve - net of deferred tax | | Accumulated losses |
| (Rupees in '000) | | | | | |
| Balance as at July 1, 2017 | 5,453,907 | 3,129,752 | 4,506,085 | (310,118) | 12,779,626 |
| Total comprehensive income | | | | | |
| Loss for the year | - | - | - | (217,541) | (217,541) |
| Equity investments at FVOCI - change in fair value net of deferred tax | - | - | 360,509 | - | 360,509 |
| Foreign currency translation difference - net of related tax | - | 1,936,139 | - | - | 1,936,139 |
| | - | 1,936,139 | 360,509 | (217,541) | 2,079,107 |
| Balance as at June 30, 2018 | 5,453,907 | 5,065,891 | 4,866,594 | (527,659) | 14,858,733 |
| Total comprehensive income | | | | | |
| Profit for the year | - | - | - | 1,855 | 1,855 |
| Equity investments at FVOCI - change in fair value net of deferred tax | - | - | (2,843,683) | - | (2,843,683) |
| Foreign currency translation difference - net of related tax | - | 3,136,834 | - | - | 3,136,834 |
| | - | 3,136,834 | (2,843,683) | 1,855 | 295,006 |
| Balance as at June 30, 2019 | 5,453,907 | 8,202,725 | 2,022,911 | (525,804) | 15,153,739 |

The annexed notes 1 to 23 form an integral part of these financial statements.



Director



Chief Financial Officer



Director

Statement of Cash Flows

For the year ended June 30, 2019

| | June 30, 2019 | June 30, 2018 |
|--|------------------|------------------|
| Note | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Cash used in operations | 16 (348,074) | (364,717) |
| Mark-up income received - net | 351,541 | 364,733 |
| Taxes paid | (5) | (1,090) |
| Net cash generated from / (used in) operating activities | 3,462 | (1,074) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (127) | - |
| Net cash used in investing activities | (127) | - |
| Effects of exchange rate difference | (2,449) | 158 |
| Net increase / (decrease) in cash and cash equivalents | 886 | (916) |
| Cash and cash equivalents at beginning of the year | 799 | 1,715 |
| Cash and cash equivalents at end of the year | 7 1,685 | 799 |

The annexed notes 1 to 23 form an integral part of these financial statements.



Director



Chief Financial Officer



Director

Notes to the Financial Statements

For the year ended June 30, 2019

I. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 TRG Pakistan Limited ("the Company") was incorporated in Pakistan as a public limited company on December 2, 2002 under the repealed Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 18th Floor, Center Point, Off Shaheed-e-Millat Expressway, Karachi, Pakistan. On May 14, 2003 the Company obtained a license from the Securities and Exchange Commission of Pakistan ("SECP") to undertake venture capital investment as a Non-Banking Finance Company in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On January 18, 2012 the Company exited from NBFC regime and continues to operate as a listed company.
- 1.2 The principal activity of the Company is to act as a holding company. The Parent Company, (through its subsidiary, The Resource Group International Limited) has a portfolio of investments primarily in the Technology, IT Enabled Services and Medicare Insurance sectors.
- 1.3 These financial statements are separate financial statements of the Company in which investment in subsidiary is accounted for in accordance with the accounting policy as stated in note 3.3. Consolidated financial statements are prepared separately.
- 1.4 For detailed discussion about the Company's performance please refer to key developments in the Directors' report accompanied in the annual report of the Company for the year ended 30 June 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, and the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed.

2.3 Functional and presentation currency

Items included in the financial statements are measured using United States Dollars (US\$), the functional currency of the Company. However, for ease in local reporting purposes, these financial statements are presented in Pakistan Rupees (PKR), which is the presentation currency.

2.4 Critical accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Actual result may differ from these estimates.

In the process of applying the Company's accounting policies, management has made certain estimates and judgments which are significant to the financial statements relating to fair value determination of long term investment (note 3.3), current and deferred tax (note 3.6.1 & 3.6.2).

Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future year affected.

2.5 Standards, amendments and interpretations which became effective during the year:

SECP vide its S.R.O. 434(1)/ 2018 dated 09 April 2018 approved IFRS 16 'Lease' which is effective from annual period beginning on or after 01 January 2019. However, the Company has opted for early adoption of IFRS 16 with effect from 01 July 2018 but it did not have any effect on the Company's financial statements. Further, there are certain other new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

2.6 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) and amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual

IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 3.1, the significant accounting policies are consistently applied in the preparation of these financial statements as per those applied in earlier periods presented.

3.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

3.1.1 IFRS 15 'Revenue from Contracts with Customers'

The focus of IFRS 15 is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company.

3.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss and other comprehensive income. For investments in equity instruments that are not FVTPL, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The accounting policies that apply to financial instruments are stated in note 3.9 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018:

| | Original classification under IAS 39 | New classification under IFRS 9 | Original Carrying Amount | New Carrying Amount |
|---|--|---------------------------------------|--------------------------------|------------------------|
| (Rupees in '000) | | | | |
| As at 30 June 2018 | | | | |
| Long term investments | Available for sale | FVOCI | 16,138,471 | 16,138,471 |
| Long term loan to related party and its current maturity | Loans and receivables | Amortized cost | 1,523,226 | 1,523,226 |
| Long term deposits | | | 75 | 75 |
| Cash and bank balance | | | 799 | 799 |
| Total financial assets | | | 17,662,571 | 17,662,571 |

ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

Loss allowance on debt securities are measured at 12 months' expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

3.2 Operating fixed assets

3.2.1 Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment, if any, whereas costs include expenditures that are directly attributable to the acquisition of the assets.

Depreciation is charged to the statement of profit or loss and other comprehensive income using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 4.

Depreciation on additions is charged from the month in which an asset is put to use and on disposals up to the month immediately preceding disposal.

Maintenance and normal repairs are charged to the statement of profit or loss and other comprehensive income as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

Asset's residual values and useful lives are reviewed at each reporting date and adjusted if impact on depreciation is significant.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount of the relevant assets. These are recognized in the statement of profit or loss and other comprehensive income.

3.2.2 Impairment

The Company assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in the statement of profit or loss and other comprehensive income. The recoverable amount of property and equipment is the greater of fair value less cost to sell and value in use.

3.3 Long term investment

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to or has right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in a subsidiary company is initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the investment is measured at FVOCI and changes therein, other than impairment losses, are recognized in other comprehensive income and accumulated in the fair value reserve being revenue reserve in nature.

3.4 Fair value measurement

The Company measures its investment in subsidiary at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value:

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Company can access at measurement date.

Level 2 : Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Inputs for the assets or liability that are not based on observable market data (observable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurs.

3.5 Revenue and other income

- Profit / interest on bank deposits, loan and advances is recorded on accrual basis.
- Management fee is recognized as the services are rendered and it is probable that the economic benefits associated with the transactions will flow to the entity.
- Dividend income is recognized when the right to receive dividend is established.
- Miscellaneous income, if any, is recognized on receipt basis.

3.6 Taxation

3.6.1 Current

Provision for current year taxation is based on the taxable income determined in accordance with the prevailing law for taxation at the current rate of tax, after taking into account applicable tax credits, rebates, exemptions available, if any.

3.6.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss and other comprehensive income except to the extent it relates to items recognized directly in equity / other comprehensive income in which case it is recognized in equity / other comprehensive income.

3.7 Provisions

A provision is recognized when the Company has a present, legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.8 Foreign currency

3.8.1 Foreign currency transactions

Transactions in foreign currencies are translated into US\$ (the functional currency) using the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into US\$ using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

3.8.2 Foreign currency translations

The results and financial position of the Company are translated into PKR (presentation currency) as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognized as a separate component of equity being revenue reserve in nature.

3.9 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or de-recognition of the financial assets and financial liabilities is taken to statement of profit or loss and other comprehensive income.

3.9.1 Financial assets

Following are included in financial assets:

- Loans, advances and other receivables

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience of actual credit losses over past years and informed credit assessment and including forward-looking information. These assets are written off when there is no reasonable expectation of recovery.

- Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks.

3.9.2 Financial liabilities

These include trade and other payables which are recognized initially at fair value plus directly attributable costs, if any and subsequently measured at amortised costs.

3.9.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle these on net basis or to realize the assets and 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 Company or the counterparties.

3.10 Staff retirement benefits

The Company operates a defined contribution plan (i.e. recognized provident fund scheme) for all its permanent employees. Equal monthly contributions at the rate of 6.5% of the gross salary are made to the fund, both by the Company and by its employees. The assets of the fund are held separately under the control of the Trustees. Contributions made by the Company are charged to statement of profit or loss and other comprehensive income for the year.

3.11 Dividend

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the year in which such dividends are approved / transfers are made.

3.12 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.13 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4. OPERATING FIXED ASSETS

| | Owned | | Total |
|----------------------------------|--------------------------------|----------------|---------|
| | Computers and office equipment | Motor vehicles | |
| | (Rupees in '000) | | |
| As at June 30, 2017 | | | |
| Cost | 1,159 | 110 | 1,269 |
| Accumulated depreciation | (1,033) | (110) | (1,143) |
| Net book value | 126 | - | 126 |
| Year ended June 30, 2018 | | | |
| Opening net book value | 126 | - | 126 |
| Depreciation charge for the year | (100) | - | (100) |
| Net book value | 26 | - | 26 |
| As at June 30, 2018 | | | |
| Cost | 1,159 | 110 | 1,269 |
| Accumulated depreciation | (1,133) | (110) | (1,243) |
| Net book value | 26 | - | 26 |
| Year ended June 30, 2019 | | | |
| Opening net book value | 26 | - | 26 |
| Addition | 127 | - | 127 |
| Depreciation charge for the year | (52) | - | (52) |
| Net book value | 101 | - | 101 |
| As at June 30, 2019 | | | |
| Cost | 1,286 | 110 | 1,396 |
| Accumulated depreciation | (1,185) | (110) | (1,295) |
| Net book value | 101 | - | 101 |
| Annual rate of depreciation | 33.33% | 20% | |

5. LONG TERM INVESTMENT - fair value through OCI

| | | June 30, 2019 | June 30, 2018 |
|--|------|-------------------|-------------------|
| | Note | (Rupees in '000) | |
| In unquoted subsidiary - The Resource Group International Limited (TRGIL) 60,450,000 (2017: 60,450,000) Series B Preferred Shares | 5.1 | <u>16,392,528</u> | <u>16,138,471</u> |

5.1 This represents investment in a subsidiary incorporated in Bermuda having par value and additional paid up share capital of US\$0.01 and US\$ 0.99 per share respectively. The percentage of the Company's holding in TRGIL's shares is 57.32% (2018: 57.32%), the percentage of voting interest is 57.16% (2018: 58.65%) and the percentage of holding on a fully diluted basis, after taking into account all the classes of shares that will potentially participate in equity distribution, is 45.32% (2018: 45.32%).

5.2 Reconciliation of carrying amount of investment

| | June 30, 2019 | June 30, 2018 |
|---|-------------------|-------------------|
| | (Rupees in '000) | |
| Opening balance | 16,138,471 | 13,462,261 |
| Changes in fair value | (3,694,284) | 465,173 |
| Foreign currency translation difference | 3,948,341 | 2,211,037 |
| Closing balance | <u>16,392,528</u> | <u>16,138,471</u> |

5.3 On October 4, 2005, TRGIL entered into a Preferred Stock Purchase Agreement with a consortium of related investors (the PineBridge investors). Under the agreement, the total amount invested for purchase of Series A Preferred Shares was US\$ 30 million (the original issue price). The PineBridge investors have the right to have their Series A Preferred Shares purchased back at the original issue price or convert into Common Shares. Further, the holders of Series A Preferred Shares will be entitled to an aggregate preference equal to the greater of (A) US\$ 46.5 million prior to payment of any liquidating distribution in respect of Series B Preferred Shares or Common Shares, subject to reduction for any non-liquidating distributions received and (B) the amount such Series A Preferred Shares received upon conversion to Series B Preferred Shares.

6. LONG TERM LOAN TO RELATED PARTY - considered good

| | June 30, 2019 | June 30, 2018 |
|------------------------|------------------|------------------|
| | (Rupees in '000) | |
| Loan amount | 1,579,646 | 1,523,226 |
| Less: current maturity | - | (1,523,226) |
| | <u>1,579,646</u> | <u>-</u> |

This represents loan to TRG (Private) Limited, an indirect subsidiary of the Company, for working capital and operational needs. The loan has a maturity period of twelve months, which may be extended by another twelve months. The loan carries markup of 15% per annum. Loan is secured by letter of guarantee from The Resource Group International Limited, subsidiary of the Company. During the year the maximum balance due in respect of these loans was Rs. 1,649 million (2018: Rs. 1,523 million).

6.1 Accrued Mark-up

| | June 30, 2019 | June 30, 2018 |
|------------------------|------------------|------------------|
| | (Rupees in '000) | |
| Accrued mark-up | - | 110,572 |
| Less: current maturity | - | (110,572) |
| | <u>-</u> | <u>-</u> |

This represents the mark-up on loan to TRG (Private) Limited as referred to in note 6.

7. CASH AND BANK BALANCES

| | June 30, 2019 | June 30, 2018 |
|----------------------|------------------|------------------|
| | (Rupees in '000) | |
| Balance with bank in | | |
| - current account | 625 | 625 |
| - saving account | 1,047 | 170 |
| | <u>1,672</u> | <u>795</u> |
| Cash in hand | 13 | 4 |
| | <u>1,685</u> | <u>799</u> |

- 7.1 The balance in saving account carries mark-up ranging from 5% to 6% per annum (2018: 5% to 6% per annum) under conventional banking.

8. SHARE CAPITAL

| | June 30, 2019 | | June 30, 2018 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Number of shares | (Rupees in '000) | Number of shares | (Rupees in '000) |
| Authorized share capital | | | | |
| - Ordinary class 'A' shares of Rs.10 each | 720,000,000 | 7,200,000 | 720,000,000 | 7,200,000 |
| - Ordinary class 'B' shares of Rs.10 each | 13,000,000 | 130,000 | 13,000,000 | 130,000 |
| | <u>733,000,000</u> | <u>7,330,000</u> | <u>733,000,000</u> | <u>7,330,000</u> |
| Issued, subscribed and paid-up capital | | | | |
| Ordinary class 'A' shares of Rs. 10 each | | | | |
| - allotted for consideration paid in cash | 535,765,687 | 5,357,657 | 535,765,687 | 5,357,657 |
| - allotted for consideration other than cash (note 8.1) | 9,624,978 | 96,250 | 9,624,978 | 96,250 |
| | <u>545,390,665</u> | <u>5,453,907</u> | <u>545,390,665</u> | <u>5,453,907</u> |

- 8.1 These shares were issued in exchange of 1,636,000 shares of The Resource Group International Limited of US\$1 each in 2003.

9. ACCRUED AND OTHER LIABILITIES

| | June 30, 2019 | June 30, 2018 |
|------------------------------------|------------------|------------------|
| | (Rupees in '000) | |
| Accrued expenses | 6,552 | 4,392 |
| Unclaimed dividend | 592 | 592 |
| Payable to retirement benefit fund | 18 | 16 |
| Other liabilities | 2,367 | 63,414 |
| | <u>9,529</u> | <u>68,414</u> |

10. PAYABLE TO RELATED PARTIES - current account - unsecured

This comprises of Rs. 4.6 million (2018: Rs. 1.3 million) payable to TRGIL, subsidiary of the Company.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 As at June 30, 2019, returns of income tax up to tax year 2018 have been filed by the Company. However, deemed assessments for the tax years 2003 and 2004 had been amended by the Taxation Officer (TO) whereby the exemption claimed under clause (101) Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) were rejected in both these years and tax demands of Rs. 0.09 million and Rs. 0.60 million had been created respectively. The first appeal filed by the Company before Commissioner Inland Revenue (Appeals) against the amended orders had been rejected. The Company preferred second appeal in both the years before the Appellate Tribunal Inland Revenue (ATIR) which decided the appeal in the favor of the Company through the consolidated order dated March 28, 2013. Application has been filed with the tax authorities for passing the appeal effect orders which are currently pending. Accordingly, no provision has been made for the said matters in these financial statements.

11.1.2 During 2017, the Company was selected for audit under Section 177 of Income Tax Ordinance, 2001 by the Commissioner Inland Revenue (CIR) through his noticed dated 18 November 2016 for tax year 2011. While finalizing the audit proceedings, the Assessing Officer passed an amended order under Section 122(1) of the Ordinance dated 30 May 2017 whereby the income was assessed at Rs. 1,007 million and tax demand of Rs. 352.64 million was created. Consequently, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) CIR(A), who vide his order dated 22 June 2017, remanded back the case to the Commissioner Inland revenue (who holds the jurisdiction over the case) for fresh adjudication. After fresh proceedings, the revised assessment order dated 31 July 2017 was passed under Section 124(1) of the Ordinance wherein the Officer Inland Revenue (OIR) disregarded the declared loss of Rs. 14,388 million and assessed the revised income at Rs. 0.751 million and created tax demand of Rs. 0.272 million. Management is confident that the Company will not incur said liability, as sufficient refundable amounts arising from previous years against which such liability will be adjusted. The Company has preferred appeal against the above order to the CIR(A). The said appeal is pending adjudication. Accordingly no provision has been made in this regard in these financial statements.

11.2 Commitments

There were no commitments outstanding as at June 30, 2019 and 2018.

12. REVENUE

| | Note | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|--------------------|------|--------------------------------------|------------------|
| Interest income on | | | |
| - Bank balances | 12.1 | 63 | 32 |
| - Long term loan | 6 | 240,906 | 228,484 |
| | | <u>240,969</u> | <u>228,516</u> |

12.1 Interest income is earned from bank deposits.

13. ADMINISTRATIVE AND OTHER EXPENSES

| | | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|------------------------|------|--------------------------------------|------------------|
| Auditors' remuneration | 13.1 | 5,299 | 5,299 |
| Other expenses - net | 13.2 | 233,277 | 440,132 |
| | | <u>238,576</u> | <u>445,431</u> |

13.1 Auditors' remuneration

| | | |
|--|--------------|--------------|
| Fee for audit of separate financial statements | 1,265 | 1,265 |
| Fee for review of half yearly financial statements | 400 | 400 |
| Fee for the audit of consolidated financial statements | 2,875 | 2,875 |
| Sales tax | 380 | 380 |
| Other certifications | 205 | 205 |
| Out of pocket expenses | 174 | 174 |
| | <u>5,299</u> | <u>5,299</u> |

13.2 These include Management Fee of Rs. 278 million (2018: Rs. 202 million) charged under the Managerial Services Agreement with TRGIL and exchange loss of Rs. 2.45 million (2018: Rs. 222 million).

14. TAXATION

| | June 30, 2019 | June 30, 2018 |
|---------------|------------------------------|------------------|
| | (Rupees in '000) | |
| For the year: | | |
| - current | 526 | 642 |
| - deferred | 12 | (16) |
| | <u>538</u> | <u>626</u> |

14.1 Relationship between income tax expense and accounting profit / (loss)

| | | |
|--|------------------------------|------------------|
| Profit / (loss) before taxation | 2,393 | (216,915) |
| Taxation | (538) | (626) |
| Profit / (loss) after taxation | <u>1,855</u> | <u>(217,541)</u> |
| | (Percentage) | |
| Applicable tax rate | 29 | 30 |
| | (Rupees in '000) | |
| Income tax using applicable tax rate | 694 | (65,075) |
| Non-deductible expenses | - | 66,729 |
| Tax effect of previously unrecognized tax losses | - | (1,024) |
| Effect of tax on reduced rate | (2) | (4) |
| Others | (154) | - |
| | <u>538</u> | <u>626</u> |

14.2 Deferred tax - net

Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of the following:

| | | June 30, 2019 | June 30, 2018 |
|--|-------------|------------------------------|------------------|
| | | (Rupees in '000) | |
| <i>Taxable temporary differences</i> | Note | | |
| - Investment in subsidiary classified as FVOCI | 14.3 | 2,791,368 | 2,830,477 |
| <i>Deductible temporary differences</i> | | | |
| - Accelerated tax depreciation | | 12 | (16) |
| | | <u>2,791,380</u> | <u>2,830,461</u> |

14.3 Deferred tax charge / (income) has been recorded in other comprehensive income amounting to Rs. (857.64) million (June 30, 2018: Rs. 104.66 million) and Rs. 809.29 million (June 30, 2018: Rs. 497.48 million) against investment classified as FVOCI and foreign currency translation difference, related to that valuation, respectively.

15. EARNINGS / (LOSS) PER SHARE

| | June 30, 2019 | June 30, 2018 |
|---|--------------------------------|------------------|
| | (Rupees in '000) | |
| Profit / (loss) for the year | 1,855 | (217,541) |
| | (Number of shares) | |
| Weighted average number of ordinary shares in issue during the year | 545,390,665 | 545,390,665 |
| | (Rupee) | |
| Earnings / (loss) for the year | 0.003 | (0.399) |

- 15.1 There is no dilution effect of the potential ordinary shares pertaining to PineBridge Investors on the Company's earnings per share as such potential ordinary shares will not decrease the earnings per share upon their conversion to ordinary shares.

16. CASH USED IN OPERATIONS

| | June 30, 2019 | June 30, 2018 |
|--|------------------------------|------------------|
| Note | (Rupees in '000) | |
| Profit / (loss) for the year before taxation | 2,393 | (216,915) |
| Adjustments for : | | |
| Depreciation | 52 | 100 |
| Interest on loan and return on bank balances | (297,389) | (228,516) |
| Reversal of provision | (59,486) | - |
| Exchange loss - net | - | 222,429 |
| Working capital changes | 6,356 | (141,815) |
| | (350,467) | (147,802) |
| | (348,074) | (364,717) |

16.1 Working capital changes

| | June 30, 2019 | June 30, 2018 |
|---|------------------------------|------------------|
| | (Rupees in '000) | |
| Increase / (decrease) in current liabilities: | | |
| Accrued and other liabilities | 601 | (2,602) |
| Payable to related parties - current account | 5,755 | (139,213) |
| | 6,356 | (141,815) |

17. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

No remuneration was paid to the Chief Executive and directors (number of directors: 10 including Chief Executive) of the Company during the current and last year.

18. FINANCIAL INSTRUMENTS

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Company arises principally from long term deposit, long term loans to related party and mark-up accrued thereon and balances with banks.

Bank balances amounting to Rs. 1.68 million (2018: Rs. 0.79 million) are placed with banks having a short term credit rating of "A-I+" and above.

The maximum exposure to credit risk as at June 30, 2019, along with comparative is tabulated below:

| Financial assets | June 30, 2019 | June 30, 2018 |
|-----------------------------------|----------------------------|------------------|
| |(Rupees in '000)..... | |
| Long term deposits | 75 | 75 |
| Accrued mark-up - current portion | - | 110,572 |
| Long term loan to related party | 1,579,646 | 1,523,226 |
| Balances with banks | 1,672 | 795 |
| | <u>1,581,393</u> | <u>1,634,668</u> |

18.1.1 Management does not expect any losses from non-performance by the counterparties.

The Company does not hold any collateral against these assets except for the loan to related party which is secured by a letter of guarantee as mentioned in note 6.

Financial assets do not contain any impaired or non-performing assets.

18.1.2 The maximum exposure to credit risk at the reporting date by geographic region was as follows:

| | June 30, 2019 | June 30, 2018 |
|----------|----------------------------|------------------|
| |(Rupees in '000)..... | |
| Domestic | <u>1,581,393</u> | <u>1,634,668</u> |

18.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

A major portion of the Company's financial liabilities are obligations due to the Company's related parties, therefore the management believes that the Company is not exposed to liquidity risk regarding those balances as the terms of repayments can be negotiated. Further, management believes that the Company will be able to fulfill its other financial obligations from the Company's future cash flows.

The following are the contractual maturities of financial liabilities, including interest payments:

| | 2019 | | |
|--|------------------|------------------------|-------------------------|
| | Carrying amount | Contractual cash flows | Maturity up to one year |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Accrued and other liabilities | 8,919 | 8,919 | 8,919 |
| Payable to related parties - current account | 4,579 | 4,579 | 4,579 |
| | 13,498 | 13,498 | 13,498 |
| | | | |
| | 2018 | | |
| | Carrying amount | Contractual cash flows | Maturity up to one year |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Accrued and other liabilities | 67,806 | 67,806 | 67,806 |
| Payable to related parties - current account | 1,274 | 1,274 | 1,274 |
| | 69,080 | 69,080 | 69,080 |

18.3 Market risk

Market risk is the risk that the value of the financial instrument or future cash flows from a financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

18.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company primarily has foreign currency exposures in PKR, however, the Company has not hedged its foreign currency exposures as the Company believes that foreign currency exposure is not significant to the Company's financial position and performance.

18.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Management believes that interest rate exposure is not significant to the Company's financial position.

18.3.3 Fair values of financial assets and liabilities

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value:

| | 2019 | | | |
|---|------------------------|----------------|-----------------------------|------------|
| | Carrying amount | | | Fair value |
| | Other financial assets | Amortized cost | Other financial liabilities | Level 3 |
| | (Rupees in '000) | | | |
| Financial assets measured at fair value | | | | |
| Long term investment | 16,392,528 | - | - | 16,392,528 |
| Financial assets not measured at fair value | | | | |
| Long term loan to related party | - | 1,579,646 | - | - |
| Long term deposits | - | 75 | - | - |
| Cash and bank balances | - | 1,685 | - | - |
| Financial liabilities not measured at fair value | | | | |
| Accrued and other liabilities | - | - | 8,919 | - |
| Payable to related parties - current account | - | - | 4,579 | - |
| | 2018 | | | |
| | Carrying amount | | | Fair value |
| | Other financial assets | Amortized cost | Other financial liabilities | Level 3 |
| | (Rupees in '000) | | | |
| Financial assets measured at fair value | | | | |
| Long term investment | 16,138,471 | - | - | 16,138,471 |
| Financial assets not measured at fair value | | | | |
| Current maturity of long term loan to related party | - | 1,523,226 | - | - |
| Current maturity of accrued mark-up | - | 110,572 | - | - |
| Long term deposits | - | 75 | - | - |
| Cash and bank balances | - | 799 | - | - |
| Financial liabilities not measured at fair value | | | | |
| Accrued and other liabilities | - | - | 67,806 | - |
| Payable to related parties - current account | - | - | 1,274 | - |

Management assessed that the fair values of cash & cash equivalents, loan and accrued mark-up receivable thereon, payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgement and estimation in the determination of fair value, including but not limited to selection of the appropriate valuation model, determination of expected future cash flows selection of discount rates.

Management has used discounted cash flow approach while valuing underlying investee (included in these financial statements under Long Term Investment) which holds unquoted equity portfolio. The discounted cash flow approach includes significant unobservable inputs such as forecast of annual revenue growth averaging 20.5% (2018: averaging 14.60%), forecast of EBITDA margin of underlying unquoted equity portfolios 22.8% (2018: averaging 15.56%), discount rates 14.9% (2018: averaging 11.26%), terminal value growth rate 3.1% (2018: averaging 4%) etc. which are sensitive to fair value measurement of underlying investee company. If the valuation assumptions (significant unobservable inputs) would be changed, the fair value of investment and other comprehensive income would decrease or increase respectively. The movement in Level 3 financial instruments is disclosed in Long Term Investment note; hence not separately disclosed.

19. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company is not subject to any externally imposed capital requirements.

20. RELATED PARTY DISCLOSURES

Related parties comprise of group companies (including subsidiaries and associates), directors and their close family members, staff retirement benefit fund and key management personnel of the Company. Transactions with related parties are carried out on agreed basis and are settled in ordinary course of business. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

| | June 30, 2019 | June 30, 2018 |
|--------------------------------------|----------------------------|------------------|
| |(Rupees in '000)..... | |
| Transaction with subsidiaries | | |
| Interest income on long term loan | <u>240,906</u> | <u>228,484</u> |

20.1 The investments out of provident fund of the Company have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

21. NUMBER OF EMPLOYEES

As at June 30, 2019, the Company had one employee (2018: one employee). Average number of employee was one (2018: one employee) during the year ended June 30, 2019.

22. GENERAL

The figures have been rounded off to nearest thousand rupees unless otherwise stated.

22.1 Corresponding figures

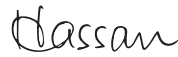
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant rearrangements and reclassifications in these financial statements.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 23, 2019 by the board of directors of the Company.



Director



Chief Financial Officer



Director



2019

ANNUAL REPORT

Consolidated Financial Statements
for the year ended June 30, 2019



2019

ANNUAL REPORT



INDEPENDENT AUDITORS' REPORT

To the members of TRG Pakistan Limited

Opinion

We have audited the annexed consolidated financial statements of TRG Pakistan Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

| S. No. | Key audit matters | How the matters were addressed in our audit |
|--------|--|---|
| 1. | <p>Revenue recognition</p> <p>Refer notes 3.1.3 and 3.13 to the consolidated financial statements.</p> <p>The Group has multiple revenue streams comprising of complex arrangements and involve a number of key judgements and estimates, including those applied on revenue arrangements with multiple elements.</p> <p>We identified revenue recognition as key audit matter due to significant judgments made by management in determining the appropriate basis of revenue recognition.</p> <p>Further, revenue is one of the key performance indicators and there is a potential risk that there is a potential risk that revenue transactions may not be recognized in the appropriate period and first time application of the new accounting standard IFRS 15 'Revenue from Contract with Customers'.</p> | <p>Our audit procedures in relation to recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none">obtaining an understanding of and testing the design and operating effectiveness of controls for recording and calculation of revenue including deferred revenue to ensure that revenue is recognized in the appropriate accounting period;assessing and challenging the judgments and estimates made by management in applying the Group's revenue recognition policy including the identification of separable element of contracts and basis for recognizing related revenue;inspecting, on a sample basis, significant contracts to obtain an understanding of contracts terms and comparing with revenue recorded by management to determine whether the Group's revenue recognition policies had been properly applied;reperforming, on a sample basis, of the deferred revenue calculation and agreeing the basis with supporting documents; |

| S. No. | Key audit matters | How the matters were addressed in our audit |
|--------|---|---|
| | | <ul style="list-style-type: none"> • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including relevant contracts to ensure that revenue is recognised in appropriate period based on the terms and condition of the contract / arrangement, recognition principles and managements' estimate and judgements; • evaluating management's IFRS 15 assessment to verify the reasonableness, accuracy and completeness of the impact on the financial statements of the Group including adequacy of disclosures; and • obtaining an understanding of the nature of the revenue contracts entered into by the Group, tested a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard. |
| 2. | <p>Valuation of receivables</p> <p>Refer notes 3.1.1, 3.10, 3.11, 8 and 11 to the consolidated financial statements.</p> <p>The Group has a significant balance of long term receivables and trade debts. Provision against doubtful receivables is based on Expected Credit Loss (ECL) model adopted during the year due to the application of IFRS 9 'Financial Instruments'. Details about the application of the IFRS and its effect is given in relevant notes to the consolidated financial statements.</p> <p>We identified valuation of long term receivables and trade debts as a key audit matter as it involves significant judgments and estimates in application of the expected credit loss model.</p> | <p>Our audit procedures to assess the valuation of long term receivables and trade debts, among others involved the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and assessing the design and testing implementation of management's key internal controls relating to credit control process (including credit account application approvals and credit limit review); • obtaining an understanding of management's basis for the determination of provision required at the year end and the receivables collection process; • assessing the method used by the Group for recognition of the impact of application of IFRS 9 with respect to provision for doubtful receivables as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL; • testing the accuracy of the data on a sample basis extracted from the Group's accounting system which has been used to calculate the provision required including subsequent recoveries; • involving our specialist to review the methodology used in the ECL model and compared this against accepted best practice; and • evaluating the adequacy of the Group's disclosure included in relevant notes to the consolidated financial statements. |
| 3. | <p>Application of IFRS 16 – Leases</p> <p>Refer notes 3.1.2, 3.4, 6.1, 6.4 and 6.5 to the consolidated financial statements.</p> <p>IFRS 16 replaces the existing standard IAS 17 and specifies how leases will be recognized, measured, presented and disclosed in the financial statements. The standard provides a lessee accounting model, requiring lessee's to recognize assets and liabilities of all assets unless the lease term is 12 months or less or underlying asset has low value.</p> | <p>Our audit procedures in relation to recognition and presentation of leases, amongst others, included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and effectiveness of key controls relating to determination of IFRS 16 transition and impact disclosure; • assessing whether accounting regarding leases is consistent with definition of IFRS 16 including factors such as lease term, discount rate and measurement principles; |

| S. No. | Key audit matters | How the matters were addressed in our audit |
|--------|--|---|
| | <p>Management has decided to early adopt IFRS 16 'Leases' effective 1 July 2018. The implementation of IFRS 16 is considered a key audit matter due to judgements involved in establishing the underlying key assumptions.</p> | <ul style="list-style-type: none"> • assessing the partial retrospective application and verified whether this is consistent with definition and expedient of IFRS 16; • assessing management's key modeling estimates and completeness / accuracy of underlying data including: <ul style="list-style-type: none"> - assessing the discount rates used to calculate the lease obligation and measure any impairment of right of use asset with relevant support; - assessing the accuracy of lease data captured by management for sample of leases through the inspection of lease documentation; - testing the completeness of lease data by reconciling the Group's lease data underpinning the IFRS 16 model. • evaluating the adequacy of disclosures made by the Group for its appropriateness in accordance with applicable accounting and reporting standard. |

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

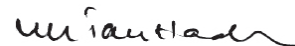
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely

rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Karachi

Date: October 23, 2019



KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

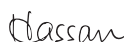
As at June 30, 2019

| | | June 30, 2019 | June 30, 2018 |
|--|-------------|-------------------------|--------------------|
| ASSETS | Note | (Rupees in '000) | |
| Non-current assets | | | |
| Goodwill | 4 | 4,904,932 | 3,723,519 |
| Other intangible assets | 5 | 2,153,991 | 1,738,554 |
| Property and equipment | 6 | 18,848,625 | 3,693,320 |
| Long term investment | 7 | 36,282 | 47,616 |
| Deferred tax asset | 22 | 479,346 | 637,055 |
| Long term receivables | 8 | 9,371,201 | 3,314,997 |
| Deferred expenses | 9 | 774,375 | - |
| Long term deposits, prepayments and other assets | 10 | 1,697,450 | 1,385,071 |
| Total non-current assets | | 38,266,202 | 14,540,132 |
| Current assets | | | |
| Trade and other receivables | 11 | 17,214,366 | 10,019,768 |
| Current portion of long term receivables | 8 | 2,181,731 | 1,046,841 |
| Current portion of deferred expenses | 9 | 415,788 | 318,816 |
| Cash and bank balances | 12 | 14,021,555 | 6,189,004 |
| Total current assets | | 33,833,440 | 17,574,429 |
| Total assets | | 72,099,642 | 32,114,561 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | | |
| Issued, subscribed and paid-up capital | 13 | 5,453,907 | 5,453,907 |
| Revenue reserves | | | |
| Foreign currency translation reserve | | (3,017,025) | (262,813) |
| Accumulated deficit | | (10,703,678) | (10,455,070) |
| | | (13,720,703) | (10,717,883) |
| Non-controlling interests | | (6,185,806) | (2,243,280) |
| Total equity | | (14,452,602) | (7,507,256) |
| Non-current liabilities | | | |
| Deferred revenue | 15 | 120,447 | 86,012 |
| Lease liabilities | 6.4 | 13,906,091 | 478,828 |
| Borrowings | 16 | 42,330,440 | 18,888,175 |
| Deferred tax liability | 22 | 805,124 | 648,753 |
| Other non-current liabilities | 17 | 1,829,926 | 344,235 |
| Total non-current liabilities | | 58,992,028 | 20,446,003 |
| Current liabilities | | | |
| Trade and other payables | 18 | 11,465,276 | 7,759,703 |
| Current portion of lease liabilities | 6.4 | 2,893,382 | 910,917 |
| Current portion of borrowings | 16 | 6,735,756 | 6,172,868 |
| Convertible preference shares | 19 | 4,801,500 | 3,645,000 |
| Current portion of deferred revenue | 15 | 1,664,302 | 687,326 |
| Total current liabilities | | 27,560,216 | 19,175,814 |
| Total liabilities | | 86,552,244 | 39,621,817 |
| Total equity and liabilities | | 72,099,642 | 32,114,561 |
| Contingencies and commitments | 20 | | |

The annexed notes from 1 to 33 form an integral part of these consolidated financial statements.



Director



Chief Financial Officer



Director

Consolidated Statement of Profit or Loss Account and Other Comprehensive Income

For the year ended June 30, 2019

| | Note | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|---|------|--------------------------------------|--------------------|
| Revenue | 29 | 70,260,264 | 49,056,553 |
| Other operating income | | 534,469 | 217,297 |
| Payroll and related costs | | 41,728,091 | 32,509,447 |
| AI and development costs | | 5,612,006 | 3,428,966 |
| Acquisition expenses | | 5,770,148 | 4,150,509 |
| Depreciation, amortization and other non-cash costs | | 5,518,854 | 3,879,812 |
| Other operating costs | | 12,516,308 | 10,073,758 |
| Loss from operations | | (350,674) | (4,768,642) |
| Finance expenses | 21 | (4,726,053) | (1,975,882) |
| Loss before taxation | | (5,076,727) | (6,744,524) |
| Income tax expense | 22 | (427,049) | (28,900) |
| Net loss for the year | | (5,503,776) | (6,773,424) |
| Other comprehensive loss | | | |
| <i>Item that will be subsequently reclassified to profit or loss account</i> | | | |
| Foreign currency translation adjustment | | (3,985,739) | (1,118,599) |
| <i>Item that will not be subsequently reclassified to profit or loss account</i> | | | |
| Actuarial gain on retirement benefits | | 17,468 | 84,193 |
| Total comprehensive loss | | (9,472,047) | (7,807,830) |
| Loss attributable to: | | | |
| - Shareholders of the Parent Company | | (1,468,632) | (2,936,815) |
| - Non-controlling interest | | (4,035,144) | (3,836,609) |
| | | (5,503,776) | (6,773,424) |
| Other comprehensive loss attributable to: | | | |
| - Shareholders of the Parent Company | | (2,737,993) | (298,010) |
| - Non-controlling interest | | (1,230,278) | (736,396) |
| | | (3,968,271) | (1,034,406) |
| Total comprehensive loss attributable to: | | | |
| - Shareholders of the Parent Company | | (4,206,625) | (3,234,825) |
| - Non-controlling interest | | (5,265,422) | (4,573,005) |
| | | (9,472,047) | (7,807,830) |
| Loss per share attributable to the ordinary equity holders of the Parent Company | | | |
| Basic loss per share | 25 | (2.69) | (5.38) |
| Diluted loss per share | 25 | (2.69) | (5.38) |

The annexed notes from 1 to 33 form an integral part of these consolidated financial statements.



Director



Chief Financial Officer



Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2019

| | Attributable to shareholders of the Parent Company | | | Non-controlling interests | Total | |
|--|--|--------------------------------------|---------------------|---------------------------|--------------------|---------------------|
| | Share Capital | Revenue reserves | | | | |
| | Issued, subscribed and paid-up capital | Foreign currency translation reserve | Accumulated losses | Sub-total | | |
| ----- (Rupees in '000) ----- | | | | | | |
| Balance as at July 1, 2017 | 5,453,907 | 113,395 | (8,712,985) | (3,145,683) | (1,291,560) | (4,437,243) |
| Comprehensive loss for the year | | | | | | |
| Loss for the year | - | - | (2,936,815) | (2,936,815) | (3,836,609) | (6,773,424) |
| Other comprehensive loss | | | | | | |
| Foreign currency translation difference | - | (376,208) | - | (376,208) | (742,391) | (1,118,599) |
| Actuarial gain on retirement benefit | - | - | 78,198 | 78,198 | 5,995 | 84,193 |
| Total comprehensive loss for the year ended June 30, 2018 | - | (376,208) | (2,858,617) | (3,234,825) | (4,573,005) | (7,807,830) |
| Transactions with owners | | | | | | |
| Issuance of shares by a foreign subsidiary without losing control | - | - | 1,134,225 | 1,134,225 | 2,343,898 | 3,478,123 |
| Dividend distribution to minority shareholders by an indirect subsidiary | - | - | (17,693) | (17,693) | - | (17,693) |
| Issue of warrants by a subsidiary | - | - | - | - | 124,416 | 124,416 |
| Share-based transactions | - | - | - | - | 1,152,971 | 1,152,971 |
| Balance as at June 30, 2018 - as previously stated | 5,453,907 | (262,813) | (10,455,070) | (5,263,976) | (2,243,280) | (7,507,256) |
| <i>Adjustment on adoption of:</i> | | | | | | |
| - IFRS 15 - Revenue from contracts with customers | - | - | 101,898 | 101,898 | 419,919 | 521,817 |
| - IFRS 16 - Leases | - | - | (262,662) | (262,662) | (244,213) | (506,875) |
| Balance as at July 1, 2018 - as restated | 5,453,907 | (262,813) | (10,615,834) | (5,424,740) | (2,067,574) | (7,492,314) |
| Comprehensive loss for the year | | | | | | |
| Loss for the year | - | - | (1,468,632) | (1,468,632) | (4,035,144) | (5,503,776) |
| Other comprehensive loss | | | | | | |
| Foreign currency translation difference | - | (2,754,212) | - | (2,754,212) | (1,231,527) | (3,985,739) |
| Actuarial gain on retirement benefits | - | - | 16,219 | 16,219 | 1,249 | 17,468 |
| Total comprehensive loss for the year ended June 30, 2019 | - | (2,754,212) | (1,452,413) | (4,206,625) | (5,265,422) | (9,472,047) |
| Transactions with owners | | | | | | |
| Redemption of senior preferred shares | - | - | - | - | (955,694) | (955,694) |
| Issuance of shares by a foreign subsidiary without losing control | - | - | 1,113,893 | 1,113,893 | 731,979 | 1,845,872 |
| Disposal of a subsidiary's shares without losing control | - | - | 744,857 | 744,857 | (8,630) | 736,227 |
| Increase in non-controlling interests | - | - | (494,181) | (494,181) | 494,181 | - |
| Issue of warrants by a subsidiary | - | - | - | - | 4,353 | 4,353 |
| Share-based transactions | - | - | - | - | 881,001 | 881,001 |
| Balance as at June 30, 2019 | 5,453,907 | (3,017,025) | (10,703,678) | (8,266,796) | (6,185,806) | (14,452,602) |

The annexed notes from 1 to 33 form an integral part of these consolidated financial statements.



Director



Chief Financial Officer



Director

Consolidated Statement of Cash Flows

For the year ended June 30, 2019

| | June 30, 2019 | June 30, 2018 |
|--|--------------------|--------------------|
| Note | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (5,076,727) | (6,744,524) |
| Adjustments for: | | |
| Depreciation, amortization and other non-cash costs | 5,518,854 | 3,879,812 |
| Share of profit from long term investment | (47,831) | (30,827) |
| Finance expenses | 4,726,053 | 1,975,882 |
| Increase in trade and other receivables | (8,295,412) | (2,630,584) |
| Increase in long term receivables | (7,191,094) | (2,381,685) |
| Increase in prepayments and other assets | (432,413) | (33,164) |
| Increase in trade and other payables and other liabilities | 4,531,814 | 2,054,291 |
| Cash used in operations | (6,266,756) | (3,910,799) |
| Finance expenses paid | (3,066,213) | (803,160) |
| Income taxes paid | (80,127) | (131,599) |
| Net cash used in operating activities | (9,413,096) | (4,845,558) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment - net | (7,485,026) | (1,903,610) |
| Purchase of other intangible assets - net | (490,943) | (1,210,867) |
| Return on long term investment | 13,082 | 9,018 |
| Dividend received from long term investment | 57,262 | 10,997 |
| Net cash used in investing activities | (7,905,625) | (3,094,462) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings - net | 24,005,153 | 9,264,140 |
| Increase / (decrease) in lease liabilities | 6,216,902 | (53,797) |
| Proceeds from disposal of the subsidiary's shares | 736,227 | 3,478,123 |
| Redemption of senior preferred shares | (955,694) | - |
| Proceeds from issuance of shares by a subsidiary | 1,845,872 | - |
| Dividend paid | - | (17,693) |
| Net cash generated from financing activities | 31,848,460 | 12,670,773 |
| Effects of exchange rate difference on cash and cash equivalents | (6,697,188) | (1,615,735) |
| Net increase in cash and cash equivalents | 7,832,551 | 3,115,018 |
| Cash and cash equivalents at beginning of the year | 6,189,004 | 3,073,986 |
| Cash and cash equivalents at end of the year | 14,021,555 | 6,189,004 |

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The annexed notes from I to 33 form an integral part of these consolidated financial statements.



Director



Chief Financial Officer



Director

Notes to the Consolidated Financial Statements

For the year ended June 30, 2019

I. THE GROUP AND ITS OPERATIONS

1.1 TRG Pakistan Limited ("the Parent Company") was incorporated in Pakistan as a public limited company on December 2, 2002 under the repealed Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Parent Company is situated at 18th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Karachi, Pakistan. On May 14, 2003 the Parent Company obtained a license from the Securities and Exchange Commission of Pakistan ("SECP") to undertake venture capital investment as a Non-Banking Finance Company in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. On January 18, 2012 the Parent Company exited from NBFC regime and continues to operate as a listed company.

The principal activity of the Parent Company is to act as a Holding Company. The Parent Company, (through its subsidiary, The Resource Group International Limited) has a portfolio of investments primarily in the Technology, IT Enabled Services and Medicare Insurance sectors.

1.2 The Group consists of:

Parent Company

TRG Pakistan Limited

Subsidiary - The Resource Group International Limited (TRGIL)

The principal activity of TRGIL is to manage a global portfolio of investments in the Technology, IT Enabled Services and Medicare Insurance sectors.

The Parent Company's voting interest in TRGIL is 57.16% (June 30, 2018: 58.65%) and its holding in TRGIL is 57.32% (June 30, 2018: 57.32%). Whereas the Parent Company's fully diluted holding in TRGIL is 45.32% (June 30, 2018: 45.32%).

1.3 Following are the indirect subsidiaries of the Parent Company with the location (country of incorporation and principal place of business), nature of business and holding percentage based on control model as provided under International Financial Reporting Standard 10 - 'Consolidated Financial Statements':

| Description | Location / country of incorporation | Nature of Business | Holding % | | Fully diluted holding % | |
|-----------------------|-------------------------------------|--------------------|-----------|--------|-------------------------|--------|
| | | | 2019 | 2018 | 2019 | 2018 |
| Subsidiaries | | | | | | |
| IBEX Holdings Limited | Bermuda | Holding company | 45.28% | 53.22% | 35.80% | 34.26% |
| Afiniti Limited | Bermuda | Holding company | 28.79% | 30.56% | 18.72% | 20.39% |
| e - Telequote Limited | Bermuda | Holding company | 45.86% | 53.22% | 31.72% | 34.26% |

Please refer to note 32 for other indirect subsidiaries and for non-revenue generating subsidiaries of the Parent Company.

1.4 For detailed discussion about the Group's performance please refer to key developments in the Directors' report accompanied in the annual report of the Group for the year ended June 30, 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and;

- Provisions of and directives issued under the Companies Act, 2017 and;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost convention, except as otherwise disclosed, and assuming that the Group will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

2.3 Functional and presentation currency

As also noted in note 29 (segment information) the Group generates almost 90% of its revenue in the United States of America, which is denominated in United States Dollars. However, the Group conducts transactions in multiple currencies to carry out its business in various other jurisdictions as needed. The Parent Company's functional currency is US\$, however, for ease in local reporting purposes, these consolidated financial statements are presented in Pakistan Rupees (PKR), which is the presentation currency as determined by the Group.

2.4 Critical Accounting Estimates and Judgements

These consolidated financial statements are prepared in conformity with IFRS as issued by the IASB, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. Accounting estimates require the use of significant management assumptions and judgments as to future events, and the effect of those events cannot be predicted with certainty. The accounting estimates will change as new events occur, more experience is acquired and more information is obtained. The Group evaluates and updates assumptions and estimates on an ongoing basis and uses outside experts to assist in that evaluation when deemed necessary.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

Accounting estimates

- Impairment of intangibles

Goodwill: The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the recoverable amount of the cash-generating units to which goodwill has been allocated, to the value of goodwill and the associated assets in the consolidated statement of financial position. The calculation of recoverable amount requires an estimate of the future cash flows expected to arise from the cash generating unit. Judgement is applied in selection of a suitable discount rate and terminal value. The key assumptions made in relation to the impairment of goodwill are set out in note 4.

Indefinite Lived Intangibles: The indefinite lived intangibles are tested for impairment by comparing their carrying amount to the estimates of their fair value based on estimates of discounted cash flow method. When the fair value is determined to be less than the carrying amount, the resulting impairment is recognized in the financial statements.

- Depreciation and Amortization

Estimation of useful lives of property and equipment and intangible assets: The Group estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

- Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

- Legal provisions

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Judgements

- Training revenue

The adoption of IFRS 15 resulted in the deferral of training revenues. As the revenues generated from training did not qualify to be treated as a distinct performance obligation, the requirement is to defer those revenues over the life of the contract, and where no fixed date of expiry is stated in the contract (i.e. auto renewals), defer those contract training revenues over typically 1- 1.5 years. The associated costs for most clients under the new guidance requires that all costs associated with training are immediately recognized as an expense in accordance with IAS 38, as IFRS 15 refers to IAS 38 regarding costs associated with training. Consistent with the cumulative catch-up approach, the Group has adjusted the prior period amount as an opening balance sheet adjustment, effective July 1, 2018 rather than adjusting the prior period amounts.

- Renewal commission revenue

Management recognizes insurance commission on policies already sold but expected to be renewed and collected in future years. The expected renewal commission revenues are estimated, based on historical policy retention patterns that the group has experienced for each carrier and product, discounted at an appropriate discount rate. The key assumptions made in relation to renewal revenue are set out in note 8.

- Leases

The assessment of whether a contract is or contains a lease will be straightforward in most arrangements. However, judgement may be required in applying the definition of a lease to certain arrangements. For example, in contracts that include significant services, the Group believes that determining whether the contract conveys the right to direct the use of an identified asset may be challenging. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain (in accordance with lease contracts) to be extended (or not terminated).

- Staff retirement plans

The net defined benefit scheme assets or liabilities are recognized in the Group's consolidated statement of financial position. The determination of the position requires assumptions to be made regarding future salary increases, mortality, discount rates and inflation. The key assumptions made in relation to the defined benefit scheme are set out in note 17.1.

- Share-based payments

The share-based payments expense is recognized in the Group's consolidated statement of profit or loss account and comprehensive income. The key assumptions made in relation to the share-based payments are set out in note 23.

- Provision for taxation

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Group's belief that its tax return positions are supportable, the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

The key assumptions made in relation to tax provisioning are set out in note 22.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all accounting periods presented, except for the following:

- New or amendments / interpretations to existing standards and interpretation as stated in note 3.25.
- Changes in accounting policies as stated in note 3.1.

3.1 Changes in accounting policies

Explained below is the impact of the adoption of IFRS 9 'Financial Instruments', IFRS 16 'Leases' and IFRS-15 'Revenue from Contracts with Customers' on the Group's financial statements. The new accounting policies that have been applied from July 1, 2018 are stated in note 3.9, 3.4 and 3.13, respectively.

3.1.1 IFRS 9 'Financial Instruments'

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after July 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The adoption of IFRS 9 Financial Instruments from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The Group has opted for an exemption not to restate comparative information for prior periods with respect to IFRS 9's classification and measurement (including impairment) requirements. Therefore reclassifications and the adjustments arising from IFRS 9 have been processed at the date of initial application (i.e. July 1, 2018) and presented in opening retained earnings and reserves as at July 1, 2018. Accordingly, the comparative information presented in these financial statements does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

| Financial assets | Original classification under IAS 39 | New Classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|--|---|--|--|---|
| | | | (Rupees in '000) | |
| Long term receivables (short-term / long-term) | Loans and receivables | Amortised cost | 11,552,932 | 11,552,932 |
| Long term deposits, prepayments and other assets | Loans and receivables | Amortised cost | 1,697,450 | 1,697,450 |
| Trade and other receivables | Loans and receivables | Amortised cost | 17,214,366 | 17,214,366 |
| Cash and bank balances | Loans and receivables | Amortised cost | 14,021,555 | 14,021,555 |

The following explains the original and new classification and measurement categories under IAS 39 and under IFRS 9 respectively of the Group's significant financial assets:

| Financial assets | Original carrying amount under IAS 39 as at June 30, 2018 | Re-classification | Re-measurement | New carrying amount under IFRS 9 as at July 1, 2018 |
|--|--|--------------------------|-----------------------|--|
| | | | | |
| | | | | (Rupees in '000) |
| Long term receivables (short-term / long-term) | 4,361,838 | - | - | 4,361,838 |
| Long term deposits, prepayments and other assets | 1,385,071 | - | - | 1,385,071 |
| Trade and other receivables | 10,019,768 | - | - | 10,019,768 |
| Cash and bank balances | 14,021,555 | - | - | 14,021,555 |

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at July 1, 2018, does not result in an additional allowance for impairment. Therefore, the transition to IFRS 9 did not result in an adjustment as at July 1, 2018.

There is no significant impact from the new expected credit loss (ECL) impairment model under IFRS 9 on financial assets carried at amortised cost as at June 30, 2019. Therefore, due to materiality consideration, the Group has not presented separately impairment loss on trade debts in the consolidated statement of profit or loss account and other comprehensive income.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not generally been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings as at July 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The revocation of previous designations of certain financial assets as measured at FVTPL.

3.1.2 IFRS 16 'Leases'

The Group has early adopted IFRS 16 'Leases' with a date of initial application of July 1, 2018. As a result, the Group has changed its accounting policy for lease contracts as stated below.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at July 1, 2018. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. Under IFRS 16, the Group determines whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after July 1, 2018.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at July 1, 2018. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on financial statements

On transition to IFRS 16, the Group recognized an additional Rs. 8,710 million (US\$ 71.691 million) of right-of-use assets and Rs. 9,193 million (US\$ 75.661 million) of lease liabilities and reversed prepaid rent amounting to Rs. 24.5 million (US\$ 0.201 million), recognizing the difference in retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at July 1, 2018. The weighted-average rate applied is 1.3% - 13.25%.

As a result of adoption of IFRS 16, rent expense for the year decreased by Rs. 2,118 million (US\$ 15.54 million), whereas finance cost and depreciation increased by Rs. 784 million (US\$ 5.75 million) and Rs. 1,833 million (US\$ 13.45 million), respectively.

| | (Rupees in '000) |
|--|------------------|
| Operating lease commitment at June 30, 2018 | 12,782,241 |
| Lease liabilities recognized at July 1, 2018 | 9,192,827 |

3.1.3 IFRS 15 'Revenue from contracts with customers'

Revenues are measured at the fair value of the consideration received or receivable, net of discounts and related taxes.

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 'Revenue from Contracts with Customers'. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers.

This standard was mandatory for the accounting period beginning on January 1, 2018, and has been applied with cumulative catch-up approach on July 1, 2018.

IFRS 15 lays out a five step process to ascertain the amount and timing of revenue that should be recognized.

Step 1 - Identify the contract: The Group determines whether a contract exists between the reporting entity and customers that identifies rights, payment terms, has commercial substance and basis for collectability can be determined.

Step 2 - Identify the performance obligations: The Group reviews the nature of the goods or service to be rendered in the contract and whether these are distinct. The reporting entity should recognize the revenue when it satisfies the performance obligations.

Step 3 - Determine the transaction price: The amount of consideration expected to be received is defined which may be fixed or variable. With variable consideration the reporting entity can reasonably estimate the expected consideration. This step includes consideration of the various criteria which need to be identified and analyzed in determining whether revenues are fixed, variable or both.

Step 4 - Allocate the transaction price to the performance obligations in the contracts: Where separate performance obligations exist, the reporting entity allocates and assigns the consideration to the respective performance obligations.

Step 5 - Revenue recognition: Recognize revenue when the entity satisfies the performance obligations.

The standard permits two possible methods of transition:

Full retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Cumulative catch-up approach - Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application.

Impact on financial statements

The Group has elected to adopt full cumulative catch-up approach. Below is the impact on financial statements:

| | As of June 30, 2019 | | |
|--|---|-------------------|--------------|
| | Excluding impact of IFRS 15 adoption | Impact of IFRS 15 | As reported |
| | (Rupees in '000) | | |
| Assets | | | |
| Deferred expenses (short-term / long-term) | 105,793 | 1,084,370 | 1,190,163 |
| Liabilities | | | |
| Deferred revenue (short-term / long-term) | (1,503,861) | (280,888) | (1,784,749) |
| Trade and other payables | (11,452,312) | (12,964) | (11,465,276) |
| Retained earnings | | | |
| Accumulated deficit | (10,833,651) | 129,973 | (10,703,678) |
| Non-controlling interests | (6,846,351) | 660,545 | (6,185,806) |
| | | | |
| | For the year ended June 30, 2019 | | |
| | Excluding impact of IFRS 15 adoption | Impact of IFRS 15 | As reported |
| | (Rupees in '000) | | |
| Consolidated statement of profit or loss account and other comprehensive income | | | |
| Revenue and other income | 71,060,868 | (266,135) | 70,794,733 |
| AI and development costs | (5,755,271) | 143,265 | (5,612,006) |
| Payroll and related costs | (41,966,155) | 238,064 | (41,728,091) |
| Other operating costs | (12,561,277) | 44,969 | (12,516,308) |
| Income tax expense | 416,011 | 11,038 | 427,049 |
| Net loss for the year | (5,674,977) | 171,201 | (5,503,776) |
| | | | |
| | July 1, 2018 opening adjustment in consolidated statement of financial position | | |
| | Excluding impact of IFRS 15 adoption | Impact of IFRS 15 | As reported |
| | (Rupees in '000) | | |
| Assets | | | |
| Long term receivables (short-term / long-term) | 4,361,838 | 138,137 | 4,499,975 |
| Deferred expenses (short-term / long-term) | 318,816 | 456,945 | 775,761 |
| Liabilities | | | |
| Deferred revenue (short-term / long-term) | (773,338) | (73,265) | (846,603) |
| Retained earnings | | | |
| Accumulated deficit | (10,455,070) | 101,898 | (10,353,172) |
| Non-controlling interests | (2,243,280) | 419,919 | (1,823,361) |

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as disclosed in note 1.2 (referred as the Group).

The financial statements of the Parent Company and consolidated financial statements of TRGIL and its subsidiaries are prepared up to the same reporting date and are combined on a line-by-line basis. The consolidated financial statements of TRGIL and its subsidiaries have been prepared on going concern basis and the auditor has expressed unmodified opinion. All intercompany balances, transactions and related unrealized profits and losses are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and up to the date when the control ceases.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests are presented as a separate item in the consolidated financial statements.

The acquisition method of accounting is used to account for the acquisition of the subsidiaries by the Group. The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the acquisition date. The cost of acquisition includes fair value of assets and liabilities resulting from contingent consideration agreement. Identifiable assets acquired and the liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Transactions costs are expensed as incurred except if related to the issue of debt or equity securities.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

On loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the statement of comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Changes in the Holding Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions i.e. transaction with owners in their capacity as owners. Carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognized directly in equity and attributed to the owners of the parent.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated.

Investment in Associates

Associates are all entities over which the Group has significant influence but no control. Significant influence is presumed to exist when the Group holds 20 percent or more of the voting power of another entity. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investee, until the date on which significant influence ceases. Distributions received from an investee reduce the carrying amount of the investment. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest. Unrealized losses are eliminated in the same way as unrealized gain but only to the extent that there is no evidence of impairment.

The investment in associates' carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Joint Arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement.
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are initially recognized in the consolidated statement of financial position at cost. Subsequently joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits or loss and other comprehensive income is recognized in the consolidated statement of profit or loss account and other comprehensive income (except for losses in excess of the Group's investment in the joint ventures unless there is an obligation to make good those losses).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.3 Property and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any. The initial cost of an item of property and equipment consists of its purchase price including import duties, taxes and directly attributable costs of bringing the assets to their working conditions and location for the intended use.

Depreciation on property and equipment is provided using straight line and declining balance methods. A full month's depreciation is charged in the month of addition, and no depreciation is charged in the month of disposal. Any tenant allowance received is recognized as deferred income or reduces the value of property and equipment.

Rates of depreciation which are disclosed in note 6 (Property and equipment) are designed to write-off the cost over the estimated useful lives of the assets. The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each year end.

Normal repairs and maintenance costs are charged to the consolidated statement of profit or loss account and other comprehensive income as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Group and the cost can be measured reliably.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount of the relevant assets. These are recognized in the consolidated statement of profit or loss account and other comprehensive income.

Capital work-in-progress is stated at cost and not depreciated. Depreciation commences when the assets are transferred to property and equipment and are ready for use.

3.4 Leases

Policy applicable from July 1, 2018

At inception of a contract the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset to the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of fixed assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted to certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before July 1, 2018

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future periods is shown as a liability. The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on assets subject to finance lease is provided on the same basis as the Group's owned assets and such rates are stated in note 6.

3.5 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.6 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For accounting policy in respect of measurement of goodwill at initial recognition, refer note 3.2.

Goodwill is subsequently measured at cost less impairment in value, if any. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The Group evaluates goodwill for impairment at least annually, or more frequently when there is an indication that the unit may be impaired.

3.7 Other intangible assets

Software licenses acquired and internally developed are stated at cost less accumulated amortization and accumulated impairment losses, if any. Certain internal and external costs directly associated with developing or modifying software for internal use are capitalized, which begins with the application development stage and ends when the project is substantially complete and ready for its intended use. Amortization of software is provided on a straight line basis at the rates disclosed in note 5 to the consolidated financial statements.

Intangible assets having finite useful life are stated at cost less accumulated amortization and any impairment in value, if any and amortized on a straight line basis over their useful lives as per the rates disclosed in note 5 (intangible assets) to the consolidated financial statements.

The amortization method, residual value, and useful lives of intangible assets, other than goodwill, are reviewed at each year end and adjusted if the impact on amortization is significant.

Intangibles having indefinite useful lives are stated at cost less impairment in value, if any. These intangible assets are tested for impairment on an annual basis and also when there is an indication of impairment.

Gains and losses on disposal of intangible assets are taken to the consolidated statement of profit or loss account and other comprehensive income.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets are recognized in the consolidated statement of profit or loss account and other comprehensive income as incurred.

3.8 Impairment of non financial assets

Goodwill and other intangible assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Additionally, these assets are subject to impairment tests whenever events or changes in circumstances which indicate that their carrying amount may not be recoverable. In those instances where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Property and equipment

The carrying amounts of the Group's assets including right-of-use assets are reviewed at each year end to determine whether there is any indication of impairment loss. The asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in the consolidated statement of profit or loss account and other comprehensive income. During the years ended June 30, 2019 and June 30, 2018, no impairments have been recorded.

Other non financial assets

The carrying amounts of the Group's other non financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment charges are included in the consolidated statement of profit or loss account and other comprehensive income, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

3.9 Financial instruments

3.9.1 Policy applicable from July 1, 2018

Classification

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI - debt investment

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI - equity investment

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in investment's fair value in OCI. This election is made on an investment-by-investment basis.

FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL.

The Group classifies its financial liabilities as those to be measured at amortized cost if they are not:

- contingent consideration of an acquirer in a business combination
- held-for-trading
- designated as at FVTPL

Subsequent measurement and derecognition

Financial assets are not reclassified subsequently to the initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The financial assets classified at FVTPL are subsequently measured at fair value and net gains and losses, including any interest or dividend income, are recognized in profit or loss. Net gains and losses (unrealised and realised), including any interest or dividend income, are recognized in profit or loss.

The Group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination
- held-for-trading
- designated as at FVTPL

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit or loss account and other comprehensive income.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group recognized a loss for ECL for financial assets measured at amortized cost but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the respective company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The financial assets at amortized cost consist of cash and cash equivalents, other financial assets and prepayments, deposits, advances and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all short-term receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. For other debt financial assets (i.e., loans etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

3.9.2 Policy applicable before July 1, 2018

The Group classifies its financial assets and financial liabilities at initial recognition into the following categories in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Financial assets

The Group classifies all its financial assets as loans and receivables. The Group has not classified any of its financial assets as held to maturity, fair value or available for sale.

Loans and receivables

The Group includes in this category trade and other receivables, deposits, due from related parties and cash and cash equivalents.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the consolidated statements of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

The Group classifies all its financial liabilities as other financial liabilities.

The Group includes in this category trade and other payables, borrowings, due to related parties and preference shares.

Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment. Change in assumptions could significantly affect the estimates.

Other financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument.

Interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

3.10 Long term receivables

Long term receivables are recognized against insurance commission on policies already sold but expected to be renewed and collected in future years. These expected revenues are estimated based on historical policy retention patterns and discounted at an appropriate discount rate. Long term receivables are subsequently adjusted when related revenue is realized or in the event where the policies are not renewed. Long term receivables are recognized and measured in accordance with the provisions of IFRS 15 - Revenue from Contracts with Customers.

3.11 Trade receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any doubtful amounts.

Allowance for trade receivables

Allowance for trade receivables is based on assessment of the collectability of client accounts by considering factors such as historical experience, credit quality, age of the accounts receivable balances, economic conditions that may affect a customer's ability to pay, and expected default frequency rates. Trade receivables are written off at the point when they are considered uncollectible.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

3.13 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, net of discounts and related taxes.

- Revenues from Customer Engagement and Customer Expansion divisions of the IT Enabled Services segment are recognized as the services are performed on the basis of the number of billable hours or other contractually agreed metrics.
- Revenues from inbound and outbound telephonic and internet-based communication services that are customized to the customers' needs are recognized at the contractual rates as services are provided.
- Revenues for the initial training that occurs upon commencement of a new client contract are deferred and recognized over the estimated life of the client program if that training is billed separately to a client. Training revenues are then recognized on a straight-line basis over the life of the client contract, as it is not considered to have a standalone value to the customer. The related expenses are immediately charged to the consolidated statement of profit or loss account and other comprehensive income as incurred. Revenues are recognized in the amount as per the contractual billing rights which the segment has a right to invoice.
- Revenues from Customer Experience division of IT Enabled Services segment are recognized over the period of a client's subscription contract on a basis that reflects usage of the product at the client's location. Revenues and expenses related to set-up fees to customize the customer experience solution for client's specific needs are deferred and recognized on a straight-line basis over the period in which the related service delivery is expected to be performed. Revenues related to additional consulting services are recognized over the period as the related services are performed on a per hour basis.

As a result of the adoption of IFRS 15, training revenues are deferred. As the revenues generated from training did not qualify to be treated as a performance obligation, the revenues are deferred over the life of the agreement, which are typically 1- 1.5 years. The associated costs for most clients under the new guidance are immediately recognized into expense in accordance with IAS 38, as IFRS 15 refers to IAS 38 regarding costs associated with training.

- Revenues from Customer Acquisition division of IT Enabled Service segment are recognized upon the successful purchase of clients' services as reported to the Group in monthly, semi-monthly or weekly intervals by clients. The data provided by clients to the Group include detail on pricing and product level activations from all channels (i.e. web-portal orders, call center orders, or affiliate or partner orders placed on the Group's behalf) on the basis of which the clients calculate the payments owed to the Group. The payments received are reconciled to the activation data transmitted to the Group by the clients. Revenue is recognized from this division at this point of time.
- Revenues from Medicare Insurance segment consist of commissions earned primarily from the sale by the Group to senior citizens and other eligible recipients (e.g. people with disabilities) of Medicare private insurance policies offered by leading U.S. insurance carriers. The commissions earned are dependent on the type of Medicare product sold, where the insured is based and the month in which the policy becomes effective. The commissions are based on a pre-determined rate card for which guidance and ranges are set by the regulatory body - CMS (Center for Medicare and Medicaid). The Group recognizes revenue on the sale date of the insurance policy after taking appropriate provisions for any cancellations during the first year of sale.

As a result of IFRS 15, the Group records the revenue based on the sales date as compared to the effective date used previously.

- Revenue from software's routing services is recognized on the basis of incremental performance delivered to clients by the software's intelligent routing services at a pre agreed rate. Revenue is also earned from rendering of services over subscription periods ranging from one to ten years. Subscription revenue is recognized ratably over the term of the contract.
- Revenue from telephony equipment and software sales is recognized when the product is installed at the customer site. Revenue on software maintenance and support agreements included with the initial sales contract is unbundled from the total contract price and is amortized on a straight line basis over the term of the agreement, generally one year. Revenue on extended software maintenance and support agreements is amortized on a straight line basis over the term of the agreement.
- Revenue from other services rendered in the course of ordinary activities is recognized when it is probable that economic benefits associated with the transaction will flow to the Group and the amount of revenue can be estimated reliably.
- Profit / interest on loans and advances is recorded on accrual basis taking into account the effective yield.
- Dividend income is recognized when the right to receive the dividend is established.
- Miscellaneous income is recognized on receipt basis.

3.14 Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

3.15 Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 Retirement benefits

Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of profit or loss account and other comprehensive income in the year to which they relate.

United States based subsidiaries

The Group's United States ("US") based subsidiaries have qualified defined contribution plans. Employees who meet certain eligibility requirements, as defined, are able to contribute up to federal annual maximums. The retirement plan provides for a company matching contributions of 25.0% of the first 6.0% of employee contributions to the retirement plan, which vests 25.0% per year over a four-year period.

TRG Marketing Solutions Limited

This subsidiary operates a defined contribution plan with a third party. Under this scheme, TRG Marketing Solutions Limited makes contributions for employees who have not opted out of the voluntary pension scheme.

TRG (Private) Limited, Virtual World (Private) Limited and IBEX Global Solutions (Private) Limited

TRG (Private) Limited, Virtual World (Private) Limited and IBEX Global Solutions (Private) Limited operate a defined contribution plan (i.e. recognized provident fund scheme) for all its permanent employees. Equal monthly contributions at the rate of 6.5% of the basic salary for Virtual World (Private) Limited and 6.5% of the gross salary for the TRG (Private) Limited and IBEX Global Solutions (Private) Limited are made to the Provident Fund (the Fund) both by the subsidiaries and the employees. The assets of the Fund are held separately under the control of trustees for such fund. Contributions made by the subsidiaries are charged to the consolidated statement of profit or loss account and other comprehensive income.

Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognized directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognized in the consolidated statement of profit or loss account and other comprehensive income, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense / income is recognized in the consolidated statement of profit or loss account and other comprehensive income, and is calculated by applying the discount rate used to measure the defined benefit obligation / asset at the beginning of the annual period to the balance of the net defined benefit obligation / asset, considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognized immediately in the consolidated statement of profit or loss account and other comprehensive income. Settlements of defined benefit schemes are recognized in the period in which the settlement occurs.

IBEX Philippines, Inc. and IBEX Global Solutions (Philippines) Inc. operate an unfunded defined benefit scheme.

Under the plan, pension costs are actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. All actuarial gains and losses are recognized in the year in which they arise, with re-measurements presented within other comprehensive income. The net interest cost is derived by applying a single discount rate to the net surplus or deficit of the fund.

3.17 Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of profit or loss account and other comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions, if any, are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of profit or loss account and other comprehensive income over the remaining vesting period.

The Group also operates a phantom share option scheme (a cash settled share-based payment). An option pricing model (Black Scholes) is used to measure the Group's liability at each reporting date, taking into account the terms and conditions the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognized in the consolidated statement of profit or loss account and other comprehensive income. The details of the share-based compensation plans are given in note 23 (Share option plans) to these consolidated financial statements.

3.18 Income Taxes

Current

The charge for current taxation is based on taxable income at the current rates of taxation of the respective countries of incorporation of the Group entities after taking into account applicable tax credits, rebates and exemptions available, if any.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred

Deferred tax is provided on all temporary differences at the year end, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of all deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the date of statement of financial position.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.19 Foreign currency

Foreign currency translation

The results and financial position of all the group entities that have a functional currency different from the presentation currency of the Holding Company are translated into the presentation currency of the Holding Company as follows:

- (i) assets and liabilities are translated at the closing exchange rate at the year end;
- (ii) income and expenses are translated at the average exchange rate; and
- (iii) all resulting exchange differences are recognized as a separate component of equity being revenue reserve in nature.

On consolidation, exchange differences arising from the translation of the net investment in a foreign subsidiary are taken to other comprehensive income. When a foreign subsidiary is sold, exchange differences that were recorded in equity are recognised in consolidated statement of profit or loss account and other comprehensive income. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and translated at the closing exchange rate.

The following entities in the Group have functional currency other than the US Dollar:

| Entity | Functional Currency |
|--|----------------------------|
| TRG (Private) Limited | Pakistan Rupee |
| TRG Field Solutions (Canada), Inc. | Canadian Dollar |
| TRG Customer Solutions (Canada), Inc. | Canadian Dollar |
| Virtual World (Private) Limited | Pakistan Rupee |
| TRG Senegal SA | Senegal Franc |
| IBEX Philippines Inc. | Philippine Peso |
| IBEX Global Solutions (Philippines) | Philippine Peso |
| TRG Customer Solutions Philippines, Inc. | Philippine Peso |
| TRG Marketing Solutions Limited | Pound Sterling |
| IBEX Global Solutions (Private) Limited | Pakistan Rupee |
| IBEX Global MENA FZE | UAE Dirham |
| IBEX Global Solutions Nicaragua SA | Nicaraguan Cordoba |
| IBEX Global Jamaica Limited | Jamaican Dollar |
| DGS (Private) Limited | Pakistan Rupee |
| e-Telequote (Private) Limited | Pakistan Rupee |

Foreign currency transactions

Foreign currency transactions of the Group entities are translated into their respective functional currencies at the rates of exchange approximating to those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into their respective functional currencies at the rates of exchange approximating to those prevailing at the year end. Exchange gains and losses are included in the statement of comprehensive income.

3.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle these on net basis or to realize the assets and 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 Group or the counterparties.

3.21 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the board of directors that makes strategic decisions.

3.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders of the Parent Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23 Dividend

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the consolidated financial statements in the year in which such dividends are approved / transfers are made.

3.24 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.25 Standards, amendments and interpretations which became effective during the year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Group's consolidated financial statements and are therefore not stated in these consolidated financial statements.

3.26 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) and amendments and interpretations thereto will be effective for accounting periods beginning on or after July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Group's consolidated financial statements.

4. GOODWILL

| | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|---|--------------------------------------|------------------|
| Goodwill as at beginning of the year | 3,723,519 | 3,215,707 |
| Foreign currency translation difference | 1,181,413 | 507,812 |
| Goodwill as at end of the year | 4,904,932 | 3,723,519 |

A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. Goodwill arose on various historical acquisitions made by predecessor companies and at June 30, 2019 and June 30, 2018, the carrying amount of goodwill is allocated as follows:

| | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|--|--------------------------------------|------------------|
| IBEX (IT Enabled Services segment) | 1,860,720 | 1,412,543 |
| iSky, Inc. (IT Enabled Services segment) | 272,019 | 206,500 |
| DGS (IT Enabled Services segment) | 2,772,193 | 2,104,476 |
| | 4,904,932 | 3,723,519 |

Testing for impairment of goodwill

Key assumptions applied in impairment testing

The recoverable amounts of all the CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period from 2019 to 2023. The first year of the projections is based on detailed budgets prepared by management as part of the Group's performance and control procedures. Subsequent years are based on extrapolations using the key assumptions listed below which are management approved projections. The discount rate applied to cash flow projections beyond five-years is extrapolated using a terminal growth rate which represents the expected long-term growth rate of the Business Process Outsourcing ("BPO") sector.

The average revenue growth rates used by the Group for iSky, Inc., DGS and IBEX are 8.8%, 1.5% and 5.6% respectively, while the discount rate used for iSky, Inc., DGS and IBEX is 10.6%.

The calculation of value in use for the business operations is most sensitive to changes in the following assumptions:

Revenue growth

Revenue growth assumptions have been derived from projections prepared by the management. Management is of the view that these assumptions are reasonable considering current market conditions.

Cost of sales and gross margin

Cost of sales has been projected on the basis of multiple strategies planned by management to ensure profitable operations. These strategies include cost minimization mechanisms such as offshore migration of labor, centralization of support activities and increasing efficiency of service delivery, resulting in improved gross margins over the forecasted period.

Discount rate

Discount rates reflect management estimates of the rate of return required for the business and are calculated after taking into account the prevailing risk-free rate, industry risk and business risk. Discount rates are calculated using the weighted average cost of capital.

Management does not believe that a reasonably possible change in any of the key assumptions would result in impairment of goodwill.

5. OTHER INTANGIBLE ASSETS

| | June 30, 2019 | | | |
|----------------------------------|-------------------------|-----------------------------|-----------------------------|------------------|
| | Patents / Trademarks | Customer lists | Software | Total |
| | (Rupees in '000) | | | |
| Cost | | | | |
| At July 1, 2018 | 1,052,813 | 342,262 | 2,855,684 | 4,250,759 |
| Additions | 317,589 | - | 173,354 | 490,943 |
| Foreign exchange movements | 351,701 | 108,594 | 939,113 | 1,399,408 |
| At June 30, 2019 | 1,722,103 | 450,856 | 3,968,151 | 6,141,110 |
| Accumulated amortization | | | | |
| At July 1, 2018 | 54,946 | 265,617 | 2,191,642 | 2,512,205 |
| Amortization charge for the year | 98,669 | 39,580 | 393,728 | 531,977 |
| Foreign exchange movements | 33,828 | 91,182 | 817,927 | 942,937 |
| At June 30, 2019 | 187,443 | 396,379 | 3,403,297 | 3,987,119 |
| Net book value | | | | |
| At June 30, 2019 | 1,534,660 | 54,477 | 564,854 | 2,153,991 |
| At June 30, 2018 | 997,867 | 76,645 | 664,042 | 1,738,554 |
| | | | | |
| | June 30, 2018 | | | |
| | Patents / Trademarks | Customer lists | Software | Total |
| | (Rupees in '000) | | | |
| Cost | | | | |
| At July 1, 2017 | 134,785 | 287,506 | 2,384,569 | 2,806,860 |
| Additions | 896,630 | 9,113 | 207,531 | 1,113,274 |
| Disposal during the year | - | - | (63,499) | (63,499) |
| Foreign exchange movements | 21,398 | 45,643 | 327,083 | 394,124 |
| At June 30, 2018 | 1,052,813 | 342,262 | 2,855,684 | 4,250,759 |
| Accumulated amortization | | | | |
| At July 1, 2017 | 22,735 | 204,419 | 1,625,068 | 1,852,222 |
| Amortization charge for the year | 25,497 | 26,017 | 375,437 | 426,951 |
| Disposal during the year | - | - | (54,462) | (54,462) |
| Foreign exchange movements | 6,714 | 35,181 | 245,599 | 287,494 |
| At June 30, 2018 | 54,946 | 265,617 | 2,191,642 | 2,512,205 |
| Net book value | | | | |
| At June 30, 2018 | 997,867 | 76,645 | 664,042 | 1,738,554 |
| Amortization rate | 9% to 20.00% | 16.67% to 50.00% | 20.00% to 33.33% | |
| Estimated remaining useful life | 5-11 years | 2-6 years | 3-5 years | |

- 5.1** Net book value of software licenses held under finance lease is Rs. 48 million (US\$ 0.3 million) as of June 30, 2019 [June 30, 2018: Rs. 24 million (US\$ 0.2 million)].
- 5.2** Software includes Rs. 336 million (US\$ 2.1 million) [June 30, 2018: Rs. 255 million (US\$ 2.1 million)] capitalized for internally generated software "Clearview". During management's annual review of useful life during the year 2017, management had re-assessed the remaining useful life of Clearview to be 3.83 years. The reassessment affected current year's amortization charge by Rs. 88 million (US\$ 547,826) and the expected increase in amortization charge amount by Rs. 73 million (US\$ 456,521) for 2020.
- 5.3** Estimated amortization expense for the next five years is: Rs. 239 million (US\$ 1,493,916) in 2020, Rs. 133 million (US\$ 833,994) in 2021, Rs. 32 million (US\$ 199,990) in 2022, Rs. nil (US\$ nil) in 2023 and 2024.

6. PROPERTY AND EQUIPMENT

| | Freehold Land | Buildings on freehold Land | Leasehold improvements | Furniture, fixture and office equipment | Vehicles | Assets under construction ("CWIP") | Total |
|---------------------------------|---------------|----------------------------|------------------------|---|----------------|------------------------------------|-------------------|
| (Rupees in '000) | | | | | | | |
| Cost | | | | | | | |
| At July 1, 2018 | 8,037 | 148,961 | 2,435,895 | 8,687,282 | 31,552 | 27,153 | 11,338,880 |
| Adoption of IFRS-16 | - | 8,610,405 | - | 75,695 | 24,300 | - | 8,710,400 |
| Additions / transfer from CWIP | - | 5,188,991 | 274,978 | 1,586,499 | 56,978 | 429,294 | 7,536,740 |
| Foreign exchange movements | - | 2,500,759 | 837,887 | 3,088,083 | 28,593 | 8,615 | 6,463,937 |
| Disposal during the year | - | - | (39,857) | (20,574) | (12,430) | - | (72,861) |
| At June 30, 2019 | 8,037 | 16,449,116 | 3,508,903 | 13,416,985 | 128,993 | 465,062 | 33,977,096 |
| Accumulated depreciation | | | | | | | |
| At July 1, 2018 | - | 46,343 | 1,385,845 | 6,186,115 | 27,257 | - | 7,645,560 |
| Foreign exchange movements | - | 329,520 | 588,041 | 2,783,908 | 30,162 | - | 3,731,631 |
| Disposal during the year | - | - | - | (18,933) | (2,215) | - | (21,148) |
| Charge for the year | - | 1,824,171 | 371,985 | 1,543,520 | 32,752 | - | 3,772,428 |
| At June 30, 2019 | - | 2,200,034 | 2,345,871 | 10,494,610 | 87,956 | - | 15,128,471 |
| Net book value | | | | | | | |
| At June 30, 2019 | 8,037 | 14,249,082 | 1,163,032 | 2,922,375 | 41,037 | 465,062 | 18,848,625 |
| At June 30, 2018 | 8,037 | 102,618 | 1,050,050 | 2,501,167 | 4,295 | 27,153 | 3,693,320 |
| Cost | | | | | | | |
| At July 1, 2017 | 48,690 | 122,869 | 1,816,620 | 7,012,843 | 30,251 | 119,032 | 9,150,305 |
| Additions / transfer from CWIP | - | 12,525 | 485,133 | 1,254,331 | 14,647 | (110,915) | 1,655,721 |
| Foreign exchange movements | (40,653) | 13,567 | 139,041 | 455,730 | 4,969 | 19,036 | 591,690 |
| Disposal during the year | - | - | (4,899) | (35,622) | (18,315) | - | (58,836) |
| At June 30, 2018 | 8,037 | 148,961 | 2,435,895 | 8,687,282 | 31,552 | 27,153 | 11,338,880 |
| Accumulated depreciation | | | | | | | |
| At July 1, 2017 | 40,406 | 23,191 | 1,021,026 | 4,665,227 | 26,892 | - | 5,776,742 |
| Foreign exchange movements | (40,406) | 10,261 | 68,994 | 276,367 | 4,042 | - | 319,258 |
| Disposal during the year | - | - | (3,782) | (22,825) | (7,686) | - | (34,293) |
| Charge for the year | - | 12,891 | 299,607 | 1,267,346 | 4,009 | - | 1,583,853 |
| At June 30, 2018 | - | 46,343 | 1,385,845 | 6,186,115 | 27,257 | - | 7,645,560 |
| Net book value | | | | | | | |
| At June 30, 2018 | 8,037 | 102,618 | 1,050,050 | 2,501,167 | 4,295 | 27,153 | 3,693,320 |
| Depreciation rates | | 5% to 10.00% | 15% to 33.33% | 20% to 33.00% | 20.00% | | |

6.1 Net book value of assets held under finance lease (Right-of-use assets) comprise of:

Right-of-use assets comprise of:

| | Buildings on freehold Land | Leasehold improvements | Furniture, fixture and office equipment | Vehicles | Assets under construction ("CVIP") | Total |
|--|----------------------------|------------------------|---|---------------|------------------------------------|-------------------|
| (Rupees in '000) | | | | | | |
| At July 1, 2018 | | | | | | |
| Reclassification from prior finance leases at initial adoption | - | 65,046 | 1,113,267 | 2,066 | - | 1,180,379 |
| Recognition at initial adoption | 8,610,405 | - | 75,695 | 24,300 | - | 8,710,400 |
| Total | 8,610,405 | 65,046 | 1,188,962 | 26,366 | - | 9,890,779 |
| Additions during the year | 5,188,991 | 15,685 | 334,900 | 35,851 | 238,154 | 5,813,581 |
| Disposals during the year - net | - | - | (36,011) | (10,403) | - | (46,414) |
| Foreign exchange movements - net | 2,164,699 | 12,934 | 157,409 | (867) | - | 2,334,175 |
| Depreciation charge for the year | (1,808,801) | (32,220) | (712,069) | (16,216) | - | (2,569,306) |
| At June 30, 2019 | 14,155,294 | 61,445 | 933,191 | 34,731 | 238,154 | 15,422,815 |
| June 30, 2018 | - | 65,046 | 1,113,267 | 2,066 | - | 1,180,379 |

6.2 Particulars of immovable assets

The Group's immovable asset comprises of Land, owned by a subsidiary amounting to Rs. 8 million (US\$ 50,214) [June 30, 2018: Rs. 8 million (US\$ 66,148)]. The Land is situated in Lahore and its total and covered area is of 8,984.27 square feet.

6.3 Security interest on property and equipment

The net book value of property and equipment at June 30, 2019 includes Rs. 1,344 million (US\$ 8.4 million) [June 30, 2018: Rs. 1,415 million (US\$ 11.65 million)] of assets that are pledged as security for borrowings.

6.4 Lease liabilities

| | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|---|--------------------------------------|------------------|
| Lease liabilities included in the Statement of Financial Position as of June 30, 2019 | 16,799,473 | 1,389,745 |
| Current portion of lease liabilities | 2,893,382 | 478,828 |
| Non-current portion of lease liabilities | 13,906,091 | 910,917 |

| | June 30, 2019 | | June 30, 2018 | |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Minimum lease payments | Present value of payments | Minimum lease payments | Present value of payments |
| (Rupees in '000) | | | | |
| Within one year | 3,931,093 | 2,893,382 | 950,595 | 910,917 |
| After one year but not more than five years | 19,227,604 | 13,906,091 | 555,873 | 478,828 |
| Total minimum lease payments | 23,158,697 | 16,799,473 | 1,506,468 | 1,389,745 |
| Less: amounts representing finance charges | (6,359,224) | - | (116,723) | - |
| Present value of minimum lease payments | 16,799,473 | 16,799,473 | 1,389,745 | 1,389,745 |
| Less: current portion shown under current liabilities | (2,893,382) | (2,893,382) | (910,917) | (910,917) |
| | 13,906,091 | 13,906,091 | 478,828 | 478,828 |

In the previous year, the Group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. The assets were presented in leasehold improvements, buildings, furniture, fixture and office equipment and vehicles and the liabilities as part of the Group's borrowings. For adjustments recognized on adoption of IFRS 16 on July 1, 2018, please refer to note 3.1.2.

6.5 Description of lease activities

The Group leases buildings for its offices, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 3-5 years and may include renewal options, which provide operational flexibility and when recognizing right-of-use assets and lease liabilities, the Group includes certain renewal options where the Group is reasonably assured to exercise the renewal option. The operating leases recognized have reasonably assured lease terms ranging from 2 to 15 years. The Group allocates the consideration in the contract of lease related to building to the lease and non-lease components based on their relative stand-alone prices.

7. LONG TERM INVESTMENT

| | June 30, 2019 Note | June 30, 2018 (Rupees in '000) |
|--------------|--------------------------|--------------------------------------|
| Lakeball LLC | 7.1 | 36,282 36,282 |

7.1 One of the indirect subsidiaries of the Group made a 47.5% investment in an operational Joint Venture Lakeball LLC, doing business as Clear Connect, with a purpose to procure and sell commercial leads for the Subsidiary's customers. The country of incorporation and principle place of business of Lakeball LLC is the United States of America. The investment is accounted for under the equity method of accounting. As of June 30, 2019, the market value of the investment amounts to Rs. 32 million (US\$ \$0.2 million) [June 30, 2018: Rs. 47.4 million (US\$ 0.39 million)]. The details of the investment are as follows:

| | | |
|--------------------------------------|-----------------|----------|
| Opening balance | 47,616 | 30,783 |
| Return of investment during the year | (13,082) | (9,018) |
| Share of profit for the year | 47,831 | 30,827 |
| Dividend received during the year | (57,262) | (10,997) |
| Foreign exchange difference | 11,179 | 6,021 |
| Ending balance | 36,282 | 47,616 |

Summarized financial information of equity accounted Joint Venture from the financial statements of Lakeball LLC is as follows:

| | June 30, 2019 | June 30, 2018 |
|----------------------------|------------------|------------------|
| Note | (Rupees in '000) | |
| Revenue | 291,618 | 171,333 |
| Profit after tax | 100,704 | 64,772 |
| Total comprehensive income | 100,704 | 64,772 |

8. LONG TERM RECEIVABLES

| | | |
|--|----------------|-------------|
| Long term receivables | 8.1 11,552,932 | 4,361,838 |
| Less: current portion of long term receivables | (2,181,731) | (1,046,841) |
| | 9,371,201 | 3,314,997 |

- 8.1** This represents insurance commission on policies already sold but expected to be renewed and collected in future years. The expected renewal commission revenues are estimated based on historical policy retention patterns and discounted at appropriate discount rate ranging from 2.76% to 4.58% (June 30, 2018: 2.17% to 5.75%). The Group arrives at its estimate of the long term receivables based on the future renewal commissions expected to be received from the policies it has sold in the current year. The Group arrives at these estimates based on (a) the contracted rates with the insurance carriers whose products it sells, and (b) the number of policies sold for each carrier and product that are expected to renew in each future year of the forecast period. The expectation of the future retention rates is based on the historical retention rates the Group has experienced for that particular carrier and product. Please refer to notes 2.4 and 3.13 for the revenue estimates and its recognition respectively.

9. DEFERRED EXPENSES

This represents incremental costs of obtaining and fulfilling contracts with customers, recognized under modified retrospective application of IFRS 15 on the basis that the Group expects to recover these costs. These costs also constitute non-current assets as the economic benefits from these assets are expected to be recovered for period longer than twelve months. The cumulative amount of Rs. 1,190 million includes current portion of Rs. 416 million (June 30, 2018: Nil) and non-current portion of Rs. 774 million (June 30, 2018: Nil).

10. LONG TERM DEPOSITS, PREPAYMENTS AND OTHER ASSETS

| | June 30, 2019 | June 30, 2018 |
|------------------------------------|------------------|------------------|
| Note | (Rupees in '000) | |
| Long term deposits and prepayments | 10.1 652,431 | 346,117 |
| Warrant asset | 24 530,695 | 462,848 |
| Other assets | 514,324 | 576,106 |
| | 1,697,450 | 1,385,071 |

- 10.1** These include deposits placed with various service providers, suppliers, landlords and lessors in the normal course of business. Further, it also includes amounts incurred for initial training conducted for new clients where the expected duration of the contract exceeds twelve months.

11. TRADE AND OTHER RECEIVABLES

| | June 30, 2019 | June 30, 2018 |
|---|------------------|------------------|
| Note | (Rupees in '000) | |
| Trade receivables | | |
| Trade receivables - gross | 14,738,529 | 8,655,888 |
| Less: allowance for credit losses | 11.1 (383,170) | (274,975) |
| Trade receivables - net | 14,355,359 | 8,380,913 |
| Other receivables | | |
| Advances - unsecured | 279,175 | 292,812 |
| Deposits, prepayments and other receivables | 11.2 2,579,832 | 1,346,043 |
| | 2,859,007 | 1,638,855 |
| | 17,214,366 | 10,019,768 |

11.1 Allowance for credit losses

| | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|---|--------------------------------------|------------------|
| Opening balance | 274,975 | 385,640 |
| Foreign exchange movements | 53,280 | 36,009 |
| Loss allowance recognized during the year | 71,912 | 115,233 |
| Trade receivables written off against allowance | (16,997) | (261,907) |
| Closing balance | 383,170 | 274,975 |

11.2 This includes an amount of Rs. 304 million given by an indirect subsidiary to a related party for general corporate purposes. The amount is repayable within a period of 60 days after which it shall be subject to liquidated damages at 11.25% per annum.

12. CASH AND BANK BALANCES

| | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|--|--------------------------------------|------------------|
| Balances with banks in: | | |
| - current accounts | 4,451,102 | 5,919,757 |
| - deposit accounts (with a maturity of 3 months or less) | 9,568,674 | 146,742 |
| | 14,019,776 | 6,066,499 |
| Cash in hand | 1,779 | 122,505 |
| | 14,021,555 | 6,189,004 |

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | June 30, 2019 | | June 30, 2018 | |
|---|--------------------|------------------|--------------------|------------------|
| | (Number of shares) | (Rupees in '000) | (Number of shares) | (Rupees in '000) |
| Authorized share capital | | | | |
| Ordinary class 'A' shares of Rs. 10 each | 720,000,000 | 7,200,000 | 720,000,000 | 7,200,000 |
| Ordinary class 'B' shares of Rs. 10 each | 13,000,000 | 130,000 | 13,000,000 | 130,000 |
| | 733,000,000 | 7,330,000 | 733,000,000 | 7,330,000 |
| Issued, subscribed and paid-up capital | | | | |
| Ordinary class 'A' shares of Rs. 10 each | | | | |
| - shares allotted for consideration in cash | 535,765,687 | 5,357,657 | 535,765,687 | 5,357,657 |
| - shares allotted for consideration other than cash (note 12.1) | 9,624,978 | 96,250 | 9,624,978 | 96,250 |
| | 545,390,665 | 5,453,907 | 545,390,665 | 5,453,907 |

13.1 These shares were issued in exchange of 1,636,000 shares of TRGIL of US\$ 1 each in 2003.

13.2 Shareholders voting rights

Subject to any rights or restrictions attached to any class of shares and to the provisions of Articles of Association of the Parent Company on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by a representative or proxy shall have one vote for each share held by him. For election of directors a member shall have such number of votes as is equal to the product of the number of voting shares or securities held by him and the number of directors to be elected. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the share.

14. NON-CONTROLLING INTEREST

Summarized financial information in respect of each of the Parent Company's subsidiaries that has material non-controlling interests ("NCI") is set out below. The summarized financial information represents amounts before intragroup eliminations.

| | June 30, 2019 | | |
|---|------------------|------------|----------------------------|
| | (Rupees in '000) | | |
| | IBEX Holdings | ETQ | Other Significant entities |
| NCI Percentage (%) | 44.3% | 54.1% | 71.2% |
| Non-current assets | 17,317,409 | 10,885,773 | 4,455,201 |
| Current assets | 13,088,069 | 2,915,631 | 16,369,717 |
| Non-current liabilities | 10,930,146 | 7,687,840 | 22,131,816 |
| Current liabilities | 17,758,117 | 1,697,173 | 3,597,064 |
| Net assets / (liabilities) attributable to NCI | 761,255 | 2,391,211 | (3,492,021) |
| Revenue | 50,199,209 | 8,822,172 | 11,187,475 |
| (Loss) / profit for the year | (557,852) | 2,102,869 | (6,321,947) |
| (Loss) / profit attributable to NCI | (260,954) | 988,599 | (4,485,792) |
| Other comprehensive income attributable to NCI | 1,249 | - | - |
| Total comprehensive (loss) / profit attributable to NCI | (259,705) | 988,599 | (4,485,792) |

| | June 30, 2018 | |
|--|------------------|----------------------------|
| | (Rupees in '000) | |
| | IBEX Holdings | Other Significant entities |
| NCI Percentage (%) | 46.8% | 69.4% |
| Non-current assets | 21,370,008 | 2,958,282 |
| Current assets | 10,337,695 | 7,336,661 |
| Non-current liabilities | 1,651,675 | 8,116,354 |
| Current liabilities | 14,411,713 | 2,520,337 |
| Net assets / (liabilities) attributable to NCI | 7,315,467 | (237,319) |
| Revenue | 41,466,517 | 7,541,251 |
| Loss for the year | (1,663,470) | (3,664,804) |
| Loss attributable to NCI | (778,145) | (2,534,519) |
| Other comprehensive income attributable to NCI | 5,995 | - |
| Total comprehensive loss attributable to NCI | (772,150) | (2,534,519) |
| Dividend paid to NCI | (17,693) | - |

15. DEFERRED REVENUE

| | June 30, 2019 | June 30, 2018 |
|--------------------------------|------------------|------------------|
| | (Rupees in '000) | |
| Deferred revenue - non-current | 120,447 | 86,012 |
| Deferred revenue - current | 1,664,302 | 687,326 |
| | 15.1 | 1,784,749 |
| | | 773,338 |

- 15.1** Revenue for the initial training that occurs upon commencement of a new client contract is deferred over the estimated life of the client program and matched against the associated expenses if that training is billed separately to a client. Training revenue is then recognized on a straight-line basis over the life of the client contract.

16. BORROWINGS

| | Note | June 30, 2019 (Rupees in '000) | June 30, 2018 (Rupees in '000) |
|---|--------|--------------------------------------|--------------------------------------|
| Term loan | 16.1 | 26,878,769 | 8,634,494 |
| Other borrowings | 16.2 | 507,021 | 323,546 |
| Line of credit | 16.3 | 5,805,961 | 3,709,546 |
| Redeemable preference shares | 16.4 | 15,874,445 | 10,570,957 |
| Private placement notes | 16.5 | - | 1,822,500 |
| | | 49,066,196 | 25,061,043 |
| Less: current portion of: | | | |
| - Term loan | 16.1 | (831,520) | (640,822) |
| - Other borrowings | 16.2 | (98,275) | - |
| - Line of credit | 16.3 | (5,805,961) | (3,709,546) |
| - Private placement notes | 16.5 | - | (1,822,500) |
| | | (6,735,756) | (6,172,868) |
| | | 42,330,440 | 18,888,175 |
| 16.1 Term loan | | | |
| Vista | 16.1.1 | 19,680,082 | - |
| Piper Jaffray Finance, LLC | 16.1.2 | 5,525,426 | - |
| PNC Term loan | 16.3.1 | 1,138,116 | 1,296,041 |
| Structural Capital | 16.1.3 | - | 7,042,414 |
| First Global Bank Limited Term loan | 16.1.4 | 177,620 | 165,240 |
| First Global Bank Limited Demand | 16.1.4 | 167,352 | - |
| PNC Bank, N.A. | 16.3.1 | 30,123 | 130,799 |
| Heritage Bank of Commerce | 16.3.4 | 160,050 | - |
| | | 26,878,769 | 8,634,494 |
| Less: current portion of long-term other borrowings | | (831,520) | (640,822) |
| | | 26,047,249 | 7,993,672 |

16.1.1 During the year, a subsidiary of the Group (the Subsidiary) closed a term loan facility (the Facility) amounting to Rs. 20,006 million (US\$ 125 million) with a further Rs. 4,001 million (US\$25 million) available as a delayed draw. The Facility has a maturity of 5 years and carries fixed interest at the rate of 11.25% per annum with 10.25% payable in cash and 1.00% paid in kind. The Subsidiary has certain rights to increase the paid in kind component for any eight fiscal quarters during the term.

The Facility contains financial and non-financials covenants regarding liquidity, EBITDA, annualized revenue and restrictions on indebtedness, liens, investments, acquisitions, sales of assets, dividends and other restricted payments and transactions with affiliates. The Facility also carries common warrants coverage issued at \$40.80 / share, for a total amount representing 0.5% of the fully-diluted equity of the Subsidiary. The facility is secured by substantially all the assets of the Subsidiary, subject to certain exceptions.

16.1.2 During the year, one of the subsidiaries of the Group (the Subsidiary) closed a senior secured credit facility (the Facility) amounting to Rs. 12,004 million (US\$ 75 million), consisting of a Rs. 5,602 million (US\$ 35 million) senior secured term loan and a Rs. 6,402 million (US\$ 40 million) fully committed senior secured delayed draw term loan. The Facility has a maturity of 4 years and carries interest at the rate of LIBOR plus 9% or Reference Rate loan plus 8%. Reference rate is greater of;

- the Federal Funds Rate plus 0.50% per annum
- the LIBOR rate (which rate shall be calculated based upon an interest period of 1 month and shall be determined on a daily basis) plus 1.00% per annum, and
- the rate last quoted "Prime Rate" in the United States.

The Facility contains operational covenants on gross margin and selling, general and administrative expenses.

16.1.3 During the year, the loan was repaid in full. The Subsidiary incurred Rs. 432 million (US\$ \$2.7 million) in debt extinguishment expenses related to the early repayment.

16.1.4 In January 2018, one of the subsidiaries of the Group (the Subsidiary) entered into a Rs. 224 million (US\$ 1.4 million) non-revolving demand loan with First Global Bank Limited. The loan bears interest at a fixed rate of 7.0% per annum for the term of the loan, has a maturity date of January 2023 and is required to be repaid in 54 equal monthly installments (commencing six months after the drawdown date). The loan is guaranteed by IBEX Global Limited and secured by substantially all the assets of the Subsidiary. The debenture under which the Subsidiary granted security over its assets contains limitations on liens, the incurrence of debt and the sale of assets. As of June 30, 2019, the balance of the loan is Rs. 178 million (US\$ 1.1 million) [June 30, 2018: Rs. 165 million (US\$ 1.4 million)].

In November 2018, the Subsidiary entered into a Rs. 192 million (US\$ 1.2 million) non-revolving demand loan with First Global Bank Limited. The loan bears a variable interest at 6-month LIBOR plus a margin of 5.26% subject to a floor of 7.0% per annum for the term of the loan. The loan is to be paid in 60 equal monthly installments, with an option of bullet payment after 36 months, and an option to renew for an additional 24 months, with an overall maturity in January 2023. The loan is guaranteed by IBEX Global Limited and secured by substantially all the assets of the Subsidiary. The debenture under which the borrowing Subsidiary granted security over its assets contains limitations on liens, the incurrence of debt and the sale of assets. At June 30, 2019, the balance of the loan is Rs. 167 million (US\$ 1.04 million).

16.2 Other borrowings

| | | June 30, 2019 | June 30, 2018 |
|---|--------|------------------|------------------|
| | Note | (Rupees in '000) | |
| IBM Credit LLC | 16.2.1 | 308,019 | 124,037 |
| CSC, CCA, Farnam and Data sales | 16.2.2 | 100,727 | 179,472 |
| IPFS Corporation | 16.2.3 | 98,275 | - |
| Newcore | | - | 20,037 |
| | | 507,021 | 323,546 |
| Less: current portion of long-term other borrowings | | (98,275) | - |
| | | 408,746 | 323,546 |

16.2.1 The Group has financed the purchase of various property and equipment and software during the fiscal year 2019 and 2018 with IBM, PNC and FGB. As of June 30, 2019, the Group has financed Rs. 576 million (US\$ 3.6 million) [June 30, 2018: Rs. 146 million (US\$ 1.2 million)] of assets at interest rates ranging from 6% to 9% per annum.

16.2.2 Financing arrangement has been made between a subsidiary of the Group and various leasing companies namely CSC Leasing Company, CCA Financial LLC, Farnam Street Financial Incorporation and Data Sales for a period of 3 years. Under this arrangement outstanding amount as of June 30, 2019 is Rs. 100.7 million (US\$ 0.63 million) [June 30, 2018: Rs. 179.5 million (US\$ 1.5 million)]. The rate of interest varies from 2% to 14% per annum. These finances are obtained against various maintenance and implementation expenses during the year.

16.2.3 The Group has financed insurance policies related to property and worker compensation with IPFS Corporation at an interest rate of 5.7%

16.3 Line of credit

| | | June 30, 2019 | June 30, 2018 |
|---------------------------|--------|------------------|------------------|
| | Note | (Rupees in '000) | |
| PNC Bank, N.A. | 16.3.1 | 5,364,944 | 3,292,417 |
| Seacoast Business Funding | 16.3.2 | 12,862 | 29,843 |
| JS Bank Limited | 16.3.3 | 39,987 | 39,927 |
| Heritage Bank of Commerce | 16.3.4 | 388,168 | 347,359 |
| | | 5,805,961 | 3,709,546 |

16.3.1 In November 2013, one of the Group's indirect subsidiaries (the Subsidiary) entered into a three-year Rs. 5,602 million (US\$ 35 million) revolving credit facility (as amended, the "PNC Credit Facility") with PNC Bank, N.A. ("PNC"). In June 2015, the amount available under the PNC Credit Facility was increased to Rs. 6,402 million (US\$ 40 million), with an additional Rs. 1,601 million (US\$ 10 million) of incremental facility (subject to PNC's approval and satisfaction of conditions precedent), and the maturity date was extended to May 2020.

Borrowings under the PNC Credit Facility bear interest at LIBOR plus a margin of 1.75% and / or at the PNC Commercial Lending Rate for domestic loans. In this agreement, the Subsidiary derived value from the choice of interest rates, depending on the rate selected. This value changes in response to the changes in the various interest rates alternatives. Thus, a derivative is embedded within the loan commitment. The part of the value associated with the loan commitment derivative (the embedded derivative part) is derived from the potential interest rate differential between the alternative rates. The PNC Credit Facility is guaranteed by IBEX Global Limited and secured by substantially all the assets of the borrower.

In June 2016, the PNC Credit Facility was amended to add a Term Loan A of Rs. 960 million (US\$ 6 million), which was drawn down in full, and a Term Loan B of Rs. 640 million (US\$ 4 million), subject to satisfaction of conditions precedent, which was never drawn down and cancelled. In November 2016, the PNC Credit Facility was amended by adding a Term Loan C of Rs. 2,561 million (US\$ 16 million) which was drawn down in full with Rs. 960 million (US\$ 6 million) applied to repay in full Term Loan A. Term Loan C bears interest at LIBOR plus a margin of 4.00% and is required to be repaid in 54 equal monthly instalments (commencing January 1, 2017). Term Loan C balance as of June 30, 2019 is Rs. 1,138 million (US\$ 7.1 million) [June 30, 2018: Rs. 1,300 million (US\$ 10.7 million)].

In addition, the PNC Credit Facility was amended in June 2016 to include a Rs. 480 million (US\$ 3 million) non-revolving line of credit for purchases of equipment, which was drawn down in full, bearing interest at LIBOR plus a margin of 3.25%. The balance of this line as of June 30, 2019 is Rs. 30 million (US\$ 0.2 million) [June 30, 2018: Rs. 134 million (US\$ 1.1 million)].

In December 2018, the PNC Credit Facility maximum revolving advance amount was increased to Rs. 7,202 million (US\$ 45 million). In May 2019, the PNC Credit Facility was amended to include the following: the maximum revolving advance amount was increased to Rs. 8,003 million (US\$ 50 million), with an additional Rs. 1,601 million (US\$ 10 million) of availability [in Rs. 800 million (US\$ 5 million) increments] subject to satisfaction of conditions precedents, and the maturity date was extended to May 2023. The line of credit balance as of June 30, 2019 is Rs. 5,365 million (US\$ 33.5 million) [June 30, 2018: Rs. 3,293 million US\$ 27.1 million)].

16.3.2 In July 2011, an indirect subsidiary of the Group (the Subsidiary) entered into a purchasing agreement (the "Seacoast Receivables Financing Agreement") with the predecessor to Seacoast National Bank ("Seacoast"). Pursuant to the Seacoast Receivables Financing Agreement, Seacoast provides payment to the Subsidiary for up to Rs. 240 million (US\$ 1.5 million) [June 30, 2018: Rs. 182.3 million (US\$ 1.5 million)] of accounts receivable owed to the Subsidiary. All payments from Seacoast to the Subsidiary are subject to a discount of 1% for receivables outstanding 30 days or less and an additional 0.5% for each additional 15 days that such receivable is outstanding. The average discount during the fiscal year ended June 30, 2019 was approximately 1.2% (June 30, 2018: 1.3%) of net sales. Under the Seacoast Receivables Financing Agreement, Seacoast may also advance an amount up to 85% of the Subsidiary's receivables to the Subsidiary at a rate of LIBOR plus 7%.

The Seacoast Receivables Financing Agreement requires the Subsidiary to sell Rs. 32 million (US\$ 0.2 million) [June 30, 2018: Rs. 24 million (US\$ 0.2 million)] of receivables per month to Seacoast, subject to a penalty based on the discount fee if such minimum is not met. The Seacoast Receivables Financing Agreement is automatically renewed for successive 12-month periods unless terminated in accordance with its terms.

16.3.3 This represents short term running finance obtained by an indirect subsidiary of the Group (the Subsidiary) from a commercial bank amounting to Rs. 39.99 million (US\$ 0.25 million) [June 30, 2018: Rs. 39.92 million (US\$ 0.33 million)] against total facility of Rs. 40 million (US\$ 0.25 million) [June 30, 2018: Rs. 40 million (US\$ 0.33 million)]. The facility will expire on December 31, 2019 and is secured by way of mortgage of Rs. 49 million (US\$ 0.31 million) over land of the Subsidiary located in Lahore and first hypothecation charge of Rs. 27 million (US\$ 0.17 million) [June 30, 2018: 27 million (US\$ 0.22 million)] over all present and future receivables of the borrower. This facility carries annual markup at the rate of 3 month KIBOR + 3.25%. Interest is payable on quarterly basis.

16.3.4 In March 2015, some indirect subsidiaries of the Group (the Subsidiaries) entered into a one-year Rs. 480 million (US\$ 3 million) loan and security agreement (the "HBC Loan Agreement") with Heritage Bank of Commerce ("HBC"). In March 2016, the HBC Loan Agreement was amended to increase the credit line capacity to Rs. 800 million (US\$ 5 million) and extend its maturity date until March 31, 2018, subject to collateral review. In June 2017, the HBC Loan Agreement was amended to add an additional subsidiary as a borrower, along with extending the maturity date until March 31, 2019. In August 2018, the HBC Loan Agreement was amended to increase the accrued account advance rate and certain other terms along with extending the maturity date until March 31, 2021. In January 2019, HBC Loan Agreement was amended to exclude one of the subsidiaries therefrom pursuant to its sale. Borrowings under the HBC Loan Agreement bear interest at the Prime Rate plus a margin of 2.50%. The credit line is secured by substantially all the assets of the Subsidiaries. The line of credit balance as of June 30, 2019 was Rs. 384 million (US\$ 2.4 million) [June 30, 2018: Rs. 352 million (US\$ 2.9 million)].

In March 2019, HBC Loan Agreement was amended to add a term loan of up to Rs. 320 million (US\$ 2 million) that bears interest at the Prime Rate plus a margin of 2.5%. The term loan is required to be repaid in 36 equal monthly installments (commencing April 2020) and will mature on March 1, 2023. On the term loan maturity date, all amounts owing shall be immediately due and payable. The term loan balance as of June 30, 2019 is Rs. 160 million (US\$ 1 million).

- 16.4** On June 6, 2016, TRGIL entered into a senior preferred shares subscription agreement ("Agreement") with a consortium of related investors providing for the purchase of up to 8,500,000 non-convertible Senior Preferred Shares for an initially determined purchase price (or issue price) of US\$ 10 per share. The total committed amount was up to Rs. 13,3604 million (US\$ 85 million) [June 30, 2018: Rs. 10,328 million (US\$ 85 million)].

The holders of Senior Preferred Shares are not entitled to vote at any meeting of the Subsidiary's shareholders, and Senior Preferred Shares are not convertible into any other securities or rights. The Senior Preferred Shares are not entitled to any dividends or other distributions by the Subsidiary other than the entitlement to the redemption amount.

TRGIL has an option to redeem wholly or partially, the outstanding number of these shares. This option may be exercised at any time based on the TRGIL's discretion.

Upon a Liquidation Event (which is defined as any liquidation, dissolution, bankruptcy or winding up of TRGIL whether voluntary or involuntary but not on redemption or purchase by TRGIL of any Common Shares), each holder of Senior Preferred Shares shall be entitled to receive from the surplus assets of TRGIL remaining after the payment of its liabilities, prior and in preference to any distribution or payment made of any of the assets of TRGIL to holders of TRG Junior Securities by reason of their ownership thereof, an amount equal to the aggregate per share redemption price in respect of all of the senior preferred shares then held by such holder (with the date of such liquidation event being treated as the redemption date in respect of such Senior Preferred Shares) less any redemption amounts previously paid in respect thereof.

If the redemption date is after the second anniversary, then the redemption amount will be the greater of US\$ 13.90 per share and the variable return.

On June 28, 2017, TRGIL entered into an agreement with these investors whereby, the parties agreed to redeem 1,538,462 Senior Preferred Shares in accordance with "Preferred Share Subscription Agreement" dated June 6, 2016 on a cash-free basis in exchange for TRGIL procuring that its indirect subsidiary shall issue to the Subscribers the 1,538,462 Senior Preferred Shares in accordance with "Preferred Share Subscription Agreement" dated June 28, 2017. During the year ended June 30, 2019, 459,325 senior preferred shares were redeemed at US\$13.9 per share [comprising of Rs. 944 million (US\$ 5.9 million) principal and Rs. 55 million (US\$ 0.4m interest)].

Interest accrued on senior preferred shares at an effective rate of 14% amounted to Rs. 4,733 million (US\$ 29.6 million) [June 30, 2018: Rs. 2,113 (US\$ 17.4 million)].

16.5 Private placement notes

During the year, the Subsidiary repaid these notes in full.

- 16.6** These borrowings are secured.

17. OTHER NON-CURRENT LIABILITIES

| | Note | June 30, 2019 (Rupees in '000) | June 30, 2018 |
|---------------------------|-------------|--------------------------------------|------------------|
| Deferred rent - long term | | - | 17,801 |
| Defined benefit scheme | 17.1 | 56,983 | 38,208 |
| Phantom stock plan | 23.2 & 23.5 | 136,932 | 137,061 |
| Warrant liability | 24 | 120,157 | 117,211 |
| Other | | 1,515,854 | 33,954 |
| | | 1,829,926 | 344,235 |

17.1 Defined benefit scheme

Two of the Group subsidiaries ("the Subsidiaries") operate an unfunded defined benefit plan for qualifying employees. Under this plan, the employees are entitled to one half month's salary for every year of service, with six months or more of service considered as one year. One half month's salary has been defined to include the following:

- 15 days salary based on the latest salary rate.
- cash equivalent to 5 days service incentive leave.
- one-twelfth of the 13th month's pay.

An employee is entitled to retirement benefits only upon attainment of a retirement age of 60 years and completion of at least five years of previously credited service. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out on June 30, 2019. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

| | (Percentage) | |
|----------------------------------|--------------|-------|
| Discount rate | 5.93% | 6.90% |
| Expected rate of salary increase | 3.00% | 3.00% |

Amounts recognized in the consolidated statement of profit or loss account and other comprehensive income in respect of defined benefit scheme are as follows:

| | (Rupees in '000) | |
|------------------------|------------------|--------|
| Current service cost | 17,171 | 33,291 |
| Interest on obligation | 3,475 | 4,374 |
| | 20,646 | 37,665 |

The amount included in the statement of financial position in other non-current liabilities arising from defined benefit obligations is as follows:

| | | |
|---|---------------|--------|
| Present value of unfunded defined benefit obligation | 56,983 | 38,208 |
| Net liability arising from defined benefit obligation | 56,983 | 38,208 |

The movement in the present value of the defined benefit obligation in the current period is as follows:

| | | |
|--|-----------------|----------|
| Present value of defined benefit obligation at the beginning of the year | 38,208 | 76,229 |
| Foreign exchange movements | 15,597 | 8,507 |
| Current service cost | 17,171 | 33,291 |
| Interest cost | 3,475 | 4,374 |
| Actuarial gains | (17,468) | (84,193) |
| Present value of defined benefit obligation at the end of the year | 56,983 | 38,208 |

The historical information of the amounts for the current and previous annual periods is as follows:

| | 2019 | 2018 | 2017 | 2016 |
|---|------------------|--------|--------|--------|
| | (Rupees in '000) | | | |
| Present value of defined benefit obligation | 56,983 | 38,208 | 76,229 | 66,360 |

The subsidiaries are yet to contribute to the plan asset as of June 30, 2019.

Sensitivity analysis for actuarial assumptions

Holding other assumptions constant, possible changes at the reporting date to the relevant actuarial assumptions of the defined benefit obligation are shown below:

| | June 30, 2019 | June 30, 2018 |
|---------------------|------------------|------------------|
| | (Rupees in '000) | |
| Discount rate +1% | 51,012 | 34,309 |
| Discount rate -1% | 64,074 | 42,832 |
| Salary increase +1% | 64,522 | 43,181 |
| Salary increase -1% | 50,555 | 33,969 |

18. TRADE AND OTHER PAYABLES

| | June 30, 2019 | June 30, 2018 |
|--|-------------------|------------------|
| Note | (Rupees in '000) | |
| Trade creditors | 2,391,140 | 2,414,339 |
| Accrued expenses | 7,805,197 | 4,668,375 |
| Payable to employee defined contribution plans | 24,028 | 8,519 |
| Unclaimed dividend | 592 | 592 |
| Provisions | 640,200 | 206,102 |
| Others | 604,119 | 461,776 |
| | <u>11,465,276</u> | <u>7,759,703</u> |

19. CONVERTIBLE PREFERENCE SHARES

| | | |
|---|-----------------------|------------------|
| Opening balance | 3,645,000 | 3,145,620 |
| Foreign currency translation difference | 1,156,500 | 499,380 |
| Closing balance | <u>19.1 4,801,500</u> | <u>3,645,000</u> |

19.1 On October 4, 2005, TRGIL entered into a Preferred Stock Purchase Agreement (subsequently redesignated as Series A Preferred Stock) with a consortium of related investors, comprised of AIG Global Emerging Markets Fund II, L.P., AIG Annuity Insurance Company, American General Life Insurance Company and Variable Annuity Life Insurance Company (the PineBridge Investors; formerly AIG Investors). Under the agreement, PineBridge investors purchased 26,785,714 shares of Preferred Stock for an initially determined purchase price of US\$ 1.12 per share. The total amount invested was US\$ 30 million. The Pinebridge investors have the right to have their preference shares purchased back at the original issue price (US\$ 1.12 per share) or force liquidation of TRGIL's assets or to require TRGIL's ordinary shares to be sold, for redemption of their investment. Alternatively, the investors have a right to convert these preference shares into ordinary shares. To date, PineBridge investors have not exercised either of these rights. Management is confident that PineBridge Investors would continue with their investment in the preference shares of TRGIL in foreseeable future.

The Series A preferred stock is entitled to the same voting rights as other voting securities of TRGIL, but rank higher in the event of liquidation. The Series A preferred stock is also entitled to trigger event dividends at the rate of 8% per annum which accrue only if certain conditions precedent and covenants are not met and only for the duration that the Subsidiary remains in breach of such conditions and covenants. There were no triggering events for the year ended June 30, 2019, requiring such an accrual or payment.

The holders of Series A Preferred Shares will be entitled to an aggregate preference equal to the greater of (A) US\$ 46.5 million prior to payment of any liquidating distribution in respect of Series B Preferred Shares or Common Shares, subject to reduction for any non-liquidating distributions received and (B) the amount such Series A Preferred Shares received upon conversion to Series B Preferred Shares. Secondly, the holders of Series B Preferred Shares will be entitled to an aggregate preference of US\$ 104.862 million, less any amount paid as the preference to the holders of Series A Preferred Shares or Series B Preferred Shares on liquidating or non-liquidation distributions, prior to payment of any distribution in respect of Common Shares, subject to reduction for any non-liquidating distributions received.

As of June 30, 2019, PineBridge Investors has invested the Rs. 4,802 million (US\$ 30 million) [June 30, 2018: Rs. 3,645 million (US\$ 30 million)] committed to TRGIL.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

The Group is subject to claims and lawsuits filed in the ordinary course of business. Although management does not believe that any such proceedings other than those noted below will have material adverse effect going forward, no assurances to that effect can be given based on the uncertainty of litigation and demands of third parties. Group only records a liability for pending litigation and claims where losses are both probable and reasonably estimable.

The significant claims or legal proceedings against the Group are as follows:

20.1.1 A case was filed in November 2014 in the US District Court of Tennessee against one of the subsidiaries of the Group ("the Subsidiary") as a collective action under the US Fair Labor Standards Act (FLSA) and Tennessee law, alleging that plaintiffs were forced to work "off the clock" without being paid for the "off the clock" time. In December 2014, a similar FLSA collection action case was filed against the Subsidiary in the US District Court for the District of Columbia. In February 2015, the two cases were consolidated in Tennessee and Plaintiff agreed to submit all claims to binding arbitration before the American Arbitration Association. In this matter, there are approximately 3,500 individuals who have opted into the FLSA class action claims, and there are pending wage and hour class action claims under various state laws involving approximately 25,000 potential class action claimants. On June 14, 2019 the parties entered into a Settlement Agreement whereby all claims under FLSA and Rule 23 would be made on a claims made basis. On June 19, 2019 the Arbitrator approved the Settlement Agreement.

Pursuant to the Settlement Agreement, on July 3, 2019 (14 days from the date of approval per the terms of the Settlement Agreement), the Subsidiary funded a total amount of \$3,351,244 to the Qualified Settlement Fund. These fees include (i) \$975,000 for the FLSA claimants; (ii) \$2.2 Million for Attorneys' Fees; (iii) \$95,000 for the service awards; and (iv) \$81,244 for claims administration costs. All funds are held in the Qualified Settlement Fund (QSF) until final approval by the arbitrator. Claim forms have been sent to class members on or around July 15, 2019. Class members have 90 days to return their claim form. Claims made under the FLSA claims will be paid out of the \$975,000 held in the QSF. Any funds not claimed will revert to the Subsidiary. Claims made under the Rule 23 claims will be finalized and approved by the arbitrator. A Motion for Approval shall be filed within 21 days of expiration of the 90-day claims period. At the time of such approval, those claims will be funded by the Subsidiary. Pursuant to the Settlement Agreement, there is \$2.23M allocated to the settlement of claims for the Rule 23 class members. The exact amount of recovery will depend upon the claims forms properly and timely returned to the Third Party Administrator.

- 20.1.2** On July 26, 2018, one of the indirect subsidiaries of the Group (the Subsidiary) received an indemnification notice related to AllConnect, Inc. v. Kandela LLC Case pending in the US District Court for the Central District of California, Western Division relating to patent infringement for certain call center search for services capabilities provided by the Subsidiary under the Dealer Network Agreement entered into in 2014 between Kandela and the Subsidiary via its "BundleDealer.com" portal. The Subsidiary is cooperatively working with Kandela's counsel regarding this matter and has made a good faith payment of \$25,000 toward costs of defense of this matter while reserving all defenses and/or counter claims against Kandela in this matter. The Subsidiary plans to vigorously defend this demand for indemnification. The Subsidiary cannot reasonably determine damages at this time. In April 2019, Porch.com acquired all of the assets of Kandela LLC and assigned its past and future indemnification rights to Porch.com. As Porch.com is not a defendant in the Allconnect case, there is no known event giving rise to obligation to indemnify Kandela or Porch, and neither Kandela nor Porch has made an indemnification request to the Subsidiary since the acquisition.
- 20.1.3** One of the subsidiaries of the Group ("the Subsidiary") was challenged by tax authorities on a certain tax exemption. Tax authorities have issued an assessment on the Subsidiary for tax year 2014 of approximately \$585,000, denying the tax exemption. The Subsidiary understands that an incremental tax amount of approximately \$4.7 million for subsequent tax years is under review by the authorities. The Subsidiary believes the decision to be without merit and has appealed the assessment to the Tax Court, and otherwise intends to vigorously defend any formal assessments issued in respect of the \$4.7 million under review.
- 20.1.4** As at June 30, 2019, returns of income tax up to tax year 2018 have been filed by the Parent Company. However, deemed assessments for the tax years 2003 and 2004 had been amended by the Taxation Officer (TO) whereby the exemption claimed under clause (101) Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) were rejected in both these years and tax demands of Rs. 0.09 million and Rs. 0.60 million had been created respectively. The first appeal filed by the Parent Company before Commissioner Inland Revenue (Appeals) against the amended orders had been rejected. The Parent Company preferred second appeal in both the years before the Appellate Tribunal Inland Revenue (ATIR) who decided the appeal in the favor of the Parent Company through the consolidated order dated March 28, 2013. Application has been filed with the tax authorities for passing the appeal effect orders which are currently pending. Accordingly, no provision has been made for the said matters in these financial statements.
- 20.1.5** During 2017, the Parent Company was selected for audit under Section 177 of Income Tax Ordinance, 2001 by the Commissioner Inland Revenue (CIR) through his noticed dated 18 November 2016 for tax year 2011. While finalizing the audit proceedings, the Assessing Officer passed an amended order under Section 122(1) of the Ordinance dated 30 May 2017 whereby the income was assessed at Rs. 1,007 million and tax demand of Rs. 352.64 million was created. Consequently, the Parent Company filed an appeal before the Commissioner Inland Revenue (Appeals) CIR(A), who vide his order dated 22 June 2017, remanded back the case to the Commissioner Inland Revenue (who holds the jurisdiction over the case) for fresh adjudication. After fresh proceedings, the revised assessment order dated 31 July 2017 was passed under Section 124(1) of the Ordinance wherein the Officer Inland Revenue (OIR) disregarded the declared loss of Rs. 14.388 million and assessed the revised income at Rs. 0.751 million and created tax demand of Rs. 0.272 million. Management is confident that the Parent Company will not incur said liability, as sufficient refundable amounts arising from previous years against which such liability will be adjusted. The Parent Company has preferred appeal against the above order to the CIR(A). The said appeal is pending adjudication. Accordingly no provision has been made in this regard in these financial statements.

20.2 Commitments

- 20.2.1** In connection with a corporate reorganization of the Etelequote's business, TRGIL provided an indemnity to an officer of one of the Group's subsidiaries, in connection with certain reorganization steps involving the officer. The indemnification obligation is capped at Rs. 320 million (US\$ 2 million). No claim under the indemnity has been made and any material, indemnifiable tax exposure for TRGIL is unlikely.
- 20.2.2** As per a requirement for a fundraising round for one of the Group's subsidiaries, TRGIL provided an indemnity to the Subsidiary for the period that the Subsidiary was consolidated with TRGH for tax and ERISA purposes. The indemnification obligation is capped at Rs. 5,602 million (US\$ 35 million). No claim under the indemnity has been made and any material, indemnifiable tax exposure for TRGIL is unlikely, in part due to the availability of NOLs with the consolidated tax group.
- 20.2.3** An indirect subsidiary of the Group has an annual telecommunication service commitment with two of its carriers. The carrier agreement was signed in May 2017 for a three-year term with the minimum annual commitment for Rs. 96 million (US\$ 0.6 million). The agreement has provision for an early termination at its one-year anniversary with a sixty day written notice. A second carrier agreement was signed in August 2017 for a three-year term with minimum annual commitment for Rs. 176 million (US\$ 1.1 million).
- 20.2.4** An indirect subsidiary of the Group is subject to early termination provisions in certain telecommunications contracts, which if enforced by the telecommunications providers, would subject the Subsidiary to the obligation to pay early termination fees. To date, these early termination provisions have not been triggered by the Subsidiary and in most cases would be equal to the unfulfilled terms of the contract.
- 20.2.5** On November 27, 2017, PNC Bank, NA issued an irrevocable standby letter of credit for the amount of Rs. 64 million (US\$ 0.4) million in favor of a subsidiary to the benefit of Digicel (Jamaica) Limited to guarantee the payment of base rent for the property rented by the Subsidiary. With effect from March 1, 2018, the amount of irrevocable standby letter of credit was increased to Rs. 80 million (US\$ 0.5 million).
- 20.2.6** On January 19, 2018, PNC Bank, NA issued an irrevocable standby letter of credit for the amount of Rs. 48 million (US\$ 0.3 million) in favor of an indirect subsidiary of the Group to the benefit of First Global Bank Limited to guarantee the payment of loan received by another subsidiary of the Group. This letter of credit expired on July 19, 2018, as allowed by the agreement with First Global Bank.
- 20.2.7** One of the subsidiary of the Group has future ujarah commitments under Ijarah facility as follows:

| | June 30, 2019 | June 30, 2018 |
|---|------------------|------------------|
| Note | (Rupees in '000) | |
| Within one year | 3,496 | 5,065 |
| After one year but not more than five years | - | 3,496 |
| | <u>3,496</u> | <u>8,561</u> |

21. FINANCE EXPENSES

| | | | |
|--|------|------------------|------------------|
| Interest on redeemable preference shares | 21.1 | 1,659,840 | 1,172,722 |
| Interest on borrowings | | 2,200,524 | 578,609 |
| Factoring fees | | 32,977 | 30,898 |
| Finance charges on leased assets | | 813,814 | 144,008 |
| Bank charges | | 18,898 | 49,645 |
| | | <u>4,726,053</u> | <u>1,975,882</u> |

21.1 Interest is due at the time of redemption of these shares.

22. INCOME TAXES

The major components of income tax expense are:

| | | | |
|--|------|----------------|---------------|
| Current tax expense for the year | 22.1 | 169,397 | 122,711 |
| Deferred tax expense / (income) for the year | | 257,652 | (93,811) |
| | | <u>427,049</u> | <u>28,900</u> |

- 22.1** The U.S. tax provision includes the following U.S. entities: TRG Holdings, LLC, TRG Marketing Services, Inc., BPO, Inc., Alert, Inc., which file their U.S. Federal income tax return as a consolidated group under TRG Holdings, LLC. Other US entities included in the provision are Afiniti, Inc., TRG Customer Solutions, Inc. (d/b/a IBEX Global Solutions, Inc.), iSKY, Inc. DGS, Inc., Telsat Online and E-Telequote, Inc. which file separate income tax returns in the US. Additionally, included in the provision are IBEX foreign subsidiaries, Afiniti foreign subsidiaries and DGS foreign subsidiaries. These subsidiaries are located in UK, EU, South America, China, Japan, UAE, Australia, Turkey, Canada, Pakistan, Senegal and Philippines. These entities file tax returns in their respective jurisdictions.
- 22.2** The Parent Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available.
- 22.3** Deferred tax expense includes a non-recurring expense of Rs. 422.4 million (\$3.1 million) on cancellation of legacy shares-based compensation plan. Group's subsidiary in Ireland (DGS Tech, Ltd.) which has been dormant was dissolved during the year. Deferred tax liability associated with the entity was also written off, that led to a non-recurring deferred tax benefit of Rs. 727.7 million (\$5.34 million).

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as net operating losses and tax credit carryforward. Deferred tax assets and liabilities are measured using the enacted tax rates that will apply to taxable income in the periods the deferred tax item is expected to be settled or realized. The tax effects of the Company's temporary differences and carryforwards are as follows:

Tax effect of deductible / (taxable) temporary differences

| | June 30, 2019 | June 30, 2018 |
|--|--------------------|--------------------|
| | (Rupees in '000) | |
| Tax effect of deductible temporary differences | | |
| - Provisions against trade debts | 32,687 | 33,855 |
| - Unpaid accrued expenses / compensation | 554,642 | 441,052 |
| - Net operating losses | 2,031,496 | 1,279,690 |
| - Lease liability (right to use assets) | 1,438,105 | - |
| - Fixed assets | 41,962 | 40,831 |
| | 4,098,892 | 1,795,428 |
| Set-off of tax | (3,619,546) | (1,158,373) |
| Deferred tax assets - net | 479,346 | 637,055 |
| Tax effect of taxable temporary differences | | |
| - Right to use assets | (1,385,655) | - |
| - Intangibles | (119,832) | (72,445) |
| - Deferred revenue | (2,919,183) | (1,734,681) |
| | (4,424,670) | (1,807,126) |
| Set-off of tax | 3,619,546 | 1,158,373 |
| Deferred tax liabilities - net | (805,124) | (648,753) |

Unrecognized deferred tax asset

Deferred tax asset has not been recognized in respect of following tax losses and deductible differences because it is not probable that future taxable profit will be available against which the Group can use the benefit therefrom. Other factors considered include cumulative losses in recent years and non-existence of future reversals of existing taxable temporary differences. The unused tax losses will begin to expire in 2024. The deductible temporary differences can be carried forward indefinitely.

| | June 30, 2019 | | June 30, 2018 | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Gross amount | Tax effect | Gross amount | Tax effect |
| | (Rupees in '000) | | | |
| Tax losses | 49,628,447 | 12,278,091 | 28,962,521 | 9,027,181 |
| Deductible temporary differences | 22,617,037 | 5,595,461 | 18,214,490 | 5,677,182 |
| | 72,245,484 | 17,873,552 | 47,177,011 | 14,704,363 |

At June 30, 2019, group's U.S. federal and state net operating loss carry forwards for income tax purposes are Rs. 37,857 million (\$236.53 million) [2018: Rs. 26,573 million (\$218.71 million)] and Rs. 26,262 million (\$164.09 million) [2018: Rs. 20,108 million (\$165.5 million)] respectively which will begin to expire in 2024. The Group's European subsidiaries have net operating loss carry forward of Rs. 12,281 million (\$76.73 million) [(2018: Rs. 6,845 million (\$56.34 million)]. Group's net operating loss carry forwards for other subsidiaries are Rs. 882 million (\$5.51 million) [2018: Rs. 603 million (\$4.96 million)]. These amounts are based on the income tax returns filed for the year ended June 30, 2018 and the estimated amounts yet to be filed for the year ended June 30, 2019.

On December 22, 2017, President of the United States of America signed into law H.R.1 Bill, originally known as the "Tax Cuts and Jobs Act". The Tax Cuts and Jobs Act (TCJA) has reduced the US federal corporate income tax rate from the existing rate of 34% to 21% with effect from 1 January 2018. As group's tax year is on a fiscal year basis (ends 30 June), it was subject to a pro-rated US combined federal and state corporate income tax rate of 31% for fiscal year ended 30 June 2018. After 30 June 2018, US combined federal and state corporate income tax rate has reduced to 25%.

Other significant changes introduced by TCJA include limitations on the deductibility of interest expense and executive compensation, a base erosion focused minimum tax (the Base Erosion and Anti-Abuse tax), transitional tax, tangible property expensing, current tax on global intangible low-taxed income (GILTI) and carry forward of net operating losses ("NOLs").

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

22.4 Reconciliation of effective tax rate

| | June 30, 2019 | June 30, 2018 |
|--------------------------------|----------------------------|------------------|
| |(Rupees in '000)..... | |
| Net loss for the year | (5,503,776) | (6,773,424) |
| Income tax expense / (benefit) | 427,049 | 28,900 |
| Net loss excluding income tax | (5,076,727) | (6,744,524) |

| | 2019 | | 2018 | |
|---|----------------|---------------------|---------|---------------------|
| | (%) | (Rupees in '000) | (%) | (Rupees in '000) |
| Income tax benefit using applicable tax rate | 23.41% | (1,188,410) | 27.34% | (1,843,856) |
| State taxes, net of federal effect | 4.17% | (211,640) | 3.52% | (237,289) |
| Effect of tax rates and exemptions in foreign jurisdictions | -4.46% | 226,340 | -14.18% | 956,589 |
| Non-deductible expenses / tax exempt income - net | 4.08% | (207,365) | 2.17% | (146,335) |
| Recognition of intellectual property | 0.00% | - | 80.21% | (5,409,992) |
| Disposal of subsidiaries | 15.42% | (782,584) | 0.00% | - |
| Cancellation of compensation plan (ESOP) | -8.33% | 422,946 | 0.00% | - |
| Change in unrecognized temporary differences | -43.52% | 2,209,156 | -69.57% | 4,692,113 |
| Effect of exchange rate changes | 0.82% | (41,394) | -29.92% | 2,017,670 |
| | -8.41% | 427,049 | -0.43% | 28,900 |

23. SHARE OPTION PLANS

As at June 30, 2019, the Group maintained the following stock option plans: "TRGIL 2016 share incentive plan", "Phantom Stock Plans", "2018 Restricted Stock Award Plan", "Afiniti Phantom stock option plan" and "Afiniti stock option plan".

The details of above mentioned stock option plans are as below:

23.1 TRGIL 2016 share incentive plan

TRGIL has adopted an option plan of up to 1,147,171 non-voting Class B Common Shares for employees, officers and directors, as well as consultants and advisors.

During the year ended June 30, 2019, the TRGIL granted nil (June 30, 2018: 160,000) share options to the employees of the Parent Company. The options so granted had an exercise price of nil (June 30, 2018: \$0.93) per share, an expected term of nil years (June 30, 2018: ten years) and nil expected average dividend yield. Management used volatility of nil (June 30, 2018: 30%) for these options and used risk-free rate of nil (June 30, 2018: 2.5%) being compounded United States nominal treasury rate corresponding to the term of the option.

As at June 30, 2019, 310,000 (June 30, 2018: 310,000) options were outstanding with weighted average remaining life of 8 years (June 30, 2018: 9 years) and exercise price of \$0.53 (June 30, 2018: \$0.53), whereas 266,633 (June 30, 2018: 208,953) options were exercisable with weighted average remaining life of 8 years (June 30, 2018: 9 years) and exercise price of \$0.53 (June 30, 2018: \$0.53). The grant date fair value of stock options granted during the year ended June 30, 2019 was nil (June 30, 2018: \$1.57). The amount recognized as share-based payment expense pertaining to this plan for the year ended June 30, 2019 is \$90,442 (June 30, 2018: \$92,438). During the year no options were granted to directors of the Parent Company.

23.2 Phantom Stock Plans

In February of 2018, each of IBEX Global Solutions (Private) Limited, DGS (Private) Limited, eTelequote (Private) Limited, IBEX Global Solutions (Philippines) Inc., IBEX Global ROHQ, IBEX Global Solutions Senegal S.A., and Virtual World (Private) Limited, and in March of 2018, each of IBEX Global Jamaica Limited, and IBEX Global Solutions Nicaragua SA adopted phantom stock plans (collectively, the “Phantom Stock Plans”), which provide for grants of “phantom stock options” to certain of their executive officers and employees.

Each Phantom stock option provides the participant with a contractual right to receive an amount equal to the difference between the fair market value of a vested common share of IBEX Holdings Limited at the time of exercise and the exercise price of the option per share. In the event that the payment due to a grantee who has exercised an option exceeds \$10,000, the relevant company may elect in its sole discretion to make payments in equal installments (without interest) over a period not exceeding three years, provided that each installment shall be no less than \$10,000 (unless the residual amount is less than \$10,000).

On December 28, 2018, the board of directors, pursuant to a provision in the Phantom Stock Plans terminated the Phantom Stock Plans for IBEX Global Solutions (Private) Limited, DGS (Private) Limited, eTelequote (Private) Limited, IBEX Global Solutions Senegal S.A., Virtual World (Private) Limited, and IBEX Global Solutions Nicaragua SA. All phantom stock options under these specific Phantom Stock Plans were cancelled upon termination of the identified Phantom Stock Plans. The Phantom Stock Plans for IBEX Global Solutions (Philippines) Inc., IBEX Global ROHQ, and IBEX Global Jamaica Limited remain in effect. The Group reversed the expense of US\$ 0.9 million of phantom stock in connection to forfeiture for vesting conditions not being met during the year ended June 30, 2019.

The estimated fair value of the common shares underlying the share options has been determined to be \$14.00 per share.

Expected term

The expected term of options granted is 4.65 - 4.67 years. In estimating the expected term, the Subsidiary assumes all options will be exercised at the contractual term of the option.

Volatility

Management used an average volatility of comparable listed companies of 35.6% (June 30, 2018: 35.6%).

Expected dividends

The Subsidiary does not expect to pay any dividends in the future.

Risk-free rate

The risk free rate is the continuously compounded United States nominal treasury rate corresponding to the term of the option. The risk free rate used for computation of fair value of options as at June 30, 2019 was 2.73% (June 30, 2018: 2.73%).

Those issued in February 2018 have a fair value of \$8.458 per option. A roll forward of the February 2018 phantom shares are as follows:

| | 2019 | | 2018 | |
|---|--|------------------------|--|------------------------|
| | Weighted average exercise price (US\$) | Share options (Number) | Weighted average exercise price (US\$) | Share options (Number) |
| Options outstanding as at beginning of the year | 6.81 | 105,546 | - | - |
| Options granted during the year | - | - | 6.81 | 105,546 |
| Options exercised during the year | - | - | - | - |
| Options forfeited/cancelled/expired during the year | 6.81 | (66,377) | - | - |
| Options outstanding as at end of the year | 6.81 | 39,169 | 6.81 | 105,546 |
| Options exercisable as at end of the year | 6.81 | 33,543 | 6.81 | 63,522 |

Those issued in March 2018 have a fair value of \$8.464 per option. A roll forward of the March 2018 phantom shares are as follows:

| | 2019 | | 2018 | |
|---|--|------------------------|--|------------------------|
| | Weighted average exercise price (US\$) | Share options (Number) | Weighted average exercise price (US\$) | Share options (Number) |
| Options outstanding as at beginning of the year | 6.81 | 77,129 | - | - |
| Options granted during the year | - | - | 6.81 | 77,129 |
| Options exercised during the year | - | - | - | - |
| Options forfeited/cancelled/expired during the year | 6.81 | (61,723) | - | - |
| Options outstanding as at end of the year | 6.81 | 15,406 | 6.81 | 77,129 |
| Options exercisable as at end of the year | 6.81 | 8,450 | 6.81 | 8,065 |

A summary of the stock options outstanding and exercisable as at June 30, 2019 is as follows:

| Exercise price or range (US\$) | 2019 | | | | | |
|--------------------------------|---------------------|---|--|---------------------|---|--|
| | Options outstanding | | | Options exercisable | | |
| | Number | Weighted average remaining life (years) | Weighted average exercise price (US\$) | Number | Weighted average remaining life (years) | Weighted average exercise price (US\$) |
| 6.81 | 21,032 | 0.81 | 6.81 | 41,994 | 1.83 | 6.81 |

The weighted average fair value of the phantom stock options as at June 30, 2019 is \$8.458. For the year ended June 30, 2019, the Subsidiary recognized an expense of share-based payment amounting to US\$ 0.6 million (June 30, 2018: US\$0.8 million). There were no phantom Stock options with intrinsic value as of June 30, 2019. The liability under the Phantom stock option plan as at June 30, 2019 is included as other non-current liabilities in note 17.

23.3 2017 IBEX Plan

On December 28, 2018, the 2017 IBEX Plan was terminated pursuant to Section 11 of the 2017 IBEX Plan. Pursuant to the termination of the Plan, all stock options under the 2017 IBEX Plan were cancelled. The Group recognized \$4.9 million expense during the year ended June 30, 2019 including \$3.2 million of additional expense to fully write off the plan.

| | 2019 | | 2018 | |
|---|--|------------------------|--|------------------------|
| | Weighted average exercise price (US\$) | Share options (Number) | Weighted average exercise price (US\$) | Share options (Number) |
| Options outstanding as at beginning of the year | 6.81 | 1,633,170 | - | - |
| Options granted during the year | - | - | 6.81 | 1,778,569 |
| Options exercised during the year | - | - | - | - |
| Options forfeited/cancelled/expired during the year | 6.81 | (1,633,170) | - | (145,399) |
| Options outstanding as at end of the year | - | - | 6.81 | 1,633,170 |
| Options exercisable as at end of the year | - | - | 6.81 | 628,356 |

23.4 2018 Restricted Stock Award Plan

On December 21, 2018, board of directors and shareholders of the Subsidiary approved and adopted 2018 Restricted Stock Award Plan (the "2018 RSA Plan"). The description of the 2018 RSA Plan is as follows:

Purpose

The management believe that the 2018 RSA Plan will enable to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, consultants and directors, and to promote the success of business.

Types of Awards

The 2018 RSA Plan provides for grants of restricted stock awards.

Eligibility

Selected employees, consultants or directors of the Subsidiary or its affiliates will be eligible to receive non-statutory stock options and restricted stock awards under the 2018 RSA Plan, but only employees of the Subsidiary will be eligible to receive incentive stock options.

Administration

The 2018 RSA Plan is administered by the Subsidiary's board of directors, a committee (or subcommittee) appointed by its board of directors, or any combination, as determined by the board of directors of the Subsidiary. Subject to the provisions of the 2018 RSA Plan and, in the case of a committee (or subcommittee), the specific duties delegated by the board of directors to such committee (or subcommittee), the administrator has the authority to, among other things, determine the per share fair market value of common shares, select the individuals to whom awards may be granted; determine the number of shares covered by each award, approve the form(s) of agreement(s) and other related documents used under the 2018 RSA Plan, determine the terms and conditions of awards, amend outstanding awards, establish the terms of and implement an option exchange program, and construe and interpret the terms of the 2018 RSA Plan and any agreements related to awards granted under the 2018 RSA Plan. The board of directors may also delegate authority to one of more of the Subsidiary's officers to make awards under the 2018 RSA Plan.

Available Shares

Subject to adjustment, Restricted Shares may be granted under the Plan for up to 2,559,323 class B common shares, \$0.0001 | 1650536 par value per Class B common share, of the Subsidiary (the "Class B Common Shares"). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares. This limit may be adjusted to reflect certain changes in capitalization, such as share splits, reverse share splits, share dividends, recapitalizations, rights offerings, reorganizations, mergers, consolidations, spin-offs, split-ups and similar transactions.

If any restricted share award expires or is forfeited in whole or in part (including as the result of Class B Common Shares subject to such restricted share award being repurchased pursuant to a contractual repurchase right or being forfeited back to the Subsidiary, the unused Class B Common Shares covered by such restricted share award shall again be available for the grant of restricted shares. Additionally, any Class B common shares delivered to the Subsidiary by a participant to either used to purchase additional restricted shares or to satisfy the applicable tax withholding obligations with respect to restricted shares (including shares retained from the restricted share award creating the tax obligation) shall be added back to the number of shares available for the future grant of restricted shares.

Restricted Stock

The Board may grant restricted share awards entitling recipients to acquire Class B Common Shares ("Restricted Shares"), subject to the right of the Subsidiary to repurchase all or part of such Restricted Shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Restricted Share award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Restricted Share award. The Board shall determine the terms and conditions of a Restricted Share award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

Stockholder Rights

Except as otherwise provided in the applicable award agreement, and with respect to an award of restricted stock, a participant will have no rights as a shareholder with respect to common shares covered by any award until the participant becomes the record holder of such common shares.

Amendment and Termination

The board of directors may, at any time, amend or terminate the 2018 RSA Plan but no amendment or termination may be made that would materially and adversely affect the rights of any participant under any outstanding award, without his or her consent.

Transferability

Subject to certain limited exceptions, awards granted under the 2018 RSA Plan may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution.

Effective Date; Term

The 2018 RSA Plan in December 2018 granted 2,375,173 shares, of which 721,596 shares vested on December 31, 2018. The remaining awards will vest between 13 months to 4 years, depending on the individual.

Fair value of common shares

The fair market value per share at the time of issuance was \$0.61 which was derived from using the Monte Carlo simulation.

Expected term

The expected term of options granted during the year ended June 30, 2019 is 3.84 years. The Group assumes all options will be exercised at the contractual term of the option.

Volatility

Management used an average volatility of comparable companies of 26%.

Expected dividends

The Group does not expect to pay any dividends in the future.

Risk-free rate

The risk free rate is the continuously compounded United States nominal treasury rate corresponding to the term of the option. The risk free rate used for computation of fair value of options as of June 30, 2019 was 2.87%.

A summary of the stock options outstanding and exercisable as at June 30, 2019 is as follows:

| | 2019 | |
|---|---|------------------------------|
| | Weighted average exercise price (US\$) | Share options (Number) |
| Options outstanding as at beginning of the year | | - |
| Options granted during the year | 0.61 | 2,375,173 |
| Options exercised during the year | | - |
| Options forfeited/cancelled/expired during the year | | - |
| Options outstanding as at end of the year | 0.61 | <u>2,375,173</u> |
| Options exercisable as at end of the year | 0.61 | <u>969,829</u> |

Most of the 2,375,173 stock options granted under the 2018 RSA Plan during the fiscal year ended June 30, 2019 vest over time, with an initial portion vesting at December 31, 2018 and the remainder vesting equally on a monthly basis for a period of 13 months to four years. The remaining stock options vest based on certain performance criteria which are:

- the consummation of a successful initial public offering on or before December 31, 2019; and
- there is an initial public offering of the Subsidiary's class A common shares, and thereafter, the average price per share traded in such public market equals or exceeds \$17.42 per share at any point in time; and
- meeting specific revenue and EBITDA targets during the period from January 1, 2019 to December 31, 2019.

As of June 30, 2019, 969,829 or 40.8%, of the outstanding stock options have vested. The Subsidiary recognized the amount of stock compensation expense for options initially vesting on the first vesting date with the exception of members of the executive leadership team (the "ELT").

As all members of the ELT are primarily based in the United States (the "US"), in order to gain the benefit of the 83(b) election (an 83(b) election applies to equity that is subject to vesting, and it alerts the Internal Revenue Service (IRS) to tax the elector for the ownership at the time it of granting, rather than at the time of stock vesting), they have purchased the shares through a Related Party Loan which is subject to 3% interest. These notes are a 50% / 50% split between recourse and non - recourse, with the non-recourse portion being secured by those class B shares issued to the borrower. The Group did not record the expense of the non - recourse component, 503,260 shares of the 1,006,519 shares which vested at June 30, 2019 applicable to the ELT.

As to the remaining unvested options, the Subsidiary will recognize an expense in a similar fashion for the ELT over the vesting period on an accelerated basis. For the non - ELT members as well as the non - employee members of the board, at June 30, 2019, the Subsidiary recognized \$0.3 million of stock based compensation expense. The Subsidiary recognized \$4.9 million and \$9.7 million of stock based compensation expense (including 2017 IBEX stock plan, Phantom stock plan and 2018 RSA) for the year ended June 30, 2019 and 2018 respectively.

23.5 Afiniti Phantom stock option plan

Afiniti adopted an employee phantom stock option plan in December 2016 (the "2016 PSO Plan") to enable certain officers, employees and consultants of Afiniti and its subsidiaries to have financial incentives which are tied to the value of the Afiniti and thereby aligning their interest with the Afiniti's shareholders. A phantom stock option is the right to receive, upon exercise, an amount equal to the difference between (a) the fair market value of the share of stock at the time of exercise and (b) the exercise price of the phantom stock option per share of stock. Although phantom stock options are denominated in shares of stock, participants are not entitled to receive shares of stock upon the exercise of a phantom stock option. Afiniti may, at its discretion, settle the amount due upon exercise of a phantom stock option in the form of cash or any other property. The terms of the phantom stock options, including the exercise price per share and vesting provisions, are determined by a committee designated by the board of directors. Phantom stock options

are generally granted at exercise prices not less than the estimated fair market value of the Afiniti's common shares at the date of grant. Phantom stock option grants typically vest over four years with 25% vesting upon the expiration of an initial one-year cliff and the remainder vesting monthly thereafter over the remaining 36 months assuming continuing service and expire ten years from the date of grant. Compensation cost is recognized on a straight-line basis over the requisite employee service period, which is generally the vesting period. Share-based compensation is recognized only for those awards that are expected to vest, with forfeitures estimated at the date of grant based on historical experiences and future expectations. There is no limit to the number of phantom stock options that may be issued under the 2016 PSO plan.

The phantom options activity was as follows for the year ended June 30, 2019 and June 30, 2018:

| | 2019 | | 2018 | |
|---|---|------------------------|---|------------------------|
| | Weighted average exercise price (US\$) | Share options (Number) | Weighted average exercise price (US\$) | Share options (Number) |
| Options outstanding as at beginning of the year | 1.72 | 477,053 | 1.72 | 507,012 |
| Options forfeited / cancelled / expired during the year | - | - | 1.72 | (29,959) |
| Options outstanding as at end of the year | 1.72 | 477,053 | 1.72 | 477,053 |
| Options exercisable as at end of the year | | 294,627 | | 278,014 |

A summary of the stock options outstanding and exercisable as at June 30, 2019 and June 30, 2018 is as follows:

| Exercise price or range(US\$)..... | 2019 | | | | | |
|---|---------------------|---|--|---------------------|---|--|
| | Options outstanding | | | Options exercisable | | |
| | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... |
| 1.72 | 477,053 | 3.50 | 1.72 | 294,627 | 3.50 | 1.72 |

| Exercise price or range(US\$)..... | 2018 | | | | | |
|---|---------------------|---|--|---------------------|---|--|
| | Options outstanding | | | Options exercisable | | |
| | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... |
| 1.72 | 477,053 | 4.50 | 1.72 | 278,014 | 4.50 | 1.72 |

The weighted average fair value of the Phantom stock options granted during the year is US\$ nil (June 30, 2018: US\$ nil). For the year ended June 30, 2019, the Subsidiary recognized an expense of share-based payment amounting to US\$ 0.15 million (June 30, 2018: US\$ 0.1 million) in the consolidated statement of profit and loss and other comprehensive income. The liability under the Phantom stock option plan as at June 30, 2019 and 2018 was included as other non-current liabilities in note 17.

23.6 Afiniti stock option plan

Afiniti adopted an employee option plan in October 2013, amended in May 2014 and March 2016 (the "2013 Plan") to enable certain executives, employees and full time consultants of Afiniti and its subsidiaries to be granted options to acquire 10,258,542 shares of common shares of the Company. The terms of the options, including the exercise price per share and vesting provisions, are determined by the board of directors. Options are generally granted at exercise

prices not less than the estimated fair market value of the Company's common shares at the date of grant based upon numerous objective and subjective factors including: third-party valuations, preference share transactions with third-parties, current operating and financial performance, management estimates and future expectations. Option grants typically vest upon the expiration of an initial one-year cliff and vest monthly thereafter over the remaining thirty-six months assuming continuing service, and expire ten years from the grant date. Compensation cost is recognized on a straight-line basis over the requisite employee service period, which is generally the vesting period and is recorded as employee compensation expense. Share-based compensation is recognized only for those awards that are expected to vest, with forfeitures estimated at the date of grant based on historical experiences and future expectations. Share-based compensation expense is recognized as part of expenses in the consolidated statement of profit or loss account and other comprehensive income.

Afiniti estimates the fair value of its options on the date of grant using the "Black Scholes" option pricing method, which requires the use of certain estimates and assumptions that affect the reported amount of share based compensation cost recognized in the consolidated statement of profit or loss account and other comprehensive income. These include estimates of the expected volatility of Afiniti's shares, expected dividends and the risk-free interest rate:

Expected term

The expected term represents the period of time the stock options are expected to be outstanding and is based on the simplified method. Afiniti uses the simplified method for employee awards due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected term of the stock options granted to employees. For options granted to non-employees, Afiniti uses an expected term equal to the contractual term of the option.

Volatility

Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected term of the stock options.

Expected dividends

Afiniti assumes no dividend yield because dividends are not expected to be paid in the near future, which is consistent with the Afiniti's history of not paying dividends.

Risk-free rate

The risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected term of Afiniti's stock options.

| | 2019 | | 2018 | |
|---|---|------------------------|---|------------------------|
| | Weighted average exercise price (US\$) | Share options (Number) | Weighted average exercise price (US\$) | Share options (Number) |
| Options outstanding as at beginning of the year | 14.47 | 5,088,340 | 1.68 | 3,033,048 |
| Options granted during the year | 2.07 | 4,505,517 | 22.71 | 3,053,444 |
| Options exercised during the year | 2.46 | (1,877,865) | - | - |
| Options forfeited / cancelled / expired during the year | 1.77 | (561,530) | 2.02 | (998,152) |
| Options outstanding as at end of the year | 10.81 | <u>7,154,462</u> | 14.17 | <u>5,088,340</u> |
| Options exercisable as at end of the year | 10.96 | <u>7,021,954</u> | 14.47 | <u>4,958,119</u> |

A summary of the stock options outstanding and exercisable as at June 30, 2019 and June 30, 2018 is as follows:

| Exercise price or range(US\$)..... | 2019 | | | | | |
|---|---------------------|---|--|---------------------|---|--|
| | Options outstanding | | | Options exercisable | | |
| | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... |
| 0.7 - 27.10 | 7,154,462 | 7.65 | 10.81 | 7,021,954 | 7.61 | 10.96 |

| Exercise price or range(US\$)..... | 2018 | | | | | |
|---|---------------------|---|--|---------------------|---|--|
| | Options outstanding | | | Options exercisable | | |
| | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... | Number | Weighted average remaining life (years) | Weighted average exercise price(US\$)..... |
| 1.12-22.71 | 5,088,340 | 8.85 | 14.17 | 4,958,119 | 8.87 | 14.47 |

Based on the above assumptions, the weighted average fair value of all options granted during 2019 is US\$ 0.93 (June 30, 2018: US\$ 0.54). The amount recognized as share-based payment expense for the year ended June 30, 2019 and June 30, 2018 is US\$ 1.3 million and US\$ 1.7 million respectively.

24. WARRANTS

On November 13, 2017, as amended on April 30, 2018 and December 28, 2018, one of the Subsidiary of the Group issued to an electronic commerce and cloud computing company (the holder), a 10-year warrant to acquire approximately 1,429,303 of series B preference shares and 14,437 of series C preference shares, totaling 1,443,740 shares, representing 10% of equity on a fully diluted and as-converted basis as of the date of issuance of the warrant.

The Series B and C Preference shares subject to the warrant vest on an incremental basis upon the satisfaction of specified milestones that are tied to payments made by the holder or its affiliates in connection with the purchase of services from the Subsidiary during a seven and a half year period ending on June 30, 2024, and the warrant will become fully vested when a cumulative total of \$600 million is paid by the holder or its affiliates during this period. The vesting is partially accelerated in the event of a reorganization transaction (as defined in the warrant). The warrant is exercisable, either for cash or on a net issuance basis, at a price per share equal to:

- If, prior to June 30, 2018, no qualified IPO or qualified valuation event (each as defined in the warrant) occurs, the price will be \$15.00.
- If a neither a qualified IPO not a qualified valuation event has occurred on or prior to June 30, 2018, but a qualified IPO or an M&A event occurs after June 30, 2018 but on or prior to December 31, 2019, the exercise price would be the lower of (i) \$15.00 and (ii) as applicable: (x) the price established in respect of such IPO; or (y) 85% of the price per warrant share implied by the M&A event.

On March 16, 2018, the Subsidiary effected a reverse stock split which had an impact on employee stock option plans as well as the warrants associated with the above warrant. As a result of the stock split, the number of common shares subject to the warrant was reduced based on the original agreement from 1,611,944 to 1,443,740 as per the amended agreement.

The exercise price and the number of common shares issuable upon exercise of the warrant are subject to customary anti-dilution adjustments.

The holder is entitled to customary shelf and piggy-back registration rights with respect to the common shares issued upon exercise of the warrant. The holder may not transfer the warrant except to its wholly-owned subsidiary.

The Subsidiary opted to use the Monte Carlo simulation for calculating the value of warrants. The use of the Monte Carlo Simulation is appropriate for stock warrants at June 30, 2019 and June 30, 2018. The use of the Monte Carlo Simulation is appropriate for stock warrants where the complexity of the option may lend itself to outcomes based upon multiple different scenarios.

The Subsidiary estimated the fair value of warrants on the date of the grant at \$6.935 using the 'Black Scholes' option pricing model. The model also requires the use of certain other estimates and assumptions that affect the reported amount of share-based payments cost recognized in the consolidated statement of profit or loss account and other comprehensive income.

Expected term

The expected term of options granted is ten years starting November 13, 2017, and ending November 12, 2027.

Volatility

The Subsidiary used average volatility of comparable listed companies as 35.6%.

Expected dividends

The expected average dividend yield is 0% for the year ended June 30, 2019. The Subsidiary does not expect to pay any dividends in the foreseeable future.

Risk-free rate

The risk-free rate is the continuously compounded United States nominal treasury rate corresponding to the term of the option. The average risk-free rate used for options granted during the year was 2.40%.

There were no warrants cancelled or expired as of June 30, 2019. At June 30, 2019, 144,374 warrants were vested based on the agreed upon revenue criteria. The Subsidiary recorded an additional warrant asset and liability of US\$ 0.2 million in the year ended June 30, 2019.

Based on the number of warrants expected to vest, the total fair value of the warrant liability included in other non-current liabilities at date of issue is US\$ 4.0 million.

The Subsidiary revalued the warrant liability to account for the change in the fair market value of the organization. The updated fair value of warrants on June 30, 2019 of US\$ 1.04 (June 30, 2018: US\$ 1.67) that is based on the Monte Carlo simulation. Based on the number of warrants expected to vest, the total fair value of the warrant liability included in other non-current liabilities at June 30, 2019 is approximately US\$ 0.8 million (June 30, 2018: US\$ 1 million).

Warrant asset

Upon inception of partnership with electronic commerce and cloud computing company, the Subsidiary recorded both the warrant asset and liability. The warrant asset was initially recorded as \$4.3 million. The asset will amortize on a pro-rata based on the revenues actually recognized. The Subsidiary recorded a reduction to revenue of approximately US\$ 0.7 million (June 30, 2018: US\$ 0.5 million) in the year ended June 30, 2019. The current balance of the warrant asset at June 30, 2019 is US\$ 3.3 million (June 30, 2018: US\$ 3.8 million).

25. LOSS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue and the potential ordinary shares.

The inclusion of the Company's stock options in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

| | June 30, 2019 <u>(Rupees in '000)</u> | June 30, 2018 |
|---|---|------------------|
| Loss attributable to equity holders of the Parent Company | (1,468,632) | (2,936,815) |
| | <u>(Shares)</u> | |
| Weighted average number of ordinary shares - basic | 545,390,665 | 545,390,665 |
| | <u>(Rupees)</u> | |
| Basic loss per share | (2.69) | (5.38) |
| | <u>(Shares)</u> | |
| Weighted average number of ordinary shares - diluted | 545,390,665 | 545,390,665 |
| | <u>(Rupees)</u> | |
| Diluted loss per share | (2.69) | (5.38) |

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The board of directors has the overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in the market conditions and the Group's activities.

The Group's board of directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments by category are as follows:

Financial assets

| | June 30, 2019 <u>(Rupees in '000)</u> | June 30, 2018 |
|--|---|-------------------|
| Long term receivables | 11,552,932 | 4,361,838 |
| Long term deposits, prepayments and other assets | 1,697,450 | 1,385,071 |
| Trade and other receivables | 17,214,366 | 10,019,768 |
| Cash and bank balances | 14,021,555 | 6,189,004 |
| | <u>44,486,303</u> | <u>21,955,681</u> |

Financial liabilities

| | | |
|-------------------------------|-------------------|-------------------|
| Lease liabilities | 16,799,473 | 1,389,745 |
| Borrowings | 49,066,196 | 26,450,788 |
| Convertible preference shares | 4,801,500 | 3,645,000 |
| Trade and other payables | 6,489,970 | 3,743,958 |
| | <u>77,157,139</u> | <u>35,229,491</u> |

26.1 Market risk

26.1.1 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances and credit facilities. Effective interest rates and maturities are given in respective notes to the consolidated financial statements, the Group do not use derivative financial instruments to hedge its risk of interest rate volatility.

As at June 30, 2019, had interest rates varied by 1% with all other variables held constant, finance costs for the year would have been higher / lower by Rs. 165.7 million (June 30, 2018: Rs. 75.4 million) mainly as a result variable rate borrowings.

26.1.2 Foreign currency exchange risk

Foreign currency exchange risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. As the Group has operations in countries with different currencies, the Group is exposed to certain foreign currency exchange risks which could have an impact on results of operations. The Group primary foreign currency exposures in Philippine Peso, Euro and USD. As such, the management believe that, the Group is exposed to the following foreign currency exchange risks:

- Transaction foreign currency risk is the exchange risk associated with the time delay between entering into a contract and settling it. Greater time differences exacerbate transaction foreign currency risk, as there is more time for the two exchange rates to fluctuate.
- Translation foreign currency risk is the risk that the Group's non-U.S. Dollar assets and liabilities will change in value as a result of exchange rate changes. Monetary assets and liabilities are valued and translated into U.S. Dollars at the applicable exchange rate prevailing at the applicable date. Any adverse valuation moves due to exchange rate changes at such time are charged directly and could impact our financial position and results of operations. For the purposes of preparing the financial statements, the Group convert subsidiaries' financial statements as follows:

Statements of financial position are translated into PKR from local currencies at the period-end exchange rate, shareholders' equity is translated at historical exchange rates prevailing on the transaction date and income and cash flow statements are translated at average exchange rates for the period. As at June 30, 2019, if PKR had weakened / strengthened by 5% against US dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 1,632 million (June 30, 2018: Rs. 592 million) mainly as a result of foreign exchange losses/ gains on translation of US dollar denominated financial assets.

26.1.3 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Borrowings and Lease Liabilities | Accumulated losses | Non- controlling interests | Total |
|---|--|-----------------------|----------------------------------|-------------------|
| | (Rupees in '000) | | | |
| Balance as at July 1, 2018 | 26,450,788 | (10,455,070) | (2,243,280) | 13,752,438 |
| Changes from financing cash flows | | | | |
| Transactions with non-controlling interests | - | 1,858,750 | 723,349 | 2,582,099 |
| Proceeds from borrowings and leases - net | 30,222,055 | - | - | 30,222,055 |
| Impact of adoption of IFRS-16 | 9,192,826 | (160,764) | 175,706 | 9,207,768 |
| Warrant issues | - | - | 4,353 | 4,353 |
| Total changes from financing activities | 39,414,881 | 1,697,986 | 903,408 | 42,016,275 |
| Other changes | | | | |
| Finance expenses | 4,726,053 | - | - | 4,726,053 |
| Finance expenses paid | (4,726,053) | - | - | (4,726,053) |
| Equity related other changes | - | (1,946,594) | (4,845,934) | (6,792,528) |
| | - | (1,946,594) | (4,845,934) | (6,792,528) |
| Balance as at June 30, 2019 | 65,865,669 | (10,703,678) | (6,185,806) | 48,976,185 |

26.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. The Group is exposed to credit risk on its accounts receivable mainly to the automotive, IT, medical and tourism sectors. The Group mitigates the risk by diversifying its client base in these sectors.

Financial instruments which potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, loans and advances and notes receivable. The Group's cash and cash equivalents are held with Pakistan and foreign commercial banks. The balance at times may exceed insured limits.

Credit rating wise breakup of bank balances:

| | June 30, 2019 | June 30, 2018 |
|-----------|-------------------|------------------|
| Note | (Rupees in '000) | |
| AA | 1,841,990 | 463,075 |
| AA- | 1,677,176 | 1,075,868 |
| A-1 + | 1,222,195 | 518,313 |
| A-1 | 1,767,718 | 626,573 |
| A+ | 2,460,537 | 2,313,556 |
| A | 768,692 | 108,229 |
| A- | 885,863 | 367,545 |
| A-2 | 933,636 | 102,361 |
| A-3 | 735,686 | 258,641 |
| BBB+ | 859,258 | 24,844 |
| BBB | 217,842 | - |
| BBB- | 401,902 | 38,460 |
| Non-rated | 247,281 | 169,034 |
| | 14,019,776 | 6,066,499 |

The maximum exposure to credit risk as at June 30, 2019 is as follows:

Financial assets

| | | | |
|--|--------|-------------------|-------------------|
| Long term receivables | | 11,552,932 | 4,361,838 |
| Long term deposits, prepayments and other assets | 26.2.1 | 1,697,450 | 1,385,071 |
| Trade and other receivables | | 17,214,366 | 10,019,768 |
| Balances with banks | | 14,021,555 | 6,189,004 |
| | | 44,486,303 | 21,955,681 |

The Group has the following exposure to concentration of credit risk with clients representing greater than 5% of the consolidated revenue or receivable balances:

| | 2019 | | | |
|----------|----------------------------|-------------|----------------------------|-------------|
| | Revenue | | Accounts Receivable | |
| | Amount (Rupees in '000) | % of Total | Amount (Rupees in '000) | % of Total |
| Client 1 | 10,197,713 | 15% | 1,723,739 | 12% |
| Client 2 | 9,142,910 | 13% | 2,195,246 | 15% |
| Client 3 | 6,065,184 | 9% | 1,447,140 | 10% |
| | 25,405,807 | 37% | 5,366,125 | 37% |
| Others | 44,854,457 | 63% | 9,372,404 | 63% |
| | 70,260,264 | 100% | 14,738,529 | 100% |

| | 2018 | | | |
|----------|----------------------------|-------------|----------------------------|-------------|
| | Revenue | | Accounts Receivable | |
| | Amount (Rupees in '000) | % of Total | Amount (Rupees in '000) | % of Total |
| Client 1 | 8,650,618 | 18% | 1,267,457 | 15% |
| Client 2 | 6,953,648 | 14% | 1,366,945 | 16% |
| Client 3 | 5,810,530 | 12% | 800,215 | 9% |
| | 21,414,796 | 44% | 3,434,617 | 40% |
| Others | 27,641,757 | 56% | 5,221,271 | 60% |
| | 49,056,553 | 100% | 8,655,888 | 100% |

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

The consolidated entities recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost. The measurement of the loss allowance depends upon the assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Based on the historic trend and expected performance of the customers, the Group believes that the below expected credit loss allowance sufficiently covers the risk of default.

On the above basis the expected credit loss for trade receivables as at June 30, 2019 and June 30, 2018 was determined as follows:

| | June 30, 2019 | | |
|---------------------|----------------------------------|------------------------------|--------------------------------------|
| | Expected credit loss rate | Gross carrying amount | Lifetime expected credit loss |
| | (Rupees in '000) | | |
| Not overdue | - | 10,925,144 | - |
| Due: 0 to 30 days | 1% | 2,578,634 | 34,812 |
| Due: 31 to 60 days | 2% | 496,424 | 8,439 |
| Due: 61 to 90 days | 2% | 349,901 | 6,858 |
| Due: 91 to 180 days | 39% | 81,807 | 31,905 |
| Due: over 180 days | 98% | 306,619 | 301,156 |
| Total | | 14,738,529 | 383,170 |

| | June 30, 2018 | | |
|---------------------|----------------------------------|------------------------------|--------------------------------------|
| | Expected credit loss rate | Gross carrying amount | Lifetime expected credit loss |
| | (Rupees in '000) | | |
| Not overdue | - | 7,979,960 | - |
| Due: 0 to 30 days | 11% | 215,478 | 23,703 |
| Due: 31 to 60 days | 22% | 186,902 | 41,118 |
| Due: 61 to 90 days | 14% | 17,444 | 2,442 |
| Due: 91 to 180 days | 30% | 13,735 | 4,121 |
| Due: over 180 days | 84% | 242,369 | 203,591 |
| Total | | 8,655,888 | 274,975 |

The Group does not hold any collateral against these assets. Financial assets other than trade debts have no material ECL allowances on those balances as of June 30, 2019.

26.2.1 This includes 4 year promissory notes issued by the Group amounting to US\$ 1,059,325 (June 30, 2018: US\$ 1,127,325) against allotment of shares of a subsidiary. This also includes a 5 year promissory note amounting to US\$ 1,595,664 (June 30, 2018: US\$ 1,595,664) against sale of restricted common shares held in a subsidiary.

26.3 Liquidity risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The board receives cash flow projections on a quarterly basis as well as information regarding cash balances and investments. The liquidity risk of each group entity is managed at the entity level. Where facilities of group entities need to be increased, approval must be sought by the entity's CFO and CEO.

The following table presents liquidity analysis as of June 30, 2019:

| | June 30, 2019 | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | Total |
| (Rupees in '000) | | | | |
| Long term receivables | 2,181,731 | 9,371,201 | - | 11,552,932 |
| Long term deposits, prepayments and other assets | - | 1,697,450 | - | 1,697,450 |
| Trade and other receivables | 17,214,366 | - | - | 17,214,366 |
| Cash and bank balances | 14,021,555 | - | - | 14,021,555 |
| | 33,417,652 | 11,068,651 | - | 44,486,303 |
| Lease liabilities | 3,745,170 | 6,884,071 | 6,170,232 | 16,799,473 |
| Term Loan | 831,520 | 25,892,961 | 154,288 | 26,878,769 |
| Long-term borrowings | 98,275 | 16,283,191 | - | 16,381,466 |
| Line of credit | 5,805,961 | - | - | 5,805,961 |
| Convertible preference shares | 4,801,500 | - | - | 4,801,500 |
| Trade and other payables | 6,489,970 | - | - | 6,489,970 |
| | 21,772,396 | 49,060,223 | 6,324,520 | 77,157,139 |
| Net liquidity position | 11,645,256 | (37,991,572) | (6,324,520) | (32,670,836) |
| | June 30, 2018 | | | |
| | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | Total |
| (Rupees in '000) | | | | |
| Long term receivables | 1,046,841 | 3,314,997 | - | 4,361,838 |
| Long term deposits, prepayments and other assets | - | 1,385,071 | - | 1,385,071 |
| Trade and other receivables | 10,019,768 | - | - | 10,019,768 |
| Balances with banks | 6,189,004 | - | - | 6,189,004 |
| | 17,255,613 | 4,700,068 | - | 21,955,681 |
| Lease liabilities | 910,917 | 478,828 | - | 1,389,745 |
| Term Loan | 640,822 | 7,993,672 | - | 8,634,494 |
| Long-term borrowings | - | 323,546 | 10,570,957 | 10,894,503 |
| Line of credit | 3,709,546 | - | - | 3,709,546 |
| Private placements notes | 1,822,500 | - | - | 1,822,500 |
| Convertible preference shares | 3,645,000 | - | - | 3,645,000 |
| Trade and other payables | 3,743,958 | - | - | 3,743,958 |
| | 14,472,743 | 8,796,046 | 10,570,957 | 33,839,746 |
| Net liquidity position | 2,782,870 | (4,095,978) | (10,570,957) | (11,884,065) |

27. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise of associated companies and undertakings, staff retirement funds, directors and key management personnel. The balances due from and to related parties of the Group have been disclosed in the respective notes to the consolidated financial statements.

- 27.1** The investments out of provident fund of the Parent Company have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.
- 27.2** Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year. During the year ended June 30, 2019 executives remuneration was Rs. 19.6 billion (June 30, 2018: Rs. 15.1 billion) and there were 5,745 (June 30, 2018: 5,126) executives as at June 30, 2019. During the year ended June 30, 2019 directors remuneration was Rs. nil (June 30, 2018: Rs. 46 million). No fee for attending meetings or any other remuneration was paid to the directors of the Parent Company during the year (number of directors: 10). Further, no remuneration was paid to Chief Executive during the current and previous year.

28. CAPITAL RISK MANAGEMENT

Capital risk management is carried out by the Group's management. The Group's board of directors sets Capital risk management policies and procedures to which our management is required to adhere. The Group's management identifies and evaluates Capital risks and enters into agreements and explore avenues to mitigate these risk exposures in accordance with the policies and procedures outlined by the Group's board of directors.

The Group manages its capital to safeguard that the Group will be able to continue as a going concern. The capital structure of the Group consists of cash at bank and in hand and cash equivalents, borrowings, as well as private placements of debt securities and preferred shares. In addition the Group's capital structure includes equity attributed to the holders of equity instruments of the Holding Company, such as capital, reserves and results carried forward, as mentioned in the consolidated statement of changes in equity.

The Group manages its capital structure and makes the necessary adjustments in the light of changes of economic circumstances, the risk characteristics of underlying assets and the projected cash needs of the current and prospective operational / financing / investment activities. The adequacy of the Group's capital structure will depend on many factors, including capital expenditures, market developments and any future acquisition.

The Group and any of its subsidiaries are not subject to any externally imposed capital requirements, other than those imposed by generally applicable company law requirements.

In order to maintain or adjust the capital structure, the Holding Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

29. SEGMENT INFORMATION

Management has determined its operating segments based on reports reviewed by the board of directors ("BOD") that are used to assess the performance of the various components and in making resource allocation decisions. Management has determined that the lines of the business constitute operating segments. There are three operating segments, namely, IT Enabled Services, Medicare Insurance and Artificial Intelligence Data Analytics.

Each of the operating segments identified above have their own management and leadership teams and face unique sets of market dynamics. A brief description of segments and type of revenues they generate is given below:

- IT Enabled Services: The segment leverages a comprehensive suite of proprietary software tools to measure and manage the customer experience and works with customer facing businesses to acquire customers for them. The suite of solutions consist of customer service, technical support and other value added services including acquisition oriented contact center capability.
- Medicare Insurance: The segment acts as an insurance agency and originates new insurance policies for large US insurance carriers, mostly in the Medicare Insurance space. Most of the policy acquisition solutions are based on two steps; (a) generating or purchasing a lead or prospect, and (b) converting the lead or prospect into a customer, either online or through a voice-based channel.
- Artificial Intelligence Data Analytics: The segment utilizes big data, artificial intelligence and machine learning to improve profits for large enterprises. The AI platform optimizes the pairing of individual contact center agents with customers. The optimal pairing optimizes customer objectives with respect to revenue, customer service and efficiency.

The BOD assesses the Group's internal performance on the following bases:

- Third party revenue; and
- Adjusted EBITDA

Adjusted EBITDA represents the Group's net profit / (loss) before finance cost, share of profit / (loss) of equity accounted associate, income tax expense, non-cash items of depreciation and amortization and corporate overhead and other expenses. Adjustment is also made, if necessary, to eliminate the effect of non-recurring charges. The management believes that adjusted EBITDA is a meaningful indicator of the health of the Group's business as it reflects the ability to generate cash that can be used to fund recurring capital expenditures as well as growth and it also disregards non-cash or non-recurring charges that the management believe are not reflective of the Group's long-term performance.

29.1 Information about segments

The segment information provided to the chief operating decision makers for the reportable segments for the year ended June 30, 2019 is as follows:

| | June 30, 2019 | | | |
|---------------------------------|---------------------|--------------------|--|------------|
| | IT Enabled Services | Medicare Insurance | Artificial Intelligence Data Analytics | Total |
| | (Rupees in '000) | | | |
| Segment revenue | 51,079,929 | 8,822,172 | 11,238,883 | 71,140,984 |
| Less: inter-segment revenue | (880,720) | - | - | (880,720) |
| Revenue from external customers | 50,199,209 | 8,822,172 | 11,238,883 | 70,260,264 |
| Adjusted EBITDA | 4,945,987 | 3,784,653 | (3,216,072) | 5,514,568 |

| | June 30, 2018 | | | |
|---------------------------------|---------------------|--------------------|--|------------|
| | IT Enabled Services | Medicare Insurance | Artificial Intelligence Data Analytics | Total |
| | (Rupees in '000) | | | |
| Segment revenue | 38,110,712 | 3,873,004 | 7,590,036 | 49,573,752 |
| Less: inter-segment revenue | (517,199) | - | - | (517,199) |
| Revenue from external customers | 37,593,513 | 3,873,004 | 7,590,036 | 49,056,553 |
| Adjusted EBITDA | 472,399 | 1,003,197 | (1,909,588) | (433,992) |

29.2 Adjusted EBITDA for reportable segments for the year

| | June 30, 2019 | June 30, 2018 |
|---|------------------|---------------|
| | (Rupees in '000) | |
| Adjusted EBITDA | 5,514,568 | (433,992) |
| Depreciation, amortization and other non-cash costs | (5,518,854) | (3,879,812) |
| Finance expenses | (4,726,053) | (1,975,882) |
| Taxation | (427,049) | (28,900) |
| Others | (346,388) | (454,838) |
| Loss for the year | (5,503,776) | (6,773,424) |

29.3 Revenue by location

| | June 30, 2019 | June 30, 2018 |
|--------------------------|------------------|---------------|
| | (Rupees in '000) | |
| United States of America | 62,779,630 | 45,465,884 |
| Others | 7,480,634 | 3,590,669 |
| | 70,260,264 | 49,056,553 |

As required for the consolidated financial statements, the Group disaggregates revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group disaggregates revenue based on geographical markets which are substantially located in United States of America, and other regions.

29.4 Non current assets by location

| | June 30, 2019 | June 30, 2018 |
|--------------------------|------------------|---------------|
| | (Rupees in '000) | |
| United States of America | 22,358,299 | 10,171,786 |
| Others | 15,428,557 | 3,731,291 |
| | 37,786,856 | 13,903,077 |

30. AUDITORS' REMUNERATION

| | June 30, 2019 | June 30, 2018 |
|--|----------------------------|------------------|
| |(Rupees in '000)..... | |
| Fee for audit of separate financial statements | 1,265 | 1,265 |
| Fee for review of half yearly financial statements | 400 | 400 |
| Fee for the audit of consolidated financial statements | 2,875 | 2,875 |
| Sales tax | 380 | 380 |
| Other certifications | 205 | 205 |
| Out of pocket expenses | 174 | 174 |
| | 5,299 | 5,299 |

During the year, component auditors' remuneration amounted to Rs. 164.5 million (June 30, 2018: Rs. 103.5 million).

31. NUMBER OF EMPLOYEES

| | June 30, 2019 | June 30, 2018 |
|---|--------------------|------------------|
| |(Number)..... | |
| Parent Company | | |
| Average number of employees during the year ended | 1 | 1 |
| Number of employee as at year end | 1 | 1 |
| Subsidiary companies | | |
| Average number of employees during the year ended | 18,946 | 18,294 |
| Number of employees as at year end | 18,789 | 18,152 |

32. PARENT COMPANY'S INDIRECT SUBSIDIARIES

The following entities are indirect subsidiaries of the Parent Company through IBEX Holdings Limited as at June 30, 2019.

| Subsidiaries of TRGIL (Indirect subsidiaries of the Parent Company) | Location / country of incorporation | Nature of Business | Holding % | |
|---|---|-----------------------|-----------|--------|
| | | | 2019 | 2018 |
| IBEX Global Limited | Bermuda | Holding company | 45.28% | 53.22% |
| IBEX Global Solutions Limited | England | Holding company | 45.28% | 53.22% |
| IBEX Global Bermuda Limited | Bermuda | Call Center | 45.28% | 53.22% |
| Lovercius Consultants Limited | Cyprus | Call Center | 45.28% | 53.22% |
| IBEX Global Europe S.a.r.l | Luxembourg | Tech support services | 45.28% | 53.22% |
| IBEX Global ROHQ | Philippines | Regional headquarter | 45.28% | 53.22% |
| TRG Customer Solutions, Inc. (TRG CS) (dba as IBEX Global Solutions) | USA | Call Center | 45.28% | 53.22% |
| TRG Customer Solutions (Canada), Inc. | Canada | Call Center | 45.28% | 53.22% |
| TRG Marketing Solutions Limited | England | Call Center | 45.28% | 53.22% |
| Virtual World (Private) Limited | Pakistan | Call Center | 45.28% | 53.22% |
| IBEX Philippines Inc. | Philippines | Call Center | 45.28% | 53.22% |
| IBEX Global Solutions (Philippines) Inc. | Philippines | Call Center | 45.28% | 53.22% |
| TRG Customer Solutions (Philippines), Inc. | Philippines | Call Center | 45.28% | 53.22% |
| IBEX Global Solutions Senegal S.A. (formerly TRG Senegal SA.) | Senegal | Call Center | 45.28% | 53.22% |
| IBEX Global Solutions (Private) Limited | Pakistan | Call Center | 45.28% | 53.22% |
| IBEX Global MENA FZE | Dubai | Call Center | 45.28% | 53.22% |
| IBEX I.P. Holdings Ireland Limited | Ireland | Holding company | 45.28% | 53.22% |
| IBEX Global Solutions Nicaragua SA | Nicaragua | Call Center | 45.28% | 53.22% |
| IBEX Global St. Lucia Limited | St. Lucia | Holding company | 45.28% | 53.22% |
| IBEX Global Jamaica Limited | Jamaica | Call Center | 45.28% | 53.22% |
| IBEX Global Solutions France SARL | France | Call Center | 45.28% | 53.22% |

| Subsidiaries of TRGIL (Indirect subsidiaries of the Parent Company) | Location / country of incorporation | Nature of Business | Holding % | |
|--|---|---|-----------|--------|
| | | | 2019 | 2018 |
| DGS Limited | Bermuda | Holding company | 45.28% | 53.22% |
| Digital Globe Services, Inc. | USA | Internet marketing for residential cable services | 45.28% | 53.22% |
| Telsat Online, Inc. | USA | Internet marketing for non-cable telco services | 45.28% | 53.22% |
| DGS Worldwide Marketing Limited | Cyprus | Holding company and global marketing | 45.28% | 53.22% |
| DGS (Pvt.) Limited | Pakistan | Call centre and support services | 45.28% | 53.22% |
| DGS EDU LLC | USA | Internet marketing for the education industry | 45.28% | 53.22% |
| DGS Auto LLC | USA | Motor vehicle licensing | 45.28% | 53.22% |
| 7 Degrees LLC | USA | Digital marketing agency | 45.28% | 53.22% |
| iSky, Inc. | Bermuda | Holding company | 45.28% | 53.22% |
| iSky Technologies Canada Inc. | Canada | Market research | 45.28% | 53.22% |

The following entities are indirect subsidiaries of the Holding Company through e - Telequote Limited as at June 30, 2019:

| | | | | |
|---------------------------------|----------------|---------------------|--------|--------|
| e - Telequote, Plc | USA | Call Center | 45.86% | 53.22% |
| e - Telequote (Private) Limited | Pakistan | Call Center | 45.86% | 53.22% |
| ETQ HK SPV, Inc. | USA | Profit Center | 45.86% | 53.22% |
| e-Telequote HK Limited | Hong Kong | Licensing & billing | - | 53.22% |
| e-Telequote Insurance, Inc. | United Kingdom | Insurance agency | 45.86% | 53.22% |

The following entities are indirect subsidiaries of the Holding Company through Afiniti Limited (formerly SATMAP International Holding Limited) as at June 30, 2019:

| | | | | |
|--|----------------|--------------------------------|--------|--------|
| SATMAP Incorporated d/b/a Afiniti | USA | Contact center optimization | 28.79% | 30.56% |
| Afiniti Europe Technologies Ltd. (formerly known as SATMAP Europe Technologies, Limited) | United Kingdom | Contact center optimization | 28.79% | 30.56% |
| Afiniti Worldwide Marketing Limited (formerly known as SATMAP Worldwide Marketing Limited) | Cyprus | Contact center optimization | 28.79% | 30.56% |
| Afiniti Canada Inc. (formerly known as SATMAP Canada, Inc.) | Canada | Contact center optimization | 28.79% | 30.56% |
| Afiniti Software Solutions (Pvt) Ltd. (formerly known as SATMAP Services (Pvt) Ltd.) | Pakistan | Contact center optimization | 28.79% | 30.56% |
| Afiniti Brazil Solucoes em Tecnologia Ltda | Brazil | Contact center optimization | 28.79% | 30.56% |
| AETL S.A.R.L | Luxembourg | Contact center optimization | 28.79% | 30.56% |

| Subsidiaries of TRGIL (Indirect subsidiaries of the Parent Company) | Location / country of incorporation | Nature of Business | Holding % | |
|--|---|-----------------------------|-----------|--------|
| | | | 2019 | 2018 |
| Afiniti France | France | Contact center optimization | 28.79% | 30.56% |
| Afiniti HK Pacific | Hong Kong | Contact center optimization | 28.79% | 30.56% |
| Afiniti Spain S.L. | Spain | Contact center optimization | 28.79% | 30.56% |
| Afiniti Technologies, S. de R.L. de C.V. | Mexico | Contact center optimization | 28.79% | 30.56% |
| Afiniti Germany GmbH | Germany | Contact center optimization | 28.79% | 30.56% |
| Afiniti Italia S.R.L. | Italy | Contact center optimization | 28.79% | 30.56% |
| Afiniti Technologies FZ-LLC | Dubai | Contact center optimization | 28.79% | 30.56% |
| Afiniti Australia PTY Ltd. | Australia | Contact center optimization | 28.79% | 30.56% |
| Afiniti Japan | Japan | Contact center optimization | 28.79% | 30.56% |
| Shenzen Afiniti Technologies, Co., Ltd. | China | Contact center optimization | 28.79% | 30.56% |
| Afiniti Canada | Canada | Contact center optimization | 28.79% | - |
| Afiniti Turkey | Turkey | Contact center optimization | 28.79% | - |

The following entity is associate of the Parent Company through DGS Limited as at June 30, 2019:

| Associate | Location / country of incorporation | Nature of Business | Holding % | |
|--------------|---|--|-----------|--------|
| | | | 2019 | 2018 |
| Lakeball LLC | USA | Internet marketing for commercial cable services | 26.44% | 25.28% |

The following non-revenue generating entities are indirect subsidiaries of the Parent Company through TRGIL as at June 30, 2019.

| Subsidiaries of TRGIL (Indirect subsidiaries of the Parent Company) | Location / country of incorporation | Nature of Business | Holding % | |
|--|---|-----------------------------|-----------|--------|
| | | | 2019 | 2018 |
| TRG Holdings, LLC. | USA | Corporate | 57.32% | 57.32% |
| TRG (Private) Limited | Pakistan | Back office and IT services | 57.32% | 57.32% |
| BPO Solutions, Inc. | USA | Call Center | 57.32% | 57.32% |
| Alert Communications, Inc. | USA | Call Center | 57.32% | 57.32% |
| TRG International Holdings Limited | British Virgin Islands | Holding company | 57.32% | 57.32% |
| TRG Marketing Services, Inc. | USA | Call Center | 57.32% | 57.32% |
| TRG Healthcare, Inc. | USA | Holding company | 57.32% | 57.32% |
| Central Voice LLC | USA | Call Center | 57.32% | 57.32% |
| India Bidco Limited | Bermuda | Holding company | 57.32% | 57.32% |
| TRG SATMAP IP BVI | British Virgin Islands | Holding company | 57.32% | 57.32% |

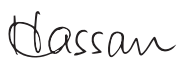
| Subsidiaries of TRGIL (Indirect subsidiaries of the Parent Company) | Location / country of incorporation | Nature of Business | Holding % | |
|--|---|---------------------------|-----------|--------|
| | | | 2019 | 2018 |
| TRG Field Solutions, Inc. | USA | Door to Door Marketing | 57.32% | 57.32% |
| TRG Field Solutions (Canada), Inc. | Canada | Door to Door Marketing | 57.32% | 57.32% |

33. GENERAL

- 33.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant rearrangements and reclassifications in these consolidated financial statements.
- 33.2 These consolidated financial statements were authorized for issue on October 23, 2019 by the board of directors of the Parent Company.



Director



Chief Financial Officer



Director

www.jamapunji.pk








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


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TRG PAKISTAN LIMITED.

Form of Proxy

I/we: _____

Of (full address): _____

Being a Member of TRG PAKISTAN LIMITED. hereby appoint: _____

Of (full address): _____

Or failing him: _____

Of (full address): _____

As my/our proxy to attend and vote for me and on my behalf at the Seventeenth Annual General Meeting of the Company to be held on November 25, 2019 and at any adjournment thereof.

Signed this _____ (Day) _____ (Date, month, year)

Folio Number/CDC No. _____

Numbers of shares held: _____

Signature
over Revenue
Stamp of Rs. 5

Signatures and addresses of witnesses

Witness 1

Signature _____

Name _____

NIC No. _____

Address _____

Signatures and addresses of witnesses

Witness 2

Signature _____

Name _____

NIC No. _____

Address _____

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of our Shares Registrar, M/s. THK Associates (Pvt.) Ltd. Share Department, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi, not less than 48 hours before the time of holding the meeting.
2. A member entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend, speak, and vote for him/her. A proxy need not be a member of the Company.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney under its common seal with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

TRG PAKISTAN LIMITED.

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TRG PAKISTAN LIMITED.
CENTRE POINT BUILDING, LEVEL 18,
PLOT NO. 66/3-2, OFF - SHAHEED-E-MILLAT
EXPRESSWAY, NEAR KPT INTERCHANGE FLYOVER,
KARACHI-74900, PAKISTAN.

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ٹی آر جی پاکستان لمیٹڈ

محنتارنامہ

سینئر پوائنٹ بلڈنگ، لیول 18، پلاٹ نمبر 2-66/3 آف شہید ملت روڈ، ایکسپریس وی، نزد کے پی ٹی انٹر چینج فلائی اوور، کراچی 74900 پاکستان۔
 میں/ہم _____ کے/کے
 بحیثیت رکن ٹی آر جی پاکستان لمیٹڈ اور حامل عام حصص، بمقام شیئر رجسٹرار فیونڈ اور/یا سی ڈی سی
 پارٹنیشن (شرکت) آئی ڈی نمبر _____ اور سب اکاؤنٹ (ذیلی کھاتہ نمبر) _____
 محترم/محترمہ _____ کو اپنے/ہمارے ایما پر _____ 2019 کو دن _____
 میں منعقد ہونے والے کمپنی کے 17 ویں سالانہ اجلاس عام
 میں حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت اپنا/ہمارا بطور مختار (پراسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز _____ بتاریخ _____ 2019 کو دستخط کئے گئے۔

گواہان:

۱- دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر:

2- دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر:

پانچ روپے مالیت کے رسیدی ٹکٹ پر دستخط

دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

نوٹ:

- 1- ایکسبر (رکن) جو اجلاس میں شرکت اور دستخط سے کما حقہ ہوا یا جی بی کے اراکین کو بطور نائب شرکت کرنے اور دستخط سے کما حقہ نہیں کر سکتا ہے۔
- 2- ایکسبر (رکن) جو اجلاس میں شرکت نہیں کر سکتا، وہ اس فارم کو مکمل کرنے اور دستخط کرنے کے بعد اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل تکیر بڑی، ٹی آر جی پاکستان لمیٹڈ کو رجسٹر آفس پر ارسال کرے۔
- 3- سی ڈی سی شیئر ہولڈر ہونے کی صورت میں درج بالا کے علاوہ درج ذیل شرائط پر بھی عمل کرنا ہوگا:
 (الف) فرود ہونے کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا دیگر دستوں کی تکثیر گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تصدیق سے متعلقہ عدویہ کے مطابق اپ لوڈ ہوں انہیں کمپنی کی جانب سے دی گئی ہدایات کی روشنی میں پراسی فارم جمع کرنا ہوگا۔
 (ب) مقررہ تاریخ پر بطور گواہان وہ افراد کے دستخط ہونے چاہئیں اور ان کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہوں۔
 (ج) پیشگی مقررہ (مستطیع ہونے والے فرد) کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل ایک منسلک کرنی ہوگی جسے نائب مقررہ نام کے حوالہ میں جمع کرنا ہوگا۔
 (د) اجلاس کے وقت نام کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
 (ه) کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت نمبر (رکن) نمبر ڈاؤن لوڈ آف ڈاؤن لوڈنگ فرم (ایم آر ڈی) کے نمونہ دستخط یا آر آف ایڈوانس (ایم پی اے) کے نمونہ دستخط ہونے چاہئیں۔
 (و) مقررہ نام کے حوالہ میں جمع کرنا ہوگا۔

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سینٹر پوائنٹ بلڈنگ، لیول 18،
پلاٹ نمبر 66/3-266، آف شہید ملت
ایکسپریس وے، نزدکے پی ٹی انٹر چینج فلائی اوور،
کراچی 74900 پاکستان۔

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TRG PAKISTAN LTD.

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PLOT NO. 66/3-2, OFF. SHAHEED-E-MILLAT
EXPRESSWAY, NEAR KPT INTERCHANGE
FLYOVER, KARACHI-74900, PAKISTAN.

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