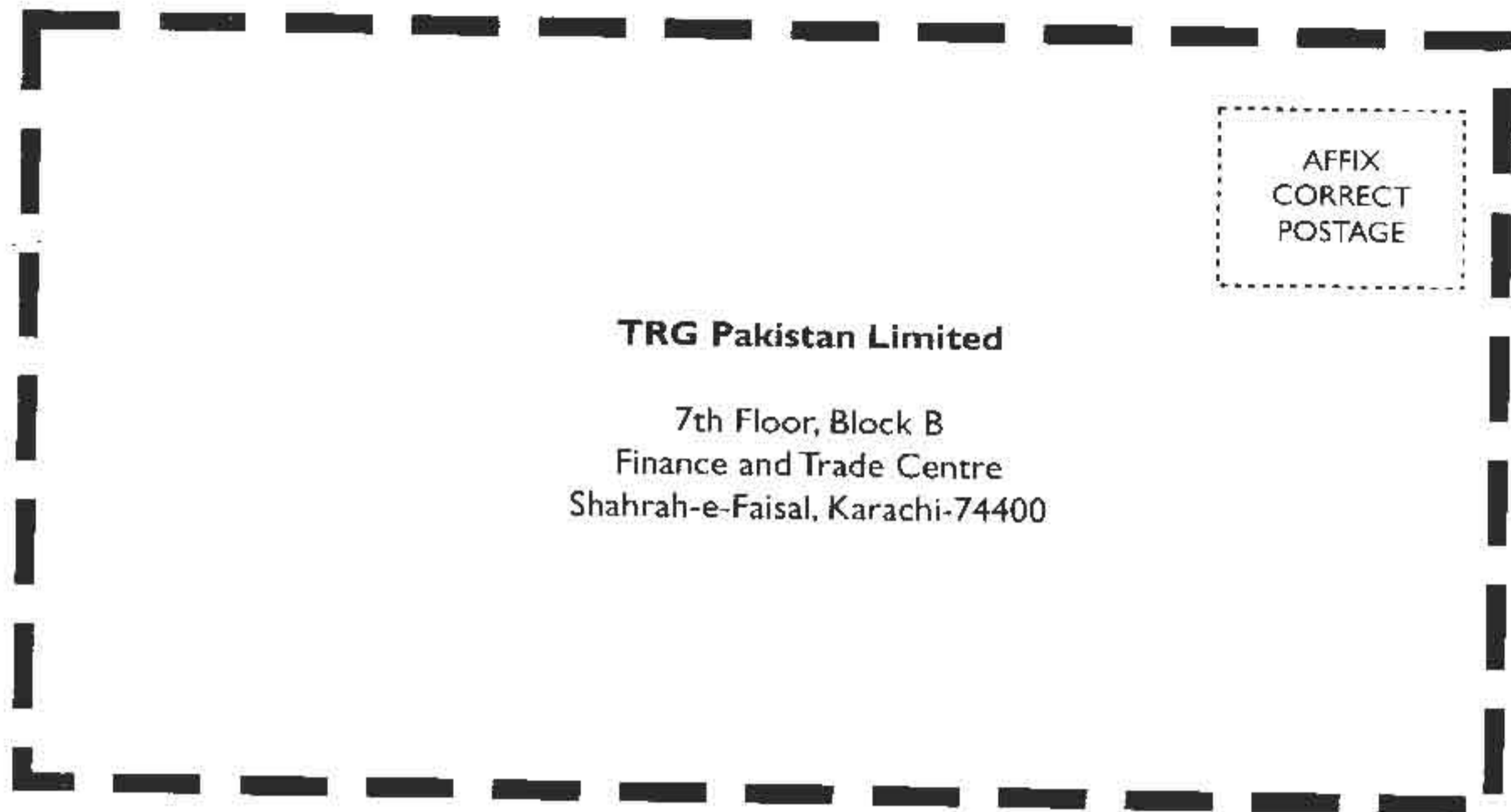




Annual Report 2009

TRG PAKISTAN LTD.



AFFIX
CORRECT
POSTAGE

TRG Pakistan Limited
7th Floor, Block B
Finance and Trade Centre
Shahrah-e-Faisal, Karachi-74400

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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 the vote for me and on my behalf at the Seventh Annual General Meeting of the Company to be held on December 01, 2009 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 _____

Notes:

1. A Member entitled to attend, speak, and vote at the 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.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized.
3. The instrument appointing a proxy and the power of attorney, or other authority under which it is signed, or a notarized copy of such power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of meeting.
4. An individual Beneficial Owner of the Central Depository Committee, entitled to attend and vote at this meeting must bring his/her original National Identity Card with him/her to prove his/her identity, and in case of proxy, must enclose an attested copy of his/her National Identity Card. The representative of corporate entity, shall submit Board of Directors' resolution/power of attorney with specimen signature (unless it has been provided earlier) along with the proxy form of the Company.

39. Capital Risk Management

The holding 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 adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

40. Date of Authorisation and corresponding figures

40.1 Convertible preference shares have been classified as a current liability, accordingly, the corresponding amount has been reclassified.

40.2 These consolidated financial statements were authorised for issue on October 30, 2009 by the Board of Directors of the holding company.

37. Transactions with Related Parties

Related parties of the Group comprises of associated 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. Material transactions with related parties, other than remuneration and benefits to the directors and key management personnel under the terms of their employment (as disclosed in note 35), are given below:

	2009	2008
	(Rupees in thousand)	
Zia Chishti - CEO of the holding company		
Interest expense	16,853	
Trakker (Private) Limited - (common directorship)		
Revenue	18,275	
Services acquired	-	
Balance receivable - current account	6,684	
Balance payable - current account	-	

The status of the outstanding balances with related parties as at June 30, 2009 is disclosed in notes 9, 13, 17, 20 and 22.

37.1 The above transaction are carried out at mutually agreed terms.

38. Subsequent Event

- 38.1 Subsequent to the fiscal year end the Company's subsidiary, TRG Holdings LLC incorporated a wholly owned subsidiary called TRG Field Solutions (TRG FS) to assume the operations of the Door to Door business from TRG Customer Solutions, by virtue of a Contribution Agreement. As per the agreement, TRG agreed to transfer 213 shares of Series A Preferred Stock of TRG CS to TRG FS. TRG FS issued common stock for an equivalent amount to TRG Holdings, LLC as consideration for the preferred stock. In addition, subsequent to the fiscal year end, TRG CS sold the assets and contributed the liabilities of its Field Solutions business unit to TRG FS. The net assets of the business unit were sold in exchange for the retirement of the 213 shares of preferred stock owned by TRG FS in TRG CS. The value of the preferred stock retired was equal to the net asset value of the assets sold and liabilities transferred on the transfer date.
- 38.2 Subsequent to the year end the group's wholly owned subsidiary, TRG SATMAP Inc (formerly known as Patek Capital Inc), entered into a Trial Agreement with Charter Communications Operating, LLC whereby Charter agreed to advance Rs 101.5 million (USD 1.25 million) to TRG SATMAP against future revenue earned from the Company's SATMAP technology. The advance is guaranteed by another subsidiary, TRG Healthcare Inc in the event of non-performance by TRG SATMAP.

	2009					Group
	Asia	Africa	North America	Europe	Adjustments/ Eliminations	
Other segment information(Rupees in thousand).....					
Segment assets	855,661	46,134	35,604,922	143,370	(30,393,583)	6,256,504
Segment liabilities	482,292	174,350	15,207,402	213,298	(9,955,695)	6,121,647
Capital expenditures						
Tangible fixed assets	31,093	1,991	330,716	1,077	-	364,877
Intangible assets	-	-	-	-	-	-
Depreciation / amortisation	82,750	8,797	318,189	20,298	79,583	509,617

	2008					Group
	Asia	Africa	North America	Europe	Adjustments/ Eliminations	
Revenue(Rupees in thousand).....					
Inter-segment revenue	757,425	49,320	3,612,732	-	(4,419,477)	-
Revenue from services to external customers	73,593	18,093	8,197,457	552,370	-	8,841,513
Total revenue	831,018	67,413	11,810,189	552,370	(4,419,477)	8,841,513
Result						
Segment results	(2,629,730)	(41,544)	(1,918,143)	(158,212)	2,629,536	(2,118,093)
Minority interest	-	-	-	-	-	566,030
Income taxes	-	-	-	-	-	21,163
Net loss	(2,629,730)	(41,544)	(1,918,143)	(158,212)	2,629,536	(1,530,900)
Other segment information						
Segment assets	2,190,779	31,845	21,072,200	217,260	(17,197,107)	6,314,977
Segment liabilities	403,600	131,429	6,842,927	274,582	(3,058,832)	4,593,706
Capital expenditures						
Tangible fixed assets	155,333	14,161	539,453	36,184	(124,743)	620,388
Intangible assets	741	-	21,916	-	-	22,657
Depreciation / amortisation	107,347	7,923	252,113	21,661	-	389,044

35. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the consolidated financial statements for remuneration, including all benefits to the chief executive, directors and executives of the Group is as follows:

	2009			2008		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
(Rupees in thousand).....					
Managerial remuneration note 35.1	-	5,976,782	5,976,782			
Commission / bonus	-	1,174,141	1,174,141			
House rent	9,002	24,832	33,834			
Medical allowance	-	2,588	2,588			
Insurance	-	50,197	50,197			
Retirement benefits	-	32,774	32,774			
Share based payments	19,638	162,063	181,701			
Other benefits and allowances	-	66,740	66,740			
Total	28,640	7,490,099	7,518,739			
Number of persons	1	3,674	3,675			

35.1 No managerial remuneration was paid to the chief executive during the year.

35.2 No fees for attending meetings or any other remuneration was paid to the directors of the holding company during the year.

35.3 Certain executives are provided with free use of Group maintained cars.

36. Segment information

For financial reporting purposes the Group has identified the following major geographical segments as the Group's risks and rate of return are affected predominantly by the fact that it operates in different geographical areas with different economic and political environments. These segments are the basis on which the Group has identifies its primary segment information.

	2009					
	Asia	Africa	North America	Europe	Adjustments/ Eliminations	Group
(Rupees in thousand).....					
Revenue						
Inter-segment revenue	752,457	92,360	3,185,643	-	(4,030,460)	-
Revenue from services to external customers	261,828	23,828	10,396,535	464,980	-	11,147,171
Total revenue	1,014,285	116,188	13,582,178	464,980	(4,030,460)	11,147,171
Result						
Segment results	(13,199)	(16,576)	531,342	(212,556)	(1,018,543)	(1,792,216)
Minority interest	-	-	150,118	-	-	150,118
Income taxes	(16,000)	-	(108,185)	-	-	(124,185)
Net loss	(29,199)	(16,576)	(489,409)	(212,556)	(1,018,543)	(1,766,283)

2009 2008
(Rupees in thousand)

The ageing of trade debtors which were past due as at year end is as follows:

Dues 31 to 60 days	155,293	
Dues 61 to 90 days	66,714	
Dues 91 to 180 days	52,699	
Dues over 180 days	10,900	
Less: Provision for doubtful debts	(82,681)	
	202,925	

The company does not hold any collateral against these assets.

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

34.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The management believes that it will be able to fulfill its financial obligations from the group's future cashflows. A maturity analysis of financial liabilities is as follows:

Financial liabilities in accordance with their contractual maturities are presented below:

	Total contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years
Long term finances	516,797	97,337	57,612	361,848
Convertible preference shares	2,436,000	2,436,000		
Liabilities against assets subject to finance lease	49,207	33,239	9,310	6,658
Trade and other payables	1,835,132	1,835,132		
Short term borrowings	953,675	953,675		
Accrued markup on short term borrowings	66,137	66,137		
	5,856,948	5,421,520	66,922	368,506

34.2.3 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks, as well as credit exposures to customers and other counterparties which include trade deposits and other receivables. Out of the total financial assets, those that are subject to credit risk amount to Rs 2,557.280 million (2008: Rs 2,868.824 million).

Credit rating wise breakup of bank balances:	2009	2008
	(Rupees in thousand)	
Government guaranteed	174,296	
AA	25,947	
AA-	709	
A-I +	3,561	
A-I	34	
A+	74,090	
A	3,295	
A-	17	
BBB +	33,917	
Non-rated	519	
	<u>316,385</u>	

The maximum exposure to credit risk as at June 30, 2009, along with comparative is tabulated below:

Financial assets

Long term investments	2,124
Long term loans	636
Long term deposits	59,260
Trade debts	1,773,933
Loans and advances	50,298
Short term deposits	260,057
Interest / profit accrued	11,997
Other receivables	83,130
Balances with banks	316,385
	<u>2,557,820</u>

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

	Revenue		Account Receivable	
	Amount (Rs 000s)	% of Total	Amount (Rs 000s)	% of Total
Client 1	3,934,326	35%	513,103	28%
Client 2	1,291,374	12%	207,791	11%
Client 3	374,064	3%	104,744	5%
Client 4	325,759	3%	98,171	5%
	<u>5,925,524</u>	<u>53%</u>	<u>920,809</u>	<u>49%</u>

34. Financial Instruments And Related Disclosures

34.1 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.

Financial instruments by category are as follows:

	2009	2008
	(Rupees in thousand)	
Financial Assets - Loans and receivables		
Long term investments	2,124	
Long term loans	636	
Long term deposits	59,260	
Trade debts	1,773,933	
Loans and advances	50,298	
Short term deposits	260,057	
Interest / profit accrued	11,997	
Other receivables	83,130	
Cash and bank balances	321,112	
	<u>2,562,547</u>	
Financial Liabilities at amortised cost		
Long term finances	514,998	
Convertible preference shares	2,436,000	
Liabilities against assets subject to finance lease	44,344	
Trade and other payables	1,835,132	
Short term borrowings	809,665	
Accrued markup on short term borrowings	66,137	
	<u>5,706,276</u>	

Risks managed and measured by the group are explained below:

34.2 Market risk

34.2.1 Interest / mark-up rate risk

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

At June 30, 2009, if interest rates on financial assets and liabilities, having variable rates, had been 100 basis points higher/lower with all other variables held constant, loss after taxation for the year would have been higher/lower by Rs 10.194 million (2008: Rs 7.369 million).

34.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The group primarily has foreign currency exposures in United States Dollar (USD), however the group has not hedged its foreign currency exposures, as the group believes that foreign currency exposure is not significant to the group's financial position and performance.

Note 2009 2008
(Rupees in thousand)

32. Loss per share

Net loss for the year (attributable to shareholders of the holding company)	(1,766,283)	
	(Shares)	
Weighted average number of shares outstanding during the year	385,390,700	
	(Rupees)	
Basic loss per share	(4.58)	

32.1 There is no dilution effect of the potential ordinary shares on the Group's loss per share as such potential ordinary shares will not increase the loss per share upon their conversion to ordinary shares.

33. Cash Utilised in Operations

Note 2009 2008
(Rupees in thousand)

Net loss before tax and minority interest for the year	(1,732,056)	
Adjustments for:		
Depreciation	359,558	
Amortisation	150,059	
Loss on forward contract	11,449	
(Reversal)/Provision for bad debts	(959)	
Exchange loss / (gain)	17,339	
Retirement benefit plan related changes (non-cash)	617	
Impairment charge	27,407	
Mark up / interest on borrowings / leases / convertible preference shares	266,868	
Return on bank balances / advances	(3,423)	
Employee stock options plan expense	181,701	
Gain on deemed disposal	-	
Loss on disposal of fixed assets / write-offs	24,485	
Other provisions and non cash expenses	-	
Gain on sale of asset held for sale	-	
	1,035,101	
Operating loss before working capital changes	(696,955)	
(Increase) / decrease in current assets		
Trade debts	596,596	
Advances, deposits, prepayments and other receivables	641,467	
Stock-in-trade	(357)	
	1,237,706	
Increase / (decrease) in current liabilities	(651,527)	
Other current liabilities	(651,527)	
	110,776	
Net cash used in operations		

28. Other Charges

	Note	2009	2008
(Rupees in thousand)			
Loss on disposal of fixed assets / write-offs		24,485	19,811
Exchange loss		17,339	14,241
Subsidiary restructuring costs		49,939	14,241
Impairment charge		27,407	14,241
Bad debt expense / write-offs / provisions - net	12.1	-	14,241
Loss on forward contract	28.1	11,449	14,241
Worker's Welfare Fund		15,639	14,241
Others		10,341	14,241
		<u>156,599</u>	142,412

28.1 TRGIL entered into a foreign exchange forward contract to minimise the effect of exchange rate fluctuations on cash flows denominated in Philippine Peso's in anticipation of the operating cost and investment requirements for the expected surge in the work performed by its Philippine subsidiary, TRG Philippines Inc. This agreement has maturity upto December 2009. The hedge expense represents the loss incurred on fair value calculation of the aforementioned hedge arrangement.

29. Finance Costs

	Note	2009	2008
(Rupees in thousand)			
Mark up on borrowings		172,694	142,412
Finance charges on convertible preference shares	18.9	64,659	142,412
Finance charges on leased assets		2,663	142,412
Bank charges		26,852	142,412
		<u>266,868</u>	569,648

30. Distribution to Minority shareholders of indirect subsidiaries in excess of their interest

During the year two (indirect) subsidiaries of the Group made distributions to shareholders in the form of dividend. As the distributions made were in excess of the carrying amount of the minority interest, the excess has been taken to profit and loss account in accordance with the Group's policy for transactions with minority interests.

31. Taxation

Current - for the year		11,930	142,412
Deferred	11	112,255	142,412
		<u>124,185</u>	284,824

27. Administrative and General Expenses

	Note	2009	2008
		(Rupees in thousand)	
Salaries, wages and other employee costs		2,057,105	
Communication		187,472	
Rent		400,899	
Advertisement and marketing		32,870	
Amortisation	7.1	109,555	
Depreciation	6.3	103,005	
Printing and stationery		23,697	
Travelling, transportation and conveyance		136,301	
Utilities (electricity, gas and water)		44,181	
Insurance		53,426	
Legal and professional charges		107,550	
Auditors' remuneration	27.1	97,314	
Repairs and maintenance		32,835	
Consultancy		252,127	
Operating lease rentals		-	
Donation		-	
Other taxes		-	
Licenses and fees		24,389	
Facilities maintenance and office supplies		19,004	
Miscellaneous		49,203	
		<u>3,730,933</u>	
27.1 Auditors' remuneration			
	27.1.1	5,250	
Holding company's auditors	27.1.2	90,685	
Subsidiaries' auditors		1,379	
Out of pocket expenses		<u>97,314</u>	
27.1.1 The holding company's auditors			
- Annual audit fee - for the holding company		1,100	
- Annual audit fee - for indirect subsidiaries		1,150	
- Half yearly review		400	
- Audit of consolidated financial statements		2,500	
- Other certifications		100	
		<u>5,250</u>	
27.1.2 Auditors of direct and indirect subsidiaries			
- Annual audit fee		84,455	
- Taxation services and other certifications		6,230	
		<u>90,685</u>	

25.1 A summary of the status of the TRGIL's stock option plan as of June 30, 2009 and changes during the year then ended is presented below:

	Shares	Weighted average exercise price (USD)
July 1, 2008	36,797,605	
Granted	1,450,000	
Forfeited or expired	(6,445,961)	
June 30, 2009	<u>31,801,644</u>	

The number of options exercisable at June 30, 2009 was 26,888,456 (June 30, 2008: 20,944,454).

The Group has applied the Black-Scholes Option pricing methodology utilising the assumptions identified below:

- Strike price - USD 1.12 set by the Board of Directors of TRGIL to be equivalent to the entry price of external third party investors.
- Share price or fair value of shares to be the equivalent USD price of each TRGIL's ordinary shares.
- Volatility assumptions as determined by the stock of the holding company on its historical trends.
- 5 year risk free rate (Nominal US Treasury) ranging from 2.35% to 4.9%.
- Expected term of 6 years.

Compensation expense based on the fair value of options (determined using the option pricing model) at the date of grant for the year amounted to Rs 181.701 million (2008: Rs 229.129) with a resulting increase in minority interest by the same amount.

	Note	2009	2008
		(Rupees in thousand)	
26. Other Operating income			
Return on bank balances		3,367	
Gain on sale of asset held for sale		-	
Interest income on advances		56	
Exchange gain		-	
Gain on deemed disposal		-	
Reversal of bad debt expense	12.1	959	
Gain on settlement of Escrow account		35,460	
Other income		15,517	
		<u>55,359</u>	

24.2.3 Operating leases

Some of the group companies lease computer equipment, software, office facilities and furniture and fixtures under operating lease arrangements some of which contain renewal options and escalation clauses for operating expenses and inflation. Rent expense is recognized on a straight-line basis over the life of the lease term. Future minimum lease payments under operating leases for years ending subsequent to June 30, 2009 are as follows:

	Note	2009 (Rupees in thousand)	2008
Within one year		197,959	
After one year but not more than five years		511,449	
After five years		106,113	
		<u>815,521</u>	

24.2.4 Capital commitments by the Group at the balance sheet date are as follows:

Within one year	20,179
After one year but not more than five years	16,240
After five years	4,060
	<u>40,479</u>

25. Cost of Service Delivery

Material consumed		79,445	
Salaries and other employee costs		6,848,344	
Employee stock options plan expense	25.1	181,701	
Communication		648,699	
Office rent		125,396	
Amortisation	7.1	40,504	
Depreciation	6.3	256,553	
Operating lease rentals		2,205	
Insurance		6,428	
Utilities (electricity, gas and water)		164,450	
Repairs and maintenance		5,483	
Travelling, transportation and conveyance		159,651	
Printing, postage and stationary		81,004	
Advertising and marketing		78,571	
Licenses and fees		5,855	
Facilities maintenance and office supplies		91,882	
Miscellaneous		4,015	
		<u>8,780,186</u>	

- 24.1.6 In March 2006 Reese Brothers, Inc ("RBI"), which was acquired by TRG Customer Solutions, Inc. during the year ended June 30, 2007, filed a claim against the United States Postal Service ("USPS") challenging the constitutionality of "relationship test cooperative mailing regulations" promulgated by the USPS and damages in the nature of overpayments for postal charges, lost business, and other injuries. In June 2006, the USPS filed a counterclaim and third-party complaint joining Reese Teleservices, Inc. ("RTI") as a third-party defendant under a theory of "successor-in-interest" status to RBI. The USPS seeks to hold RTI liable for an unpaid debt allegedly owed by RBI in the amount of approximately Rs 292.320 million (USD 3.6 million) plus interest. RTI intends to vigorously defend the "successor-in-interest" status and any claim by the USPS that RTI is liable for any alleged debts of RBI. An answer to third-party complaint has been filed, vigorously denying "successor-in-interest" status and any claim by the USPS that RTI is liable for any alleged debts of RBI.
- 24.1.7 In January 2008, Schneider Rucinski Enterprises filed suit against, among others, Stratasoft, Inc. and seeks recovery for damages in the amount of Rs 44.660 million (USD 550,000). On February 19, 2008, Stratasoft, Inc. filed a motion to dismiss which has been fully briefed by all parties. The motion to dismiss was granted, however an amended complaint was filed. An additional motion to dismiss has been filed and is pending ruling by the court.
- 24.1.8 In March 2007, Synnex Corporation sued Stratasoft, Inc. for damages in the amount of approximately Rs 13.723 million (USD 169,000). The Company plans to vigorously defend its position against damages.

24.2 Commitments

- 24.2.1 Rent commitments by the Group at the balance sheet date are as follows:

	2009	2008
	(Rupees in thousand)	
Within one year	101,362	
After one year but not more than five years	246,398	
After five years	61,202	
	<u>408,962</u>	

- 24.2.2 The Company's TRG Customer Solutions subsidiary (TRG CS) has a telecommunication service commitment requiring minimum usage of Rs 43.848 million (USD 540,000) in annual services. This commitment arrangement has terms extending through July 2010. To date, TRG CS has satisfied these minimum usage commitments due since July 2009.

TRG CS had a telecommunication service commitment from May 2006 to May 2008 requiring minimum usage of 6.090 million (USD 75,000) Rs 73.080 million per month (USD 900,000 per year). TRG CS has not satisfied some of these commitment requirements, potentially be liable for less than Rs 4.060 million (USD 50,000) in commitment shortfall charges.

TRG CS is also subject to early termination provisions in certain telecommunications contracts which, if enforced by the telecommunications providers, would subject the TRG CS to early termination fees. To date, these early termination provisions have either (1) not been triggered by the TRG CS or, (2) if triggered, had some of the related fees waived by the telecommunications providers.

24. Contingencies and Commitments

24.1 Contingencies

The Company and its subsidiaries are subject to lawsuits and claims filed in the normal course of business. Management does not believe that the outcome of any of the proceedings will have a material adverse effect on the Company's business results of operations, liquidity or financial condition.

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

- 24.1.1 In February 2008, Blasiar Inc dba Alert Communications (Alert) filed suit against its former president, Mr. Gary Blasiar. The Company alleges that, while president of Alert, Mr. Blasiar improperly misdirected Alert's funds to pay off unsecured, junior loans to his family members, while causing Alert to default on a higher rate senior obligation, to Alert's detriment.

Gary Blasiar and the Blasiar Irrevocable Trust filed a cross-complaint against Alert, TRG Holdings, LLC and Zia Chishti, which was later amended by adding The Resource Group International Ltd. Plaintiff has since agreed to dismiss Mr. Chishti from the cross complaint. The cross complaint generally alleges that the cross-defendants breached the terms of his employment by failing to reimburse him for expenses he incurred during his employment, wrongfully threatened him with criminal prosecution if he failed to return money to Alert, improperly diverted money from Alert, and failed to pay money owing on a promissory note he held as well as being in default of a promissory note held by the trust. He seeks damages in excess of Rs 81.2 million (USD 1 million) plus punitive damages and attorneys' fees.

- 24.1.2 A vendor of TRGCS alleges that TRGCS has failed to pay an outstanding balance of approximately Rs 15.266 million (USD 188,000) due for goods sold to it on credit. Relief sought includes the claimed balance of Rs 15.266 million (USD 188,000) interest, costs and attorneys' fees. TRGCS and the vendor have reached a tentative settlement of Rs 15.266 million (USD 188,000) to be paid in installments over a period of six months and are in the process of formalizing the settlement agreement; the Company has accrued for this settlement amount.

- 24.1.3 In March 2009 the landlord of a building leased by TRGCS alleged that TRGCS has failed to pay back rent (fixed rent and additional rent), and is responsible for the accelerated payment of future fixed rent and additional rent, of approximately Rs 15.834 million (USD 195,000). The parties have tentatively reached a settlement involving the payment by TRGCS of Rs 15.428 million (USD 190,000) to the landlord over the next ten months, the Company has accrued for this settlement.

- 24.1.4 A former employee of TRGCS seeks judgment for approximately Rs 12.992 million (USD 160,000) plus costs and attorneys' fees for breach of contract; overtime compensation; waiting time penalties paid time off and statutory penalties. The parties have reached a tentative settlement of Rs 7.917 million (USD 97,500) to be paid in installments over a period of six months and are in the process of formalizing the settlement agreement. The Company has accrued for this settlement amount.

- 24.1.5 A former employee of TRG filed suit against TRG alleging breach of contract. The Company has an insurance policy which covers this suit. A final settlement between all parties and the putative class has been reached, and was preliminarily approved by the Court. Approval of the settlement will require the Company to pay a maximum of Rs 4.060 million (USD 50,000) over a decreased insurance deductible of Rs 4.060 million (USD 50,000).

The borrowers are charged an interest rate of one month LIBOR plus 6% (subject to a floor of 7%) on all advances. In addition the borrowers discount each receivable amount under the arrangement by 0.70%. The discount increases if a receivable is outstanding for more than 30 days.

On May 8, 2009 TRG Customer Solutions Inc., and iSky Inc., (the borrowers) repaid all amounts due under the receivables backed working capital line of credit with a commercial bank whereby each of the borrowers could draw up to 80% of the eligible receivables for working capital purposes.

Under the aforementioned arrangement, the borrowers had the facility to draw up to 80% of their eligible receivables placed as collateral and 50% of their unbilled receivables at any point in time subject to a maximum of Rs 851.250 million (USD 12.5 million). The bank had defined certain criteria for what constitutes eligible receivables and the borrowers are subject to certain covenants on financial performance including mutually determined earnings before interest, taxes, depreciation and amortisation (EBITDA) targets and fixed charge coverage ratios to ensure continued access to the facility.

The borrowers were to repay each advance at the earliest of: (a) the date on which payment was received of the financed receivable with respect to which the advance was made, (b) the date on which the financed receivable was no longer an eligible account, (c) the date on which any adjustment was asserted to the financed receivable, (d) the date on which there was a breach of any warranty of representation as set forth in the agreement, or (e) the maturity date.

The arrangement, initially entered into in 2005, had been subject to a series of modifications and amendments. As at July 1, 2007, the agreement was functioning under its 11th amendment. During the previous years, there were modifications to the agreement in December 2007 (12th modification), March 2008 (13th modification) and June 2008 (14th modification) whereby the bank waived the borrowers non compliance with certain financial covenants. The interest rate as of June 30, 2008 was USA prime rate plus 1.25% (effectively 6.25%).

The facility was formally extended by the bank during December 2008 and a waiver of past financial covenant violations was received. In addition, a general release from all financial covenants was received in December 2008 (15th modification).

- 23.2 TRG Insurance Solutions Inc., has a revolving line of credit with a commercial bank for approximately Rs 79.632 million (USD 980,685) and Rs 27.240 million (USD 400,000) as at June 30, 2009 and 2008 respectively. This line is collateralised by Rs 105.885 million (USD 1.304 million) and Rs 74.784 million (USD 1.098 million) of TRG Insurance Solutions' accounts receivable at June 30, 2009 and 2008 respectively. The interest rate to be applied to any unpaid balance is at a rate of USA prime rate plus 1% and will under no circumstances be less than 6% or greater than 8% per annum. The loan has a maturity date of November 1, 2009. Advance on line of credit are secured by assets of TRG Insurance Solutions Inc.
- 23.3 In 2009 TRG Europe (TRG EU) entered into a financing arrangement with Lloyds Trust TSB whereby it agreed to sell its accounts receivable with recourse to Lloyds TSB. The agreement allows for advances of up to 85% of eligible accounts receivable up to a maximum of GBP 300,000 at a rate of interest of the greater of 2.8% above Base Rate or 6% with a surcharge of 1.5% for accounts receivable balances over 90 days, subject to a monthly minimum fee of GBP 1,400.
- 23.4 On April 7, 2009, Digital Globe Services, LLC entered into a financing arrangement with Prestige Capital Corporation (Prestige) whereby it agreed to sell its accounts receivable with recourse to Prestige. The thirteen month agreement with Prestige allows for advances of up to 75% of billed accounts receivables and 70% of unbilled accounts receivables for total advances of up to Rs 243.60 million (USD 3 million). After the initial thirteen month period the term of the arrangement will automatically extend for one year period unless either party provides 60 days written notice of cancellation. The receivables are sold at a discount against the face value of the receivables ranging from 1.875% for receivable balances settled within 30 days to 5.265% for balances paid by clients between 80 and 90 days from invoice date. In addition, the discount is increased by 1% for each ten-day period beyond 90 days that an invoice remains outstanding and a further 0.25% if the total accounts receivable sold to Prestige in a given month are less than Rs 81.200 million (USD 1 million).

21. Long Term Advances From Customers

This includes an advance received from Charter Communications against future billings of Rs 101.500 million (USD 1.25 million) received 100% owned subsidiary of the Group, Digital Globe Services LLC (DGS). On June 19, 2009 the DGS entered into a Marketing Services Agreement with third party customer, Charter Communications Operating LLC whereby DGS received Rs 101.500 million (USD 1.25 million) as deposit for the continued provision of services to Charter Communications Operating LLC. The deposit is repayable after 24 months and does not carry any interest. The repayment of the deposit is guaranteed by another 100% owned subsidiary for the group, TRG Healthcare, Inc. Subsequent to the 24 month period the advance may not be repaid but may be used to cover commissions earned through the Charter agreement. The deposit is repayable in 30 days in the event there is a material breach of contract by DGS against the provision of services pursuant to the Marketing Services Agreement.

22. Trade and Other Payables

	Note	2009	2008
		(Rupees in thousand)	
Trade creditors		780,220	
Accrued expenses		1,054,912	
Advance payments by customers		51,627	
Payable to employee defined contribution plans		24,868	
Value added tax payable by indirect subsidiaries		51,350	
Worker's Welfare Fund payable		15,639	
Unclaimed dividend		977	
		<u>1,979,593</u>	

23. Short Term Borrowings

Financial Institution - secured			
Advances under financing agreement (TRG Customer Solutions, Inc.)	23.1	680,979	
Advances under financing agreement (iSky, Inc.)	23.1	13,003	
Revolving line of credit (TRG Insurance Solutions Inc.)	23.2	79,632	
Advances under financing agreement (TRG Europe Plc.)	23.3	32,939	
Advances under financing agreement (Digital Globe Services Inc.)	23.4	3,112	
		<u>809,665</u>	

23.1 On May 8, 2009 TRG Customer Solutions, Inc., TRG Customer Solutions (Canada), Inc. (TRG CS) and, TRGiSky, Inc., (collectively 'the borrowers'), entered into a financing arrangement whereby they agreed to sell their accounts receivable with recourse to FCC, LLC d/b/a First Growth Capital (First Capital). The one-year agreement with First Capital allows for advances of up to a total of Rs 1,624 million (USD 20 million) to the parties in the arrangement and requires the parties to offer a minimum of Rs 487.20 million (USD 6 million) billed accounts per month. The arrangement automatically renews after the one year period for additional one year periods unless either of the parties provides 60 days written notice of intent not to renew. Failure to meet the minimum results in additional fees. The initial funding received by the borrowers under this arrangement was used to repay the borrowers prior line of credit.

Under the terms of the agreement, First Capital agreed to advance up to 85% of the face value of all accounts receivables generated by the borrowers. In addition, TRG CS is able to borrow up to Rs 243.60 million (USD 3 million) against services that have been performed but not yet billed to customers. The agreement requires TRG CS to maintain a minimum tangible net worth of Rs 324.80 million (USD 4 million) and iSky to maintain a tangible net worth of Rs 406.0 million (USD 5 million). For the year-ended June 30, 2009 this covenant has been met. The agreement also required the borrowers to provide audited financial statements by September 30, 2009. The Company failed to meet this covenant and received a waiver to this covenant provided that the financial statements are provided by October 16, 2009. FCC has been granted a general security interest in consideration of this agreement.

20. Retirement Benefit Obligation

TRG Philippines Inc., operates an un-funded defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits equivalent to 85% of final salary for every year of service on attainment of a retirement age of 60 years and completion of at least five years of previous 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 was carried out at December 31, 2008. 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 were as follows:

	2009	2008
Discount rate	13.41%	
Expected rate of salary increase	6.00%	

Amounts recognised in profit or loss account in respect of defined benefit plan are as follows:

	(Rupees in thousand)
Current service cost	328
Interest on obligation	54
Actuarial gains / losses recognised during the year	235
	<u>617</u>

The amount included in the balance sheet arising from TRG Philippines Inc. obligation in respect of its defined benefit plan is as follows:

	2009	2008
	(Rupees in thousand)	
Present value of unfunded defined benefit obligation	1,040	
Unrecognised actuarial (gains) / losses	6,629	
Net liability arising from defined benefit obligation	<u>7,669</u>	

Movement in the present value of the defined benefit obligation in the current period are as follows:

Opening defined benefit obligation	2,178
Effects of exchange rate changes	84
Current service cost	328
Interest cost	54
Actuarial gains / losses	(1,604)
Closing defined benefit obligation	<u>1,040</u>

18.7 As of June 30, 2009 the AIG investors have invested the full USD 30 million committed to TRGIL.

18.8 Preference shares of USD 30 million were discounted to their present value to calculate the liability component. The difference between the face value of preference shares and present value represents equity component which were transferred to equity as minority interest. Discount rate used is calculated using the United States corporate loan base rate plus the credit risk premium of TRGIL (approximating to an average rate of 11.05% per annum).

18.9 Following is the movement in preferred stock during the year:

	Note	2009	2008
		(Rupees in thousand)	
Opening balance - July 1		1,987,121	
Foreign exchange differences		384,220	
Preferred shares issued to AIG during the year		-	
Financial charges		64,659	
Transfer to minority interest (equity component)		-	
Closing balance - June 30		<u>2,436,000</u>	

9. Liabilities against assets subject to finance lease

Future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

	2009		2008	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
(Rupees in thousand).....			
Within one year	33,239	30,592	33,239	30,592
After one year but not more than five years	15,968	13,752	15,968	13,752
Total minimum lease payments	<u>49,207</u>	<u>44,344</u>	<u>49,207</u>	<u>44,344</u>
Less: amounts representing finance charges	4,863	-	4,863	-
Present value of minimum lease payments	<u>44,344</u>	<u>44,344</u>	<u>44,344</u>	<u>44,344</u>
Less: current portion shown under current liabilities	30,592	30,592	30,592	30,592
	<u>13,752</u>	<u>13,752</u>	<u>13,752</u>	<u>13,752</u>

Rentals are payable upto the year 2013. The leases carry financing rates ranging from 7.99% to 18.71% per annum (2008: 4% to 17% per annum). At the end of the lease term, the ownership of the assets shall be transferred to the Group against security deposits paid.

18. Convertible Preference Share

- 18.1 On October 4, 2005, TRGIL entered into a series A preferred stock purchase agreement with a consortium of investors, comprising 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 AIG Investors). The agreement allowed for the purchase of up to 26,785,714 shares of Series A Preferred Stock for an initially determined purchase price of USD 1.12 per share. The total commitment amount was up to USD 30 million.
- 18.2 The preferred stock is entitled to the same voting rights and dividend entitlements as common stock, but rank higher in the event of liquidation, which is defined as a change of control or qualified public offering, and are entitled to proceeds computed using pre-determined formula in accordance with the agreement. The 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 company remains in breach of such conditions and covenants. There were no triggering events during the year ended June 30, 2009 requiring such an accrual or payment.
- 18.3 If a liquidity event occurs, which is defined as a change of control or qualified public offering, the investors will receive the liquidity event amount for each preferred share held, which is determined as follow:
- 125% of the liquidation amount (USD 1.12) if the liquidity event occurs within 21 months of the initial closing date.
 - 135% of the liquidation amount (USD 1.12) if the liquidity event occurs between 21 months and 36 months of the initial closing date.
 - 145% of the liquidation amount (USD 1.12) if the liquidity event occurs between 36 months and 54 months of the initial closing date.
 - 155% of the liquidation amount (USD 1.12) if the liquidity event occurs between 36 months and 54 months of the initial closing date.
- 18.4 The preferred stock is convertible into common stock of TRGIL and exchangeable into the holding company's share capital at the option of the AIG investors. Further, in case TRGIL has not consummated a qualified public offering on or before the third anniversary of the initial closing date, the investors have the right to cause TRGIL to sell to a third party all or a portion of either (i) TRGIL's issued common stock; or (ii) the consolidated assets of TRGIL and its further subsidiaries. In case the investors exercise this right, TRGIL has the right to redeem the preferred shares at a price not less than the original issue price of USD 1.12 per share.
- 18.5 The preferred stock can be converted at any time into an equivalent amount of common shares at the option of the preferred stockholder, subject to adjustment if, at any time after the date the preferred shares were issued, the Company issues or sells, or is deemed to have issued or sold any shares of the Company's common stock for consideration per share less than the conversion price of the preferred shares on the date of such issuance or sale. Additionally, a qualified public offering or change of control can cause an adjustment of conversion price but only if certain minimum valuation thresholds are not met.
- 18.6 As the third anniversary of the initial closing date has passed on October 4, 2008 and TRGIL has not consummated a qualified offering, the AIG investors have the right to cause TRGIL to sell its consolidated assets. However, todate TRGIL has not been notified by the AIG investors of any intention to cause it to sell the assets.

- 17.3 Blasiar Inc., received advances from its former President in December 2007 and January 2008, aggregating USD 100,000 equivalent to Rs 8.120 million (2008: Rs 6.810 million). These advances relate to a partial repayment from the former President of funds he incorrectly repaid himself on past loans, in violation of the seniority of other loan agreements. The advance has an 8% interest rate similar to the related loan and is classified as long term, as it will not be discharged until all other defaulted loans have first been paid.
- 17.4 Blasiar Inc., executed a promissory note with Blasiar Insurance Trust for Rs 47.989 million (USD 591,000) on October 31, 2005. The former President of Blasiar Inc., is the trustee of Blasiar Insurance Trust. The note has an annual interest rate of 7.5% and an original maturity date of December 1, 2010. The balance outstanding as of June 30, 2008 and 2009 is USD 547,474 equivalent to Rs 37.283 million and Rs 44.455 million respectively, with USD 500,764 equivalent to Rs 40.662 million (2008: Rs 34.102 million) classified as current and USD 46,712 equivalent to Rs 3.793 million (2008: Rs 3.181 million) classified as non current.
- 17.5 These are preacquisition loans provided by CEO of the holding company - Zia Chishti and CEO of DGS Mr Jeffery Cox amounting to Rs 20.300 million (USD 250,000) and Rs 0.279 million (USD 3,738) respectively. The loan of Mr Zia Chishti carries a markup of 8% per annum whereas the other loan is interest free. The maturity period of both the loans is indefinite and are unsecured.
- 17.6 On July 1, 2008, TRG Holdings, LLC obtained a bridge loan from CEO of the holding company, Zia Chishti of Rs 182.700 million (USD 2.250 million) for intercompany fund requirement. The loan carries an interest rate of 8% and is secured by all the assets of the Company. The loan had an initial maturity of November 30, 2008, but has been extended to January 1, 2013 in order to maintain a sufficient cash balance in the Company given the current volatility in the credit markets.
- 17.7 This represents a note payable by TRG Healthcare Inc., to an individual for a non-compete agreement. This note carried an interest rate of 9% per annum. The balance outstanding as of June 30, 2008 was settled during the year.
- 17.8 On December 23, 2008, two subsidiaries of the TRG Healthcare Inc, Administrative Enterprises, Inc and Adminco, Inc. (the borrowers) entered into a financing agreement with Cobiz Bank (the bank) for a loan of Rs 243.600 million (USD 3 million) at an interest rate of one month LIBOR + 4%. The principal of the loan is payable in equal monthly installments over a period of five years. Interest on the outstanding balances is due monthly. The bank has a first priority Security interest in all of the assets of the borrowers. On January 16, 2009, the borrowers entered into an agreement that fixes the interest rate of the loan at 5.98%. Also in January 2009, the borrowers distributed Rs 228.520 million (USD 2.9 million) of the loan proceeds to their shareholders in accordance with their ownership interests - TRG Healthcare, Inc (90%) and a minority shareholder (10%).
- During the year ended June 30, 2009, the borrowers repaid Rs 20.300 (USD 0.250 million) of the outstanding principal of the loan. The agreement requires that the borrowers maintain cash balances of Rs 40.600 million (USD 0.5 million) till the first anniversary of the agreement, increasing to Rs 60.900 million (USD 0.750 million) and Rs 81.200 million (USD 1 million) in the second and third anniversaries respectively. Additionally the total external debt and accrued interest must not exceed 1.75 times the trailing four quarter's Earnings Before Interest, Tax, Depreciation and Amortization. Finally the agreement requires the borrowers' tangible net worth to be no less than the net worth at closing and increasing by Rs 20.300 (USD 0.250 million) and Rs 40.600 million (USD 0.5 million) in the first and second anniversary of the closing date.

17. Long Term Finances

	Note	2009	2008
		(Rupees in thousand)	
Related parties			
Loan from the CEO of holding company - secured	17.1	15,428	
Loan from the CEO of holding company - secured	17.1	9,744	
Loan from a shareholder of subsidiary company - secured	17.2	10,150	
Loan from a shareholder of subsidiary company - unsecured	17.3	8,120	
Loan from Blasiar Insurance Trust - unsecured	17.4	44,455	
Loan from the CEO of holding company - unsecured	17.5	20,300	
Loan from the CEO of subsidiary company - unsecured	17.5	279	
Loan from the CEO of holding company - unsecured	17.6	182,700	
		291,176	
Others			
Notes payable - unsecured	17.7	-	
		-	
Financial Institution			
Loan from the Cobiz Bank - unsecured	17.8	223,300	
Loan from the Bank of Scotland - unsecured		522	
		223,822	
		514,998	
Less: Current portion shown under current liabilities		133,361	
		381,637	

17.1 Blasiar Inc., entered into a security agreement with the Chief Executive Officer of the holding company (CEO) on June 1, 2004, whereby the CEO loaned Blasiar Inc., an aggregate of Rs 22.200 million (USD 370,000) which consisted of a Rs 15 million (USD 250,000) senior secured convertible promissory note and a Rs 7.2 million (USD 120,000) secured subordinated promissory note. The Rs 15 million (USD 250,000) senior secured note had a 19% annual interest rate and an original maturity date of December 1, 2004. The Rs 7.2 million (USD 120,000) secured subordinated note had an 8% annual interest rate and an original maturity date of December 1, 2005. The balances outstanding as of June 30, 2009 are USD 190,000 equivalent to Rs 15.428 million (2008: Rs 12.939 million) and USD 120,000 equivalent to Rs 9.744 million (2008: Rs 8.172 million) respectively and have been classified as current due to: (a) Blasiar Inc., failing to discharge the obligation in full in accordance with the terms of the note, and (b) the seniority of the note being violated.

Blasiar Inc. has not paid any interest to the CEO since January 1, 2007. The security agreement for Rs 15 million (USD 250,000) loan provides CEO an option to convert in full or in part to series B preference shares of Blasiar Inc. However, to date Blasiar Inc., has not received any notice for such conversion. The loans are secured by all assets of Blasiar Inc. Loan of USD 120,000 is subordinated to loan of USD 250,000.

17.2 Concurrent with the aforementioned security agreement (note 17.1) Blasiar Inc. received as loan from its former President (a shareholder as well) an amount aggregating USD 125,000 equivalent to Rs 10.150 million (2008: 8.513 million) in consideration of a secured subordinated promissory note with the same principal amount. The note had an 8% annual interest rate and an original maturity date of December 1, 2005. The entire balance has not yet been paid and is classified as current due to Blasiar Inc., failing to discharge the obligation in full in accordance with the terms of the note.

15. Cash and Bank Balances

	Note	2009	2008
		(Rupees in thousand)	
Balances with banks in:		280,618	
- current accounts	15.1	35,767	
- deposit accounts		316,385	
Cash in hand		4,727	
		321,112	

15.1 Rates of return on deposit accounts range from 1% to 6% per annum (2008: 1% to 6% per annum).

15.2 The total balance of cash and bank includes an amount of Rs 0.977 million (2008: nil) which relates to funds restricted for the payment of dividend.

16. Share Capital

	2009		2008	
	Number of shares	Rupees in thousand	Number of shares	Rupees in thousand
Authorised share capital				
Authorised share capital				
- Ordinary class 'A' shares of Rs. 10 each	720,000,000	7,200,000	720,000,000	
- Ordinary class 'B' shares of Rs. 10 each	13,000,000	130,000	13,000,000	
	<u>733,000,000</u>	<u>7,330,000</u>	<u>733,000,000</u>	
Issued, subscribed and paid-up capital				
- Ordinary class 'A' shares of Rs. 10 each - note 16.1				
shares allotted for consideration paid in cash	375,765,722	3,757,657	375,765,722	
shares allotted for consideration other than cash	9,624,978	96,250	9,624,978	
	<u>385,390,700</u>	<u>3,853,907</u>	<u>385,390,700</u>	

16.1 On July 25, 2007 TRGIL entered into an equity subscription and shareholders agreement with IDB Infrastructure Fund L.P. (IDB). In accordance with the term of the agreement, TRGIL issued 12,396,694 shares at USD 1.21 per share resulting in gross proceeds of USD 15 million. IDB has an option to invest a further USD 15 million into TRGIL as ordinary shares at a per share price of USD 1.21. This option expires on the second anniversary of the date the agreement was entered into. Further, IDB has the right to exchange all or any lesser portion of its ordinary shares into a predefined number of freely tradable shares of the company.

12. Trade Debts - unsecured

	Note	2009	2008
		(Rupees in thousand)	
Considered good		1,773,933	
Considered doubtful		82,681	
		<u>1,856,614</u>	
Less: provision for doubtful debts	12.1	(82,681)	
		<u>1,773,933</u>	
12.1 Provision for doubtful debts			
Opening balance - July 1		112,399	
Reclassification in opening balance		(16,081)	
Foreign exchange differences		(1,745)	
Bad debt expense reversed during the year		(959)	
Acquired during the year		2,713	
Reclassification		(13,646)	
Closing balance - June 30		<u>82,681</u>	

13. Loans and Advances - considered good

Advance to a related party	13.1	36,540	
Advances - others	13.2	13,758	
		<u>50,298</u>	

13.1 This represents advance given to Mr Joseph D Livingston, a key management personnel of the group. This advance will be adjusted against the future sales commissions earned by him.

13.2 These represent advances to directors and executives of indirect subsidiaries extended for the purpose of meeting business expenses and are adjusted upon submission of respective expenses details.

14. Short Term Deposits And Prepayments

These represent deposits placed and prepayments made to various service providers, suppliers and landlords in the normal course of business.

10. Long Term Deposits

These include deposits placed with various service providers, suppliers, landlords and lessors in the normal course of business.

II. Deferred Tax

Note 2009 2008
(Rupees in thousand)

II.1 Tax effect of deductible / taxable temporary differences arising on:

- Provisions and write-offs against trade debts		25,351	
- Tax losses and credits		1,559,120	
- Accelerated depreciation and amortisation		(180,619)	
- Unpaid accrued expenses / prepayments / deferrals		(15,839)	
		<u>1,388,013</u>	
Less: deferred tax asset not recognised	11.3	(1,495,147)	
		<u>(107,134)</u>	

II.2 Movement in deferred tax (liabilities) / assets:

Opening deferred tax (liabilities) / assets - July 1,		-	
Prior year deferred tax		8,288	
Foreign exchange differences		(3,167)	
Deferred tax debits / credits during the year		558,413	
Deferred tax asset not recognised		(670,668)	
Closing deferred tax (liabilities) / assets - June 30,		<u>(107,134)</u>	

II.3 The Group has not recognised deferred tax asset on deductible temporary differences as at June 30, 2009 as in view of the management it is not probable that future taxable profits would be available against which such deductible temporary differences could be utilised.

8. Long Term Investments

	Note	2009	2008
		(Rupees in thousand)	
Insurance policies - at fair value		-	-
Others		2,124	-
		2,124	
		2,124	

9. Long Term Loans - And Advances considered good

Advances to related parties - unsecured	9.1	14,210	
Others - unsecured		636	
		14,846	
		14,846	

9.1 Advances to related parties represents advances provided to certain key management personnels of the company. The advances will be adjusted against the future bonuses and commissions earned by the employees. Details of the advances are as follows:

Name of borrower	Designation	Expected repayment term/ Settlement term	2009	2008
			(Rupees in thousand)	
Pat W. Costello	Executive	February 11, 2013	4,060	-
Hasnain Aslam	Director - CVI	June 20, 2014	10,150	-
			14,210	-
			14,210	

9.2 Movement in loans and advances given to related parties:

Opening balance	-	
Foreign exchange adjustment	-	
Disbursements during the year	13,790	
Repayments/adjustments during the year	-	
Foreign exchange difference	420	
	14,210	
	14,210	

9.3 Maximum aggregate balance of loans due from related parties outstanding at the end of any month during the year was Rs 14.210 million (2008: Rs 38.74 million).

The calculation of fair value less cost to sell for the business operations is most sensitive to the following assumptions:

Revenue growth

Revenue growth assumptions have been derived from the projections prepared by the sales team. The management is of the view that these assumptions are reasonable considering the current market dynamics and prevailing market conditions.

Cost of service delivery and gross margins

Costs of service delivery have been projected on the basis of multiple strategies planned by management to ensure profitable operations. These strategies mainly include cost cutting mechanism such as offshore migration of labour etc., resulting in improved gross margins over the forecasted period.

Operating expenses and capital expenditures

Operating expenses and capital expenditures have been projected taking into account growth in business volumes and historical trends.

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 by using the weighted average cost of capital.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the CGUs will not result in an impairment of goodwill.

- 7.4 This represents payment under a stock purchase agreement of Administrative Enterprises Inc., and Adminco Inc., acquired through TRG Healthcare which contained an earn-out incentive contingent upon performance based on average revenue and earnings before interest, tax, depreciation and amortisation.

7.1 The amortisation charge for the year has been allocated as follows:

	Note	2009	2008
(Rupees in thousand)			
Cost of service delivery	25	40,504	
Administrative and general expenses	27	109,555	
		<u>150,059</u>	

7.2 Impairment

	Note	2009	2008
Impairment on goodwill of TRG Europe	7.2.1	27,407	
Impairment on customer lists of Blasiar Inc.		-	
		<u>27,407</u>	

7.2.1 The company has impaired the entire goodwill associated with its TRG Europe Plc subsidiary amounting to Rs 27,407 million. The goodwill was impaired due to continuing losses incurred by the subsidiary, with lower probability of conversion of the losses into profits in the foreseeable future.

7.3 Impairment testing of goodwill

The carrying amount of goodwill allocated to the individual cash generating units (CGUs) is as follows:	2009	2008
	(Rupees in thousand)	
iSKY Inc.	317,431	
TRG Customer Solutions Inc.	1,229,763	
Stratasoft Inc.	235,900	
TRG Europe Plc	-	
TRG Insurance Solutions Inc.	12,876	
Digital Globe Services Inc.	16,758	
TRG Healthcare Inc.	509,947	
	<u>2,322,675</u>	

Key assumptions used in fair value less cost to sell calculations

- The recoverable amount of the business operation of the cash generating units have been determined based on fair value less cost to sell calculation, using cash flow projections based on business plan approved by management covering a five year period. The discount rate applied to cash flow projections beyond the five year period are extrapolated using a terminal growth rate. The following rates are used by the Group:

	Discount rates (discrete period)	Terminal growth rates
	%	%
iSKY Inc.	16.00	6.00
TRG Customer Solutions Inc.	15.30	6.00
Stratasoft Inc.	17.10	5.00
TRG Insurance Solutions Inc.	16.30	6.00
TRG Healthcare Inc.	16.30	5.00
Digital Globe Services Inc.	18.30	5.00

	Goodwill	Patents / trade marks	Non-competes covenants	Customer lists	Computer Software	Total
.....(Rupees in thousand).....						
Year ended June 30, 2009						
Additions	-	-	-	-	84,600	84,600
Earn out arrangement - note 7.4	16,489	-	-	-	-	16,489
Reclassifications						
Cost	-	-	-	-	1,232	1,232
Accumulated amortisation	-	-	-	-	(396)	(396)
	-	-	-	-	836	836
Acquisition of subsidiaries - note 1.5						
Cost	16,263	-	-	-	-	16,263
Accumulated amortisation	-	-	-	-	-	-
	16,263	-	-	-	-	16,263
Foreign exchange differences						
Cost	382,235	18,055	9,630	66,396	27,085	503,401
Accumulated impairment / amortisation	(7,376)	(10,306)	(5,795)	(31,513)	(19,202)	(74,192)
	374,859	7,749	3,835	34,883	7,883	429,209
Disposals / adjustments						
Cost	(6,389)	2,135	-	-	(8,019)	(12,273)
Accumulated impairment / amortisation	-	-	-	-	8,014	8,014
	(6,389)	2,135	-	-	(5)	(4,259)
Impairment - note 7.2	(27,407)	-	-	-	-	(27,407)
Amortisation charge	-	(14,677)	(10,539)	(81,025)	(43,818)	(150,059)
Net book value as at June 30, 2009	2,322,675	37,478	14,897	148,031	86,994	2,610,075
At June 30, 2008						
Cost	1,964,184	93,870	50,053	345,162	139,490	2,592,759
Accumulated amortisation	-	(51,599)	(28,452)	(138,170)	(99,759)	(317,980)
Accumulated impairment	(15,324)	-	-	(12,819)	(2,233)	(30,376)
Net book value	1,948,860	42,271	21,601	194,173	37,498	2,244,403
At June 30, 2009						
Cost	2,372,782	114,060	59,683	411,558	244,388	3,202,471
Accumulated amortisation	-	(76,582)	(44,786)	(248,242)	(154,731)	(524,341)
Accumulated impairment	(50,107)	-	-	(15,285)	(2,663)	(68,055)
Net book value	2,322,675	37,478	14,897	148,031	86,994	2,610,075
Amortisation rate		6% to 20%	14% to 20%	25% to 33.33%	20% to 33.33%	

7. Intangibles

	Goodwill	Patents / trade marks	Non-compete covenants	Customer lists	Computer Software	Total
----- Rupees in thousand -----						
At June 30, 2007						
Cost	1,663,130	83,308	50,744	303,677	128,193	2,229,052
Accumulated amortisation	-	(37,005)	(23,184)	(55,193)	(79,551)	(194,933)
Accumulated impairment	(15,324)	-	-	(4,077)	(2,233)	(21,634)
Net book value	1,647,806	46,303	27,560	244,407	46,409	2,012,485
Year ended June 30, 2008						
Additions	-	89	-	-	22,568	22,657
Earn out arrangement - note 7.4	23,603	-	-	-	-	23,603
Acquisition of subsidiaries						
Cost	62,428	-	-	-	-	62,428
Accumulated amortisation	-	-	-	-	-	-
	62,428	-	-	-	-	62,428
Foreign exchange differences						
Cost	217,324	10,473	(691)	41,485	4,835	273,426
Accumulated impairment / amortisation	-	(5,438)	1,553	(19,862)	(13,802)	(37,549)
	217,324	5,035	862	21,623	(8,967)	235,877
Impairment - note 7.2	-	-	-	(8,742)	-	(8,742)
Disposals / adjustments						
Cost	(2,301)	-	-	-	(16,106)	(18,407)
Accumulated amortisation	-	-	-	-	15,777	15,777
	(2,301)	-	-	-	(329)	(2,630)
Amortisation charge	-	(9,156)	(6,821)	(63,115)	(22,183)	(101,275)
Net book value as at June 30, 2008	1,948,860	42,271	21,601	194,173	37,498	2,244,403

	Note	2009	2008
		Rupees in thousand	
6.2 Capital work-in-progress			
Civil works		10,218	
Office equipment		1,961	
Computer software		76	
Advance to contractors		-	
		<u>12,255</u>	
6.3 The depreciation charge for the year has been allocated as follows:			
Cost of service delivery	25	256,553	
Administrative and general expenses	27	103,005	
		<u>359,558</u>	

6.4 Disposals of items of property, plant and equipment the net book value of which exceeded Rs 0.050 million.

Description of item sold	Entity	Original cost / revalued amount	Accumulated depreciation at the time of sale	Net book value at the time of sale	Sale Proceeds	Profit / (loss) on sale	Mode of sale	particulars of buyer
Honda Civic Prosmatic	TRG (Private) Limited	967	648	319	318	(1)	As per Company's policy	Nadeem Ehtai, CEO TRG (Pvt) Ltd.
Furniture & Fixture	TRG CS Inc.	4,610	579				Negotiation	Ridge Line
Lease Hold improvements	TRG CS Inc.	11,122	2,632				Negotiation	Ridge Line
Computers and office equipment	TRG CS Inc.	1,895	1,672				Negotiation	Ridge Line
		17,627	4,883	12,744	11,820	(924)		
Charleston Building - see note 6.5	TRG Holdings, LLC	168,334	-	168,334	145,780	(22,554)	Negotiation	Robinsn & Mcelwe Plc
		<u>186,928</u>	<u>5,531</u>	<u>181,397</u>	<u>157,918</u>	<u>(23,479)</u>		

6.5 During the year ended June 30, 2009, a subsidiary of the Group, TRG Holdings LLC disposed of a property located in Charleston, West Virginia to a third party for Rs 145.780 million (USD 1.850 million), which had been acquired at book value from its subsidiary, TRG Customer Solutions, Inc. TRG Holdings LLC recognised a loss on disposition of the building of Rs 22.554 million (USD 0.286 million). The Charleston property was leased back to TRG Customer Solutions, Inc after the sale on operating lease.

	Building on freehold land	Leasehold improvements	Furniture and fittings	Computers, communication and office equipment	Vehicles	Generators	Total
.....(Rupees in thousand).....							
Year ended June 30, 2009							
Additions / transfers from capital work-in-progress	12,412	42,550	31,710	268,470	9,492	242	364,876
Reclassification							
Cost	-	-	(368)	(4,684)	(5,137)	8,957	(1,232)
Accumulated depreciation	-	-	341	3,405	961	(4,311)	396
	-	-	(27)	(1,279)	(4,176)	4,646	(836)
Foreign exchange differences							
Cost	52,760	37,305	20,213	182,284	2,455	354	295,371
Accumulated depreciation	(5,108)	(17,900)	(10,342)	(83,082)	(857)	(366)	(117,655)
	47,652	19,405	9,871	99,202	1,598	(12)	177,716
Adjustments							
Cost	-	-	4,776	(27,154)	(489)	-	(22,867)
Accumulated depreciation	-	-	(1,595)	20,003	15	-	18,423
	-	-	3,181	(7,151)	(474)	-	(4,444)
Disposals							
Cost	(168,334)	(33,709)	(4,849)	(144,688)	(3,249)	-	(354,829)
Accumulated depreciation	-	17,551	429	(42)	2,040	-	19,978
	(168,334)	(16,158)	(4,420)	(144,730)	(1,209)	-	(334,851)
Depreciation charge	(18,424)	(69,697)	(30,499)	(230,813)	(6,573)	(3,552)	(359,558)
Net book value as at June 30, 2009	148,628	109,149	87,360	620,919	23,510	6,699	996,265
At June 30, 2008							
Cost	298,959	316,512	200,548	1,477,665	36,331	11,662	2,341,677
Accumulated depreciation	(23,637)	(183,463)	(123,004)	(836,354)	(11,479)	(6,287)	(1,184,224)
Accumulated impairment	-	-	-	(4,091)	-	-	(4,091)
Net book value	275,322	133,049	77,544	637,220	24,852	5,375	1,153,362
At June 30, 2009							
Cost	195,797	362,658	252,030	1,751,893	39,403	21,215	2,622,996
Accumulated depreciation	(47,169)	(253,509)	(164,670)	(1,126,096)	(15,893)	(14,516)	(1,621,853)
Accumulated impairment	-	-	-	(4,878)	-	-	(4,878)
Net book value	148,628	109,149	87,360	620,919	23,510	6,699	996,265
Depreciation rate	2.9%	2.9% to 33.33%	10% to 50%	8.33% to 50%	14% to 33%	20%	

6.1.1 Net book value of assets held under finance lease as follows:

	Building on freehold land	Leasehold improvements	Furniture and fittings	Computers, communication and office equipment	Vehicles	Generators	Total
.....(Rupees in thousand).....							
June 30, 2009	-	-	-	31,471	18,733	-	50,204
June 30, 2008	146,973	-	-	37,659	7,463	-	192,095

6. Property, Plant And Equipment

	Note	2009	2008
		(Rupees in thousand)	
Operating property, plant and equipment	6.1	996,265	
Capital work-in-progress	6.2	12,255	
		<u>1,008,520</u>	

6.1 Operating property, plant and equipment

	Building on freehold land	Leasehold improvements	Furniture and fittings	Computers, communication and office equipment	Vehicles	Generators	Total
(Rupees in thousand).....						
At June 30, 2007							
Cost	265,595	179,412	88,493	922,503	19,390	11,473	1,486,866
Accumulated depreciation	(15,255)	(100,658)	(48,543)	(560,795)	(7,451)	(2,328)	(735,030)
Accumulated impairment	-	-	-	(4,091)	-	-	(4,091)
Net book value	250,340	78,754	39,950	357,617	11,939	9,145	747,745
Year ended June 30, 2008							
Additions / transfers from capital work-in-progress	-	99,591	48,383	457,030	15,210	174	620,388
Foreign exchange differences							
Cost	33,364	96,045	88,365	284,942	1,731	15	504,462
Accumulated depreciation	(2,429)	(68,781)	(69,727)	(238,977)	471	(324)	(379,767)
	30,935	27,264	18,638	45,965	2,202	(309)	124,695
Disposals							
Cost	-	-	-	(173)	-	-	(173)
Accumulated depreciation	-	-	-	98	-	-	98
	-	-	-	(75)	-	-	(75)
Write offs							
Cost	-	(58,536)	(24,693)	(186,637)	-	-	(269,866)
Accumulated depreciation	-	42,779	18,213	157,359	(111)	4	218,244
	-	(15,757)	(6,480)	(29,278)	(111)	4	(51,622)
Depreciation charge	(5,953)	(56,803)	(22,947)	(194,039)	(4,388)	(3,639)	(287,769)
Net book value as at June 30, 2008	275,322	133,049	77,544	637,220	24,852	5,375	1,153,362

The group will apply the IAS 19 (Amendment) from the effective date.

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The amended standard is currently not applicable to the group as there are no qualifying assets.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The management is in the process of assessing the impact of its adoption on the group's financial statements.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' — 'Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The management is in the process of assessing the impact of its adoption on the group's financial statements.
- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will provide the required disclosure where applicable for impairment tests from the effective date.
- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The management is in the process of assessing the impact of its adoption on the group's financial statements.

There are other accounting standards, interpretations and amendments to published approved accounting standards that are mandatory for accounting periods beginning after July 1, 2008 but are considered not to be relevant or have any significant effect on the consolidated financial statements and are therefore not detailed in these statements.

- IFRS 3 (Revised), 'Business combinations' (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The management is in the process of assessing the impact of its adoption on the group's financial statements.
- IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The adoption of this standard will only impact the presentation of the financial statements.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The management is in the process of assessing the impact of its adoption on the group's financial statements.
- IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

5.17 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

- (a) Staff retirement plans / other employee benefits (note 5.1)
- (b) Provision for taxation (note 5.4)
- (c) Useful lives of items of fixed assets, residual values, methods of depreciation and amortisation and impairment (note 5.5)
- (d) Impairment testing of goodwill (note 7.2)
- (e) Valuation of convertible preference shares (note 18)
- (f) Determination of functional currency of the entities (note 5.11)

5.18 Changes in financial reporting framework

5.18.1 Standards, amendments to published standards and new interpretations effective during the year ended June 30, 2009:

IFRS 7, 'Financial instruments: Disclosures', effective for the annual periods beginning on or after July 1, 2008 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the company's financial instruments.

There are other new standards and interpretations that were mandatory for accounting period began on or before July 1, 2008 but were considered not to be relevant or did not have any significant effect on these consolidated financial statements and are therefore not detailed in these financial statements.

5.18.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

- IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The management is in the process of assessing the impact of its adoption on the group's financial statements.

On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiary, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign subsidiary is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. 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.

5.12 Shares issue cost

According to the provisions of Section 83 of the Companies Ordinance, 1984, direct expenses incurred on issue of shares are off-set against the share premium account to the extent of available balance. Any residual expenses are shown in equity as a deduction, net of tax, from the proceeds.

5.13 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, deposits in banks and highly liquid investments with a maturity of three months or less, net of bank over draft.

5.14 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instruments. The Group derecognises a financial asset or a portion of financial asset when, and only when, the Group loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognised 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, de-recognition of the financial assets and liabilities is taken to the profit and loss account. As of June 30, 2009 the Group held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Company makes use of observable market based inputs to calculate fair value. The Company utilises derivative financial instruments to reduce interest rate and foreign currency risks and does not hold derivative instruments for trading purposes.

5.15 Segment reporting

A segment is a distinguishable component within a Group that is engaged in providing products (business segment) or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment transfers are accounted for on mutually agreed basis and are eliminated on consolidation.

5.16 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where the Group has a legally enforceable right to set off the recognised amounts and intends either to settle these on net basis or to realise the assets and settle the liabilities simultaneously.

5.9 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight line basis over the lease term.

5.10 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

5.11 Foreign currency**5.11.1 Functional And Presentation Currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The holding company's functional currency is USD, however, these consolidated financial statements are presented in Pakistan Rupees (PKR) which is the presentation currency as determined by the Group.

5.11.2 Foreign currency transactions

Foreign currency transactions of the Group entities are translated into their respective functional currencies at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated in to their respective functional currencies at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

5.11.3 Foreign currency translations

The results and financial position the Group are translated into Pakistan Rupees (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 income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

An impairment charge recognised in prior years for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value of the asset is increased to its recoverable amount and the difference is taken to profit and loss account for the year.

5.6 Stock-in-trade

Stock-in-trade represents purchased parts and pertains to Stratasoft Inc., which is engaged in developing and providing computer telephony software solutions to the worldwide contact center industry. These are stated at the lower of cost and net realisable value. Cost is determined using the First-In First-Out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

5.7 Trade debts

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Group writes off trade debts when they become uncollectible and payments subsequently received on such trade debts are credited to the profit and loss account.

5.8 Revenue recognition

- Revenue from call centre services is recognised on the basis of number of billable hours or other contractually agreed metrics such as sales or surveys completed.
- Revenue from inbound and outbound telephonic and internet based communication services which are customised to the customers' needs is recognised at the contractual rates as services are provided.
- Revenue for the initial training that occurs upon commencement of a new client contract is deferred if that training is billed separately to a client. Training revenue is amortised on a straight line basis over the life of the client contract. The related incremental direct costs are deferred and charged to expense as the related revenue is recognised.
- Revenue from telephony equipment and software sales is recognised 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 amortised on a straight line basis over the term of the agreement, generally one year. Revenue on extended software maintenance and support agreements is amortised on a straight line basis over the term of the agreement.
- Profit / interest on bank deposits and advances is recognised as the same accrues.
- Dividend income is recognised when the right to receive dividend is established.

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 6.1 below.

5.5.2 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less impairment in value, if any. Goodwill is tested for impairment on an annual basis and also when there is an indication of impairment. Impairment loss on goodwill is not reversed. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Software

These represent software licenses acquired. These are stated at cost less accumulated amortisation and impairment, if any. Certain internal and external costs directly associated with developing or modifying software for internal use are capitalised, which begins with the application development stage and ends when the project is substantially complete and ready for its intended use. Amortisation of softwares is provided on a straight-line basis at the rates disclosed in note 7 to the consolidated financial statements.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any impairment in value if any and amortised on a straight line basis over their useful lives, as disclosed in note 7 to the consolidated financial statements.

Useful lives of intangible assets are reviewed at each balance sheet date and adjusted if the impact on amortisation is significant.

Gains and losses on disposal of intangible assets are taken to the profit and loss account.

5.5.3 Impairment of fixed assets (other than goodwill)

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the fixed assets are written down to their recoverable amounts and the difference is charged to profit and loss account for the year.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

5.5 Fixed assets

5.5.1 Property, plant and equipment

Owned

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

Depreciation on property, plant 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.

Rates of depreciation, which are disclosed in note 6.1 are designed to write-off the cost over the estimated useful lives of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Normal repairs and maintenance costs are charged to the profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalised when it is probable that respective future economic benefit will flow to the Group and the cost can be measured reliably.

An item of property, plant and equipment is derecognised 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 recognised in the profit and loss account.

Assets subject to finance lease

Assets subject to finance lease are initially recorded at the lower of the 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.

5.2 Employee stock option plan

TRGIL offers its ordinary shares under an Employee Stock Option Plan (ESOP) to certain senior management employees of the Group. Under the plan, the exercise price of each option equals the price per share that an external investor pays for its investment into TRGIL, representing fair value of the shares. Each time there is an external investment into TRGIL, an allocation equivalent to one-third of the number of shares invested is granted to the participating members of the ESOP. The strike price for these options is the same as the entry price to the investor into TRGIL for that round of investment. Options granted become exercisable with respect to one-third of the shares on the first anniversary of the grant date and with respect to one thirty-sixth of the shares initially granted on a monthly basis thereafter over two years.

The Group recognises compensation expense using a fair value based method for cost related to all share based payments including stock options on a straight line basis over the underlying vesting period.

5.3 Provisions

A provision is recognised in the balance sheet 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 recognised as interest expense.

5.4 Taxation

5.4.1 Current Taxation

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.

5.4.2 Deferred taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised 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 utilised. 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.

4. Basis of Consolidation

These consolidated financial statements comprise the financial statements of the holding company and consolidated financial statements of TRGIL. The financial statements of the holding company and the consolidated financial statements of TRGIL were prepared upto the same reporting date using consistent accounting policies and are combined on a line-by-line basis. All intercompany balances, transactions and resulting unrealised profits have been eliminated.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and upto the date when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

5. Summary of Significant Accounting Policies

5.1 Defined Contribution Plans

TRG Pakistan Limited, TRG (Private) Limited and Virtual World (Private) Limited

The companies have defined contribution plans (i.e. recognised provident fund scheme) for all their respective permanent employees. Equal monthly contributions at the rate of 6.5% of the gross salary are made to the fund both by the companies and their respective employees. The assets of the fund are held separately under the control of the Trustees. Contributions made by the companies are charged to income for the year. Total contributions made by the company for the year were Rs 9.902 million (2008: Rs 8.014 million).

United States based indirect subsidiaries

The United States based indirect subsidiaries have qualified defined contribution plans, established under the provision of Section 401(k) of the Internal Revenue Code. The plans provide indirect subsidiaries for matching contributions of upto 25% of the first 6% of employee contributions to the plans. These matching contributions vest 25% per year over a four-year period. The assets of the plans are held separate from those of the indirect subsidiaries. Total matching contributions contributed by the indirect subsidiaries during the year was Rs 31.896 million (2008: Rs 32.329 million).

The operations were acquired by Digital Globe Services at book value which approximated fair value.

	Note	2009 (Rupees inThousand)
8% Note Payable (principal) - Zia Chishti	17.5	19,700
Accounts payable and accrued liabilities		10,181
Total liabilities assumed		<u>29,881</u>
Less: cash at bank		13,618
Goodwill on acquisition		<u>16,263</u>

- 1.6 On June 30, 2009, the Group assumed control of the remaining minority interest in its subsidiary CV Investments Limited. CV Investments Limited had extended secured promissory notes to the minority shareholder with an outstanding principal and accrued interest balance of Rs 47.313 million (USD 582,674). These notes were secured by the minority shareholders investment in CV Investments Limited. The Group cancelled its notes receivable due to non-recoverability and assumed control of the minority interest in CV Investments of Rs 44.361 million (USD 546,313). The Group recorded a loss of Rs 2.952 million (USD 36,361) of the excess of the notes receivable over the minority interest received in exchange.

2. Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The consolidated financial statements of TRGIL prepared under United States - Generally Accepted Accounting Principles have been adjusted for all material amounts to comply with the requirements of the Companies Ordinance, 1984 and the approved accounting standards as applicable in Pakistan.

3. Basis of Preparation

These consolidated financial statements have been prepared on the basis of historical cost convention, except as otherwise disclosed.

1.4 The Group consists of:

Holding Company

TRG Pakistan Limited (the holding company)

Subsidiary

The Resource Group International Limited (TRGIL)

Subsidiaries of TRGIL (indirect subsidiaries of the holding company)	Location	Nature of business	Ownership of the holding company (%)	Voting power of the holding company (%)
			72.70	60.30
			Effective ownership of the holding company (%)	Effective voting power of the holding company (%)
TRG International Holdings Limited (Formerly CV Services Limited)	British Virgin Islands	Holding Company	72.70	60.30
TRG Holdings, LLC	USA	Corporate	72.70	60.30
TRG Customer Solutions Inc.	USA	Call center	72.70	60.30
TRG Customer Solutions (Canada) Inc.	Canada	Call center	72.70	60.30
I-Sky Inc.	USA	Market research	72.70	60.30
TRG SATMAP Inc.	USA	Financing	72.70	60.30
TRG Satmap IP BVI	British Virgin Islands	Holding Company	72.70	60.30
TRG Marketing Services Inc.	USA	Call center	72.70	60.30
TRG Insurance Solutions Inc.	USA	Call center	58.16	48.24
TRG Healthcare Inc.	USA	Holding company	72.70	60.30
Administrative Enterprises Inc.	USA	Third party administration	65.43	54.27
Adminco Inc.	USA	Third party administration	65.43	54.27
Blasiar Inc. (dba Alert Communications)	USA	Call center	58.16	48.24
CV Investments Limited	Bermuda	Holding company	72.70	60.30
Central Voice LLC	USA	Call center	72.70	60.30
Stratasoft Inc.	USA	Call center	72.70	60.30
TRG Senegal	Senegal	Call center	72.70	60.30
TRG (Private) Limited	Pakistan	Call center	72.70	60.30
Virtual World (Private) Limited	Pakistan	Call center	72.70	60.30
TRG Philippines Inc.	Philippines	Call center	72.70	60.30
TRG Europe Plc	England	Call center	72.70	60.30
Digital Globe Services LLC	USA	Web based Marketing	72.70	60.30

- 1.5 During the year, the Company took over the operations of a web marketing company called DGS Inc, by assuming it's net liabilities as at July 1, 2008. A new subsidiary called Digital Globe Services LLC was incorporated to acquire this operation. Digital Globe Services LLC is engaged in the online marketing of bundled telecommunication packages through the internet.

The start up operations of the venture were previously funded by a Rs 19.7 million (USD 0.25 million) advance from the Chief Executive Officer of the holding company – Muhammed Ziaullah Khan Chishti. This loan has no repayment terms and accrues interest at a rate of 8% per annum. This note was assumed by the Digital Globe Services LLC on July 1, 2008.

I. The Group and its Operations

- 1.1 TRG Pakistan Limited (the company) was incorporated in Pakistan as a public limited company on December 2, 2002 under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The company obtained certificate of commencement of business on February 27, 2003. The operations of the company effectively started on April 11, 2003. The registered office of the company is situated at 7th Floor, Block B, Finance and Trade Centre, Sharah-e-Faisal, Karachi, Pakistan. The company obtained a license on May 14, 2003 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).
- 1.2 The principal activity of the holding company is to directly and / or indirectly acquire, manage and / or maintain the business of telephone answering services, call centres and other business process outsourcing companies as well as related software products. To date, the holding company has acquired call centre operations in North America, Africa and Europe through its subsidiary, The Resource Group International Limited, Bermuda (TRGIL), which include companies that are presently experiencing losses. The holding company has adopted multiple strategies to improve their profitability and cash flows by a combination of cost rationalisation, operational efficiencies and off shore migration of labour.
- 1.3 As stated in note 18 TRGIL has not consummated a qualified public offering within the specified time period. Accordingly, the AIG investors may cause the subsidiary (TRGIL) to liquidate its assets or to force the sale of the subsidiary's ordinary shares to a third party. If AIG investors exercise this right, then TRGIL has the right to purchase back its preference shares from AIG investors at a price not less than the original issue price (USD 1.12). The total preference shares of AIG investors amounted to USD 30 million. Depending on the option chosen by AIG investors, if any, the liquidation of assets could cause significant liquidity problems for TRGIL. If AIG investors were to force TRGIL's current ordinary shareholders to sell their shares (liquidity event), which includes the holding company, the holding company would only receive a proportionate share of the proceeds after deducting USD 30 million and pre-determined percentage in excess of USD 30 million attributable to AIG investors.

TRGIL has not as yet been notified by AIG investors of their intention to cause TRGIL to sell its assets.

The management is confident that AIG investors would continue with their investment in preference shares of TRGIL and shall not exercise the aforementioned option in the foreseeable future.

	Notes	June 30, 2009	June 30, 2008
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) operations	33	(110,766)	
Profit received on bank balances / advances		101	
Taxes paid		(26,630)	
Mark up / interest paid on borrowings / leases		(178,210)	
Long term deposits and prepayments		9,775	
		(194,964)	
Net cash (used in) operating activities		(305,740)	
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(289,192)	
Purchase of intangible assets		(48,550)	
Proceeds from sale of property, plant and equipment		116,744	
Cash paid for acquisition of subsidiaries-net of cash acquired		(16,489)	
Repayment of long term loans		-	
Net cash (used in) investing activities		(237,487)	
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid		(70,795)	
Proceeds against issue of shares of TRGIL		-	
Preference shares issued to AIG by TRGIL	18.9	-	
Repayment of liability against assets subject to finance lease		(37,243)	
Borrowings -net		367,791	
Net cash generated from financing activities		259,753	
Effects of exchange rate changes		109,153	
Net decrease in cash and cash equivalents		(174,321)	
Cash and cash equivalents at the beginning of the year		495,433	
Cash and cash equivalents at the end of the year	15	321,112	

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

	Attributable to share holders of the holding company					Minority Interest	Total
	Issued, subscribed and paid-up capital			Capital reserve	Revenue reserve		
	Class 'A'	Class 'B'	Total	Foreign Exchange Translation Reserve	Accumulated losses		
	Note(Rupees in thousand).....						
Balance as at July 1, 2007	3,733,907	120,000	3,853,907	56,474	(1,455,860)	257,400	2,711,921
Net loss for the year	-	-	-	-	(1,530,900)	(566,030)	(2,096,930)
Conversion of class 'B' shares into class 'A' shares	120,000	(120,000)	-	-	-	-	-
Adjustment for business combination	-	-	-	-	-	37,095	37,095
Capital contribution by minority - net	-	-	-	-	-	632,923	632,923
Currency translation difference	-	-	-	145,002	-	29,371	174,373
Convertible preference shares - equity component	18	-	-	-	-	32,760	32,760
Issuance of employee stock options by TRGIL	25.1	-	-	-	-	229,129	229,129
Balance as at June 30, 2008	<u>3,853,907</u>	<u>-</u>	<u>3,853,907</u>	<u>201,476</u>	<u>(2,986,760)</u>	<u>652,648</u>	<u>1,721,271</u>
Net loss for the year	-	-	-	-	(1,766,283)	(150,118)	(1,916,401)
Acquisition of Minority interest	1.6	-	-	-	-	(44,361)	(44,361)
Currency translation difference	-	-	-	87,917	-	116,337	204,254
Dividend paid to shareholder's of holding company	-	-	-	-	(3,619)	-	(3,619)
Distribution made to the minority shareholders	-	-	-	-	-	(68,153)	(68,153)
Loss on distribution to minority shareholders	30	-	-	-	-	60,160	60,160
Issuance of employee stock options by TRGIL	25.1	-	-	-	-	181,701	181,701
Balance as at June 30, 2009	<u>3,853,907</u>	<u>-</u>	<u>3,853,907</u>	<u>289,393</u>	<u>(4,756,662)</u>	<u>748,214</u>	<u>134,852</u>

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

	Note	June 30, 2009 (Rupees in thousand)	June 30, 2008
Revenue	36	11,147,171	
Cost of service delivery	25	(8,780,186)	
Gross profit		2,366,985	
Other operating income	26	55,359	
Administrative and general expenses	27	(3,730,933)	
Operating loss		(1,308,589)	
Other charges	28	(156,599)	
Operating loss		(1,465,188)	
Finance cost	29	(266,868)	
Net loss before tax		(1,732,056)	
Taxation	31	(124,185)	
Distribution to minority shareholders of indirect subsidiaries in excess of their interest	30	(60,160)	
Net loss after tax		(1,916,401)	
Attributable to :			
Shareholders of the holding company		(1,766,283)	
Minority interest		(150,118)	
		(1,916,401)	
Loss per share - basic	32	(4.58)	

(Rupees)

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

ASSETS	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	1,008,520	
Intangibles	7	2,610,075	
		<u>3,618,595</u>	
Long term investments	8	2,124	
Long term loans and advances	9	14,846	
Long term deposits	10	59,260	
Long term prepayments			
		<u>3,694,825</u>	
CURRENT ASSETS			
Stock-in-trade		10,550	
Trade debts	12	1,773,933	
Loans and advances	13	50,298	
Short term deposits and prepayments	14	260,057	
Interest / profit accrued		11,997	
Other receivables		83,130	
Advance tax		50,597	
Cash and bank balances	15	321,112	
		<u>2,561,674</u>	
TOTAL ASSETS		<u><u>6,256,499</u></u>	
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
- Authorised share capital	16	7,330,000	
- Issued, subscribed and paid-up capital	16	3,853,907	
Capital reserve		289,393	
Accumulated losses		(4,756,662)	
Minority interest		748,214	
		<u>134,852</u>	
LIABILITIES			
Non current liabilities			
Long term finances	17	381,637	
Liabilities against assets subject to finance lease	19	13,752	
Retirement benefit obligation	20	7,669	
Deferred tax liabilities	11	107,134	
Long term advances from customers	21	101,500	
Others		12,333	
		<u>624,025</u>	
Current liabilities			
Trade and other payables	22	1,979,593	
Convertible preference shares	18	2,436,000	
Short term borrowings	23	809,665	
Accrued markup on borrowings		66,137	
Current portion of - long term finances	17	133,361	
Current portion of - liabilities against assets subject to finance lease	19	30,592	
Income taxes payable		42,274	
		<u>5,497,622</u>	
TOTAL EQUITY AND LIABILITIES		<u><u>6,256,499</u></u>	
CONTINGENCIES AND COMMITMENTS			
	24		

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2009

The annexed notes from 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Auditors' Report To The Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of TRG Pakistan Limited (the holding company) and its subsidiary company, The Resource Group International Limited, Bermuda (TRGIL) as at June 30, 2009 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the holding company. The consolidated financial statements of the subsidiary company were audited by another firm of auditors and our opinion, in so far as it relates to the amounts included for the subsidiary, is based solely on the report of such other auditors.

These consolidated financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements, based on our examination as explained above, present fairly the financial position of TRG Pakistan Limited and its subsidiary company as at June 30, 2009 and the results of their operations, changes in equity and cash flows for the year then ended.

Without qualifying our opinion, we draw attention to note 1.3 to the annexed consolidated financial statements which states that effective October 4, 2008 the preference shareholders of TRGIL have the right to force liquidation of TRGIL's assets or to require the TRGIL's ordinary shares to be sold. However, the management is confident that TRGIL will be able to continue as a going concern as the company estimates that the preference shareholders would continue with their investment in the preference shares of TRGIL. Accordingly, the financial statements have been prepared under the 'going concern' assumption.

Karachi

Dated: October 30, 2009

Audit Engagement Partner: Saad Kaliya

A. F. Ferguson & Co.

Chartered Accountants



CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2009

27. Corresponding Figures

For better presentation the following reclassifications in the corresponding figures have been made:

Description	Head of account of the financial statements for the year ended June 30, 2008	Head of account of the financial statements for the year ended June 30, 2009	Amount (Rupees in thousand)
Auditor's remuneration	Other liabilities	Accrued expenses	3,350
Payable to the Provident Fund	Other liabilities	Accrued expenses	11
Accrued salaries	Other liabilities	Accrued expenses	288
Withholding tax from employees and suppliers	Other liabilities	Accrued expenses	19

28. Date Of Authorisation

These financial statements were authorised for issue on October 30, 2009 by the Board of Directors of the Company.

Chief Executive Officer

Director

24.5 Fair values of financial assets and liabilities

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate to their fair values.

25. 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 adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

26. Related party disclosures

The related parties of the company comprise its subsidiaries, undertakings with common directorship, staff retirement benefit plan and key management personnel and their close family members. Transactions with related parties are carried out on the basis of mutually agreed terms. Balances due from and to related parties are disclosed in the respective notes to these financial statements. Transactions with related parties, other than 'investment in subsidiary' and 'remuneration to key management personnel' as disclosed in note 23, are as follows:

Related party	Relationship with the Company	June 30, 2009	June 30, 2008
(Rupees in thousand)			
Cost recovery of assets			
TRG (Private) Limited	Indirect subsidiary	-	
Interest income on advance			
Virtual World (Private) Limited	Indirect subsidiary	696	
Management fee income			
TRGIL	Subsidiary	28,105	
Contribution to the provident fund			
		122	

24.3 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks, as well as credit exposures to customers and other counterparties which include trade deposits and other receivables. Out of the total financial assets, those that are subject to credit risk amount to Rs 13,803 million (2008: Rs 23,575 million).

Total bank balance of Rs 3,595 million placed with banks have a short term credit rating of "A-1" and above.

The maximum exposure to credit risk as at June 30, 2009, along with comparative is tabulated below:

	Note	June 30, 2009	June 30, 2008
Financial assets		(Rupees in thousand)	
Trade deposits		75	
Accrued mark up		3,137	
Advance to a related party	24.3.1	6,165	
Other receivables		831	
Balances with banks		3,595	
		13,803	

24.3.1 Advance to a related party relates to an advance provided to Virtual World (Private) Limited against a promissory note due on June 30, 2008. The note has been past due for 12 months as at June 30, 2009.

The management does not expect any losses from non-performance by the counterparties.

The company does not hold any collateral against these assets.

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

24.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. 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, the management believes that it will be able to fulfill its other financial obligations from the company's future cashflows. A maturity analysis of financial liabilities is as follows:

	Maturity upto one year	Maturity after one year	Total 2009	Total 2008
Financial Liabilities	(Rupees in thousand)		(Rupees in thousand)	
Liabilities against assets - subject to finance lease	408	618	1,026	
Accrued and other liabilities	10,437	-	10,437	
Payable to related parties - current account	12,095	-	12,095	
	22,940	618	23,558	

23.1 No remuneration was paid to the Chief Executive and directors of the company during the year (2008: Nil).

23.2 Certain executives of an indirect subsidiary are providing services to the company and no remuneration is charged in respect of those executives by that indirect subsidiary.

24. Financial Instruments And Related Disclosures

24.1 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk.

Financial instruments by category are as follows:

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
Financial Assets - Loans and receivables		
Long term deposit	75	
Advance to a related party	6,165	
Accrued mark up	3,137	
Other receivables	831	
Cash and bank balances	3,617	
	<u>13,825</u>	
Financial Liabilities - Amortised cost		
Liability against asset subject to finance lease	871	
Accrued & other liabilities	10,437	
Payable to related parties - current account	12,095	
	<u>23,403</u>	

Risks managed and measured by the company are explained below:

24.2 Market risk

24.2.1. Interest / mark-up rate risk

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

The management believes that its interest rate exposure is not significant to the company's financial position.

24.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company primarily has foreign currency exposures in Pak Rupee, 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.

21. Cash Generated from Operations

	Note	June 30, 2009	June 30, 2008
		(Rupees in thousand)	
Net profit / (loss) for the year		766,326	
Adjustments for non-cash and other items:			
Depreciation		535	
(Reversal of impairment charge) / impairment charge on investment in a subsidiary		(774,133)	
Interest on advances and return on bank balances		(810)	
Finance charges on assets subject to finance lease		103	
Unrealised exchange loss / (gain)		1,147	
(Gain) / loss on disposal of fixed assets		(17)	
Working capital changes	21.1	11,293	
		(761,882)	
		4,444	

21.1 Working capital changes

(Increase) / decrease in current assets

Prepayments

Other receivables

Advance to a related party

Increase / (decrease) in current liabilities

Accrued and other liabilities

Payable to related parties

2
5,664
5,835
11,501
20,989
(21,197)
(208)
11,293

22. Dividend

Interim dividend was declared during the current year amounting to Rs 3.854 million. However, certain shareholders have waived their right to the dividend amounting to Rs 0.235 million.

23. Remuneration of Chief Executive, Director and Executives

The aggregate amount charged in the financial statements for remuneration, including all benefits to executives of the company is as follows:

	2009	2008
	Executives	Executives
	(Rupees in thousand)	
Managerial remuneration	732	915
House rent	324	405
Medical allowance	72	90
Utilities	72	90
Total	1,200	1,500
Number of persons	1	1

	June 30, 2009	June 30, 2008
Note	(Rupees in thousand)	
16.2 Auditors' remuneration		
Audit fee	1,100	
Fee for review of half yearly financial statements	400	
Fee for the audit of consolidated financial statements	2,500	
Other certifications	100	
Out of pocket	201	
	<u>4,301</u>	

16.3 This includes Rs 0.100 million (2008: Nil) in respect of penalties imposed by the Securities and Exchange Commission of Pakistan (SECP) due to failure to furnish a copy of the Annual Report together with the copies of the financial statements within the stipulated time.

17. Other Charges

Exchange loss	1,147
Worker's Welfare Fund	15,639
	<u>16,786</u>

18. Other Income

Gain on disposal of fixed assets	<u>17</u>
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19. Finance Cost

Finance charges on asset subject to finance lease	<u>103</u>
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20. Profit / (Loss) Per Share

Profit / (loss) for the year	<u>766,326</u>
	(Number of shares)
Number of shares outstanding during the year	<u>385,390,700</u>
	(Rupees)
Basic earnings / (loss) per share	<u>1.99</u>

There were no dilutive potential ordinary shares outstanding as at June 30, 2009 and 2008.

14. Payable to Related Parties - Current account

Name of related party	Nature of relationship	
TRGIL	Subsidiary	9,244
Trakker (Private) Limited	Associated company	415
TRG Holding LLC	Indirect subsidiary	2,436
		<u>12,095</u>

15. Revenue

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
Management Fee	15.1	28,105	
Return on bank balances		92	
Interest income on advances	15.2	718	
Cost recovery for assets	15.3	-	
		<u>28,915</u>	

15.1 This fee has been charged by the company under the terms of the Management Service Agreement (the agreement) entered during the year ended June 30, 2009 between the company and TRGIL. In accordance with the terms of the agreement, TRGIL has agreed to pay the company an amount of USD 350,000 (Rs 28.105 million) in compensation for the services rendered by the company upto the date of the agreement. The revenue for the services have not been accrued in the prior years as it was not probable at that time that the company will be able to recover any amount for services provided.

15.2 This includes interest income on advances to related parties in the current year amounting to Rs 0.696 million (2008: 1.083 million).

15.3 This represents monthly charges recoverable from TRG (Private) Limited (a subsidiary of TRGIL), for assets utilised by it.

16. Other Operating Expenses

	Note	June 30, 2009	June 30, 2008
		(Rupees in thousand)	
Salaries, wages and other benefits	16.1	2,412	
Rent		563	
Advertising		59	
Printing, stationery and periodicals		3,854	
Travelling and conveyance		1,198	
Insurance		889	
Communication		1,399	
Legal and professional charges		4,202	
Auditors' remuneration	16.2	4,301	
Depreciation	3	535	
Repairs and maintenance		154	
Miscellaneous expenses	16.3	284	
		<u>19,850</u>	

16.1 This includes company's contribution to employees' retirement benefit fund amounting to Rs 0.122 million (2008: Rs 0.134 million).

The preferred stock is convertible into ordinary shares of TRGIL and exchangeable into the company's share capital at the option of the AIG investors. Further, in case TRGIL has not consummated a qualified public offering on or before the third anniversary of the initial closing date, the AIG investors have the right to cause TRGIL to sell to a third party all or a portion of either (i) TRGIL's issued ordinary shares; or (ii) the consolidated assets of TRGIL and its further subsidiaries. In case the AIG investors exercise this right, TRGIL has the right to purchase back the preference shares at a price not less than the original issue price of USD 1.12 per share.

As the third anniversary of the initial closing date has passed on October 4, 2008 and TRGIL has not consummated a qualified offering, the AIG investors now have the right to exercise any one of the aforementioned options. However, to date TRGIL has not been notified by the AIG investors of any intention to cause it to sell the assets.

As of June 30, 2009 the AIG investors have invested the full amount of USD 30 million committed to TRGIL.

12. Liabilities Against Assets Subject to Finance Lease

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2009		2008	
	Minimum lease payment	Present value	Minimum lease payments	Present value
..... (Rupees in thousand)				
Within one year	408	305		
After one year but not more than five years	618	566		
Total minimum lease payments	1,026	871		
Less: amounts representing finance charges	155	-		
Present value of minimum lease payments	871	871		
Less: current portion shown under current liabilities	305	305		
	566	566		

12.1 Rentals are payable in monthly instalments by September 2011. The leases carries a floating rate of KIBOR plus 350 basis points with floor of 12% and ceiling of 22% (2008: Nil). At the end of the lease term, the ownership of the assets shall be transferred to the company against security deposit paid.

13. Accrued and Other Liabilities

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
Zakat payable	13.1	436	
Accrued expenses		4,255	
Worker's Welfare Fund payable		15,639	
Bank commission		1,269	
Unclaimed Dividend		977	
Other liabilities		5,013	
		27,589	

13.1 This represents zakat deducted from the interim dividend paid during the year. The amount of zakat payable as at June 30, 2009 was deposited into the Central Zakat Fund, subsequent to the year ended June 30, 2009.

10. Cash and Bank Balances

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
Balances with banks in		
- current accounts	1,229	
- savings accounts	2,366	
	<u>3,595</u>	
Cash in hand	22	
	<u>3,617</u>	

10.1 The balances in saving accounts bear markup ranging from 5% to 8% per annum (2008: 0.25% to 5% per annum).

10.2 The total balance of cash and bank includes an amount of Rs 0.977 million which relates to funds restricted for the payment of dividend.

11. Share Capital

	2009		2008	
	Number of shares	Rupees in thousand	Number of shares	Rupees in thousand
Authorised share capital				
- Ordinary class 'A' shares of Rs 10 each	720,000,000	7,200,000		
- Ordinary class 'B' shares of Rs 10 each	13,000,000	130,000		
	<u>733,000,000</u>	<u>7,330,000</u>		
Issued, subscribed and paid-up capital				
- Ordinary class 'A' shares of Rs 10 each				
shares allotted for consideration paid in cash	375,765,722	3,757,657		
shares allotted for consideration other than cash	9,624,978	96,250		
	<u>385,390,700</u>	<u>3,853,907</u>		

11.1 On February 27, 2008, i.e. upon expiry of five years from the date of issuance of certificate of commencement of business of the company, all issued and outstanding class 'B' shares have been automatically converted into class 'A' shares.

11.2 On July 25, 2007 TRGIL entered into an equity subscription and shareholders agreement with IDB Infrastructure Fund L.P. (IDB). In accordance with the term of the agreement, TRGIL issued 12,396,694 shares at USD 1.21 per share resulting in gross proceeds of USD 15 million. IDB has an option to invest a further USD 15 million into TRGIL as ordinary shares at a per share price of USD 1.21. This option expires on the second anniversary of the date the agreement was entered into. Further, IDB has the right to exchange all or any lesser portion of its ordinary shares into a predefined number of freely tradable shares of the company.

11.3 On October 4, 2005, TRGIL entered into a series A preferred stock purchase agreement with a consortium of investors, comprising 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 AIG Investors). The agreement allowed for the purchase of up to 26,785,714 shares of Series A Preferred Stock for an initially determined purchase price of USD 1.12 per share. The total commitment amount was up to USD 30 million.

The preferred stock is entitled to the same voting rights and dividend entitlements as ordinary shares, but ranks higher in the event of liquidation, which is defined as a change of control or qualified public offering, and are entitled to proceeds computed using pre-determined formula in accordance with the agreement. The 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 company remains in breach of such conditions and covenants. There were no triggering events during the year ended June 30, 2009 requiring such an accrual or payment.

5.2 This represents the difference between 'recoverable amount' and 'carrying value' of the investment. The recoverable amount of the asset has been calculated with reference to the 'fair value less cost to sell' of the asset. As the 'fair value less cost to sell' cannot be determined with reference to an active market or a recent market transaction, the asset's fair value less cost to sell has been determined by discounting projected future cashflows.

During the year ended June 30, 2009, the company recorded a reversal of impairment in the value of its investment in TRGIL amounting to Rs. 774.133 million. The Company has recognised the appreciation in the value of its investment in TRG International due to the expected cash inflows of its new business initiatives, most significantly the expected commercial launch of its SATMAP technology and decrease in the risk free rate used to calculate the discount rate for the discounted cash flows.

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
6. Long Term Deposits			
Rent		-	
Lease deposit		108	
Others		75	
		<u>183</u>	
7. Advance to a Related Party - Considered good			
Virtual World (Private) Limited	7.1	<u>6,165</u>	
7.1 This represents advance to Virtual World (Private) Limited (a subsidiary of TRGIL), at the rate of 9 percent (2008: 9 percent) per annum for operational requirements. Principal amount alongwith the accumulated interest (note 8) was receivable on June 30, 2008.			
8. Accrued Markup			
Markup accrued on			
- savings accounts		20	
- advance given to Virtual World (Private) Limited (an indirect subsidiary)		3,117	
		<u>3,137</u>	
9. Other Receivables			
Receivable from related parties - considered good	9.1	831	
Others		-	
		<u>831</u>	
9.1 Due from following related parties:			
Name of related party	Nature of relationship		
TRG (Private) Limited	Indirect Subsidiary	831	
TRGIL	Subsidiary	-	
		<u>831</u>	

- 3.1 The assets under the head 'Computers and office equipment' include assets having cost of Rs 19.054 million and a net book value of Nil (2008: cost of Rs 19.054 million and net book value of Nil) which are under the custody of and are being used by TRG (Private) Limited, a subsidiary of TRGIL from whom the entire cost has been recovered (refer to note 15.3).

4. Intangible Assets - Computer Software

Computer software	(Rupees in thousand)	
At June 30, 2009 & 2008		
Cost		267
Accumulated Amortisation		(267)
Net book value		<u> -</u>
Amortisation rate		33.3%

5. Long-term Investments

Investment in a related party - at cost

The Resource Group International Limited (TRGIL) - a subsidiary

60,450,000 (2008: 60,450,000) ordinary shares

Less: Accumulated Impairment

Note	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
5.1.1	4,908,540	4,116,645
5.1.2	(2,376,023)	(2,641,941)
	<u>2,532,517</u>	<u>1,474,704</u>

- 5.1 This represents investment in a subsidiary incorporated in Bermuda. Par value of each share is USD 0.01 and the additional paid in capital per share amounts to USD 0.99. The percentage of ownership in TRGIL is 82.3% (2008: 82.3%) whereas the percentage of voting interest is 60.31% (2008: 60.31%).

Note	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
5.1.1	Movement in investment at cost	
	4,116,645	-
	791,895	-
	<u>4,908,540</u>	<u> -</u>
5.1.2	Movement in accumulated impairment	
	2,641,941	-
	(774,133)	-
	508,215	-
	<u>2,376,023</u>	<u> -</u>

3. Property, Plant and Equipment

	Owned		Lease		Total
	Computers & Office Equipment	Motor Vehicles	Computers & Office Equipment	Motor Vehicles	
.....(Rupees in thousand).....					
At June 30, 2007					
Cost	1,184	2,935	19,054	-	23,173
Accumulated depreciation	(831)	(1,690)	(17,598)	-	(20,119)
Net book value	353	1,245	1,456	-	3,054
Year ended June 30, 2008					
Transfer from leased assets					
- Cost	19,054	-	(19,054)	-	-
- Accumulated depreciation	(19,054)	-	19,054	-	-
Depreciation charge for the year	(222)	(585)	(1,456)	-	(2,263)
Net book value as at June 30, 2008	131	660	-	-	791
Year ended June 30, 2009					
Additions	114	-	-	1,475	1,589
Disposal					
- Cost	(412)	-	-	-	(412)
- Less: accumulated depreciation	367	-	-	-	367
Depreciation charge for the year	(45)	-	-	-	(45)
Net book value as at June 30, 2009	(91)	(346)	-	(98)	(535)
	109	314	-	1,377	1,800
At June 30, 2008					
Cost	20,238	2,935	-	-	23,173
Accumulated depreciation	(20,107)	(2,275)	-	-	(22,382)
Net book value	131	660	-	-	791
At June 30, 2009					
Cost	19,940	2,935	-	1,475	24,350
Accumulated depreciation	(19,831)	(2,621)	-	(98)	(22,550)
Net book value	109	314	-	1,377	1,800
Depreciation rate	20% to 33.33%	20%	33.33%	20%	

2.10.2 Foreign currency transactions

Transactions in foreign currencies are translated into USD (the functional currency) using the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into USD using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

2.10.3 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 income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks.

2.12 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments. The company derecognises 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. While a financial liability or part of financial liability is derecognised 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 liabilities is taken to profit and loss account.

2.13 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 recognised amounts and intends either to settle these on net basis or to realise the assets and settle the liabilities simultaneously.

2.14 Staff retirement benefits

The company operates a defined contribution plan (i.e. recognised provident fund scheme) for all its permanent employees. Equal monthly contributions @ 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 income for the year.

2.8 Revenue recognition

- Profit / interest on bank deposits and advances is recorded on accrual basis.
- Management fee is recognised 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 recognised when the right to receive dividend is established.

2.9 Taxation

2.9.1 Current Taxation

The company is exempt from tax upto June 30, 2014 under clause 101 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

2.9.2 Deferred taxation

The company accounts for deferred taxation on all temporary differences using the liability method. Deferred tax assets are recognised on any deductible temporary differences, unused tax losses and available tax credits and are restricted to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and available tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

As at June 30, 2009 the company has unused tax losses on which no deferred tax asset has been booked as the company expects that such losses will expire before tax year 2014 and will not be available for utilisation against the taxable profits subsequent to tax year 2014.

2.9.3 Provisions

A provision is recognised when the company has a present, legal or constructive obligation as a result of past events and 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 balance sheet date and adjusted to reflect the current best estimate.

2.10 Foreign currency

2.10.1 Functional and presentation currency

Items included in the financial statements are measured using United States Dollars (USD), the functional currency of the company. However, these financial statements are presented in Pakistan Rupees (PKR), which is the presentation currency as determined by the company.

2.6.2 Property, plant and equipment subject to finance leases and related depreciation

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are shown as liabilities. These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liabilities.

Depreciation on assets subject to finance lease is provided on the same basis as the company's owned assets.

2.6.3 Intangible assets

These represent softwares developed and licenses acquired.

Intangible assets are recognised in the financial statements, if and only if, it is probable that the future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably. These are stated at cost less accumulated amortisation and any identified impairment loss.

Intangible assets are amortised using the straight line method over their estimated useful lives at the rate specified in note 4 and is charged to the profit and loss account.

Useful lives of intangible assets are reviewed at each balance sheet date and adjusted if the impact on amortisation is significant.

2.6.4 Impairment of fixed assets

The company assesses at each balance sheet 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 recognised in the profit and loss account. The recoverable amount of fixed assets is the greater of fair value less cost to sell and value in use.

2.7 Long term investment

Investment in a subsidiary company is carried at cost, less impairment, if any.

The company assesses at each balance sheet date whether there is any indication that the investment in subsidiary company may be impaired. If such indication exists, the carrying amount of investment is reviewed to assess whether it is recorded in excess of its recoverable amount. Where carrying value exceeds the recoverable amount, investment is written down to its recoverable amount and the resulting impairment charge is recognised in the profit and loss account.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

There are other accounting standards, interpretations and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not detailed in these financial statements.

2.5 Critical accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards 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.

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 impairment testing of long term investment (note 2.7).

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 recognised in the year in which the estimate is revised and in any future year affected.

2.6 Fixed assets

2.6.1 Owned property, plant and equipment and related depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged to the income over 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 3. Depreciation on additions is charged from the month in which an asset is put to use and on disposals upto the month immediately preceding disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalised 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 balance sheet date and adjusted if impact on depreciation is significant.

An item of property, plant and equipment is derecognised 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 recognised in the profit and loss account.

2. Summary Of Significant Accounting Policies

2.1 Accounting convention

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

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Standards, amendments to published standards and new interpretations effective during the year ended June 30, 2009

IFRS 7, 'Financial instruments: Disclosures', effective for the annual periods beginning on or after July 1, 2008 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the company's financial instruments.

There are other new standards and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect to the company's financial statements and are therefore not disclosed in these financial statements.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

IAS 1 (Revised) 'Presentation of financial statements', (effective for annual periods beginning on or after January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statements of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where the entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of this revised standard will only impact the presentation of the financial statements.

IAS 36 (Amendment), 'Impairment of assets' (effective for annual periods beginning on or after January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment will only impact the presentation of the financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective for annual periods beginning on or after January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Adoption of the amendment is not expected to have significant effect on the company's financial statements.

1. The Company And Its Operations

- 1.1** TRG Pakistan Limited (the company) was incorporated in Pakistan as a public limited company on December 2, 2002 under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The company obtained certificate of commencement of business on February 27, 2003. The operations of the company effectively started on April 11, 2003. The registered office of the company is situated at 7th Floor, Block B, Finance and Trade Centre, Sharah-e-Faisal, Karachi, Pakistan. The company obtained a license on May 14, 2003 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).
- 1.2** The principal activity of the company is to directly and / or indirectly acquire, manage and / or maintain the business of telephone answering services, call centres and other business process outsourcing companies, as well as related software products. To date, the company has acquired call centre operations in North America, Africa and Europe through its subsidiary, The Resource Group International Limited, Bermuda (TRGIL), which include companies that are presently experiencing losses. The company has adopted multiple strategies to improve their profitability and cash flows by a combination of cost rationalisation, operational efficiencies and off shore migration of labour.
- 1.3** These financial statements are separate financial statements of the company in which investment in subsidiary is accounted for in accordance with accounting policy as stated in note 2.7 and is not consolidated.
- 1.4** Rule 22(a) of the NBFC Rules has been relaxed for the company permitting the company to expose upto 100% of its equity attributable to venture capital investment in its subsidiary.
- 1.5** As stated in note 11.3 TRGIL has not consummated a qualified public offering within the specified time period. Accordingly, the AIG investors may cause the subsidiary (TRGIL) to liquidate its assets or to force the sale of the subsidiary's ordinary shares to a third party. If AIG investors exercise this right, then TRGIL has the right to purchase back its preference shares from AIG investors at a price not less than the original issue price (USD 1.12 per share). The total preference shares of AIG investors amounted to USD 30 million. Depending on the option chosen by AIG investors, if any, the liquidation of assets could cause significant liquidity problems for TRGIL. If AIG investors were to force TRGIL's current ordinary shareholders to sell their shares (liquidity event), which includes the company, the company would only receive a proportionate share of the proceeds after deducting USD 30 million and pre-determined percentage in excess of USD 30 million attributable to AIG investors.

TRGIL has not as yet been notified by AIG investors of their intention to cause the company to sell its assets.

Further, during the year the company's subsidiary (TRGIL) has incurred a net loss of Rs 1,897.049 million (2008: Rs 2,083.525 million). The accumulated losses of the company as at June 30, 2009 amounted to Rs 1,927.768 million (2008:Rs 2,690.475 million).

The management is confident that:

- it will be able to continue as a going concern as the company estimates that positive cash flows shall be generated in the future from its subsidiary (TRGIL); and
- AIG investors would continue with their investment in preference shares of TRGIL and shall not exercise the aforementioned option available to it in the foreseeable future.

Accordingly, these financial statements have been prepared under the 'going concern' assumption.

	Note	June 30, 2009	June 30, 2008
CASH FLOW FROM OPERATING ACTIVITIES			
(Rupees in thousand)			
Cash generated from / (utilised) in operations	21	4,444	(11,968)
Markup income received		101	11,011
Refund of long term deposit		297	-
Finance charges paid on assets subject to finance lease		(103)	(19)
Net cash generated from / (used in) operating activities		4,739	(976)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(114)	-
Sales proceeds on disposal of a fixed asset		62	-
Net cash used in investing activities		(52)	-
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against assets subject to finance lease		(604)	(3,075)
Dividend paid		(2,642)	-
Net cash used in financing activities		(3,246)	(3,075)
Net increase / (decrease) in cash and cash equivalents		1,441	(4,051)
Cash and cash equivalents at the beginning of the year		2,176	6,227
Cash and cash equivalents at the end of the year	10	3,617	2,176

The annexed notes from 1 to 28 form an integral part of these financial statements.

	Issued, subscribed and paid-up capital			Capital reserve	Revenue reserve	Total
	Class 'A'	Class 'B'	Total	Foreign exchange translation reserve	Accumulated losses	
----- (Rupees in thousand) -----						
Balance as at June 30, 2007	3,733,907	120,000	3,853,907	51,980	(240,623)	3,665,264
Loss for the year	-	-	-	-	(2,449,852)	(2,449,852)
Conversion of class 'B' shares into class 'A'	120,000	(120,000)	-	-	-	-
Currency translation difference	-	-	-	249,438	-	249,438
Balance as at June 30, 2008	<u>3,853,907</u>	<u>-</u>	<u>3,853,907</u>	<u>301,418</u>	<u>(2,690,475)</u>	<u>1,464,850</u>
Profit for the year	-	-	-	-	766,326	766,326
Interim dividend paid for the year ended June 30, 2009 @ Re 0.01 Per share (note 22)	-	-	-	-	(3,619)	(3,619)
Currency translation difference	-	-	-	281,501	-	281,501
Balance as at June 30, 2009	<u>3,853,907</u>	<u>-</u>	<u>3,853,907</u>	<u>582,919</u>	<u>(1,927,768)</u>	<u>2,509,058</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
Revenue	15	28,915	
Other operating expenses	16	(19,850)	
Profit / (loss) from operations		<u>9,065</u>	
Reversal of impairment / (impairment charge) on investment in a subsidiary	5	774,133	
Other charges	17	(16,786)	
Other income	18	17	
Finance cost	19	(103)	
Profit / (loss) for the year		<u>766,326</u>	
Earnings / (loss) per share - basic (Rupees)	20	<u>1.99</u>	

The annexed notes from 1 to 28 form an integral part of these financial statements.

	Note	June 30, 2009	June 30, 2008
NON CURRENT ASSETS			
(Rupees in thousand)			
Property, plant and equipment	3	1,800	
Long term investment	5	2,532,517	
Long term deposits	6	183	
		<u>2,534,500</u>	
CURRENT ASSETS			
Advance to a related party	7	6,165	
Prepayments		165	
Accrued markup	8	3,137	
Other receivables	9	831	
Advance income tax		1,198	
Cash and bank balances	10	3,617	
		<u>15,113</u>	
		<u>2,549,613</u>	
SHARE CAPITAL AND RESERVES			
Authorised share capital	11	7,330,000	
Issued, subscribed and paid-up capital	11	3,853,907	
Capital reserve		582,919	
Revenue reserve		(1,927,768)	
		<u>2,509,058</u>	
NON CURRENT LIABILITIES			
Liability against asset subject to finance lease	12	566	
CURRENT LIABILITIES			
Current maturity of liability against asset subject to finance lease	12	305	
Accrued and other liabilities	13	27,589	
Payable to related parties - current account	14	12,095	
		<u>39,989</u>	
		<u>2,549,613</u>	

The annexed notes from 1 to 28 form an integral part of these financial statements.

- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance;
2. Without qualifying our opinion we draw attention to note 1.5 to the annexed financial statements which states that effective October 4, 2008 the preference shareholders of its subsidiary The Resource Group International Limited, Bermuda (TRGIL), have the right to force liquidation of TRGIL's assets or to require the TRGIL's ordinary shares to be sold. However, the management is confident that the company will be able to continue as a going concern as the preference shareholders of TRGIL are expected to continue with their investment in the preference share of TRGIL. Accordingly, the financial statements have been prepared under the 'going concern' assumption.

Karachi

Dated: October 30, 2009

Audit Engagement Partner: Saad Kaliya

A. F. Ferguson & Co.

Chartered Accountants

Auditors' Report To The Members

We have audited the annexed balance sheet of TRG Pakistan Limited as at June 30, 2009 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

- I. (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and the profit, its changes in equity and cash flows for the year then ended; and





STANDALONE FINANCIAL STATEMENTS
For the year ended June 30, 2009

HISTORICAL FINANCIAL INFORMATION

	2009	2008	2007	2006	2005	2004	2003
Revenue	28,915	2,445	8,300	29,340	20,201	17,661	2,753
Expenses	737,411	(2,452,297)	(59,334)	(165,252)	(23,191)	(73,584)	(44,406)
Net Loss	766,326	(2,449,852)	(51,034)	(135,912)	(2,990)	(55,923)	(41,653)
Basic EPS	1.99	(6.36)	(0.10)	(0.56)	(0.01)	(0.55)	(2.42)
Diluted EPS	-	-	-	-	-	-	-
Non - Current Assets	2,534,500	1,475,975	3,561,889	3,586,836	2,812,431	960,939	119,746
Current Assets	15,113	24,464	33,720	74,265	53,196	23,906	553,861
Sharecapital and Reserves	2,509,058	1,464,850	3,566,394	2,176,636	2,314,917	625,553	658,636
Non - Current Liabilities	566	-	-	3,069	9,191	732	-
Current Liabilities	39,989	35,589	29,215	1,481,396	541,519	358,561	14,971
Dividend	0.01	-	-	-	-	-	-
Market share price	1.35	6.25	16.4	10.05	10.1	17.25	16.45
Number of Employees	4	2	5	4	3	3	2
Number of Consolidating Subsidiaries	22	21	15	16	8	5	2

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Details of Holding in the shares by Directors, CEO, CFO, Company Secretary and their spouses and minor children	Designation	Opening balance July 1, 2008	Closing balance June 30, 2009
MR. MUHAMMAD ZIAULLAH KHAN CHISTI	Chairman and CEO	10,684,034	10,684,034
MR. MUHAMMAD ALI JAMEEL	Director	8,863,589	8,863,589
MR. RAFIQ DOSSANI	Director	3	3
MR. JOHN LEONE	Director	3	3

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds	Number of shares held
S.Z. SECURITIES (PRIVATE) LIMITED	2,500
NCC-SQUARING-UP ACCOUNT	2,500
TRUSTEE OVERSEAS PAKISTANIS PENSION TRUST	2,295
AMZ SECURITIES (PVT) LIMITED	2,000
S.Z.SECURITIES (PVT) LTD	2,000
STOCK VISION (PVT.) LTD.	2,000
DR. ARSLAN RAZAQUE SECURITIES	1,500
AL-HAQ SECURITIES (PVT) LTD.	1,500
IMPERIAL INVESTMENT (PVT) LTD.	1,000
D.S.INDUSTRIES LTD	1,000
TARIQ SAYEED SECURITIES (PVT) LIMITED	1,000
PRUDENTIAL SECURITIES LIMITED	534
EXCEL INSURANCE CO.LTD.	500
BLACK STONE EQUITIES (PRIVATE) LIMITED	500
AKD SECURITIES LIMITED - AKD TRADE	500
ESCORTS INVESTMENT BANK LIMITED	217
THE KARACHI STOCK EXCHANGE (G) LIMITED	100
	88,106,052

CATEGORIES

Shareholders Holding 10% or more voting interest	Number of shares held	Yoting interest
INTERNATIONAL FINANCE CORPORATION	39,790,665	10.32%

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds	Number of shares held
SARDAR MOHAMMAD ASHRAF D BALUCH PVT. LTD	12,000
AFIC SECURITIES (PRIVATE) LIMITED	12,000
UNITED EQUITIES (SMC-PVT) LTD.	12,000
PROGRESSIVE INVESTMENT MANAGEMENT (PVT) LTD	11,500
BABA EQUITIES (PVT) LTD.	11,000
FIRST EQUITY MODARABA	10,000
B.F.MODARABA	10,000
TRUSTEES MOOSA LAWAI FOUNDATION	10,000
BULK MANAGEMENT PAKISTAN (PVT.) LTD.	10,000
ICIL (PVT) LIMITED.	10,000
GUARDIAN SECURITIES (PVT) LIMITED	10,000
PACE INVESTMENT & SEC (PVT.) LTD	10,000
AMIN FERAZ & CO (PRIVATE) LIMITED	10,000
S.Z. SECURITIES (PRIVATE) LIMITED	10,000
HK SECURITIES (PVT) LTD.	9,500
INVEST CAPITAL INVESTMENT BANK LIMITED	7,000
VALUE STOCK SECURITIES PRIVATE LIMITED	6,500
MIAN MOHAMMED AKRAM SECURITIES (PVT) LIMITED	6,000
EXCEL SECURITIES (PVT.) LTD.	5,300
INVEST FORUM (SMC-PVT.) LIMITED	5,000
SAT SECURITIES (PVT.) LTD.	5,000
TRUSTEES ARTAL RESTAURANTS INT'L EMP P.F	5,000
IMGC GLOBAL (PVT.) LIMITED	5,000
OXFORD KNITTING MILLS (PVT) LTD	5,000
MAM SECURITIES PVT LTD	5,000
ADEEL & NADEEM SECURITIES (PVT) LTD.	5,000
PASHA SECURITIES (PVT) LTD.	5,000
SETHI SECURITIES (SMC-PVT) LTD.	5,000
MONEY LINE SECURITIES (PVT.) LTD	4,000
FAIR EDGE SECURITIES (PVT) LTD	4,000
KHAWAJA SECURITIES (PVT.) LIMITED	4,000
RAHAT SECURITIES LIMITED	3,000
ISLAMABAD STOCK EXCHANGE (G) LIMITED	3,000
MUHAMMAD AHMED NADEEM SECURITIES	3,000

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds	Number of shares held
INVESTFORUM (SMC-PVT) LIMITED	50,500
PWR-1057 SARHAD RURAL SUPPORT PROGRAMME	50,000
TRUSTEES ITIM SYSTEMS (PVT) LIMITED	50,000
PAKISTAN MOLASSES COMPANY (PVT.) LIMITED	50,000
TRUSTEES NESTLE PAKISTAN LTD	50,000
UNITED CAPITAL SECURITIES PVT. LTD.	46,500
A.H.K.D. SECURITES (PVT) LTD.	44,000
STOCK MASTER SECURITIES (PRIVATE) LTD.	43,500
GARIBSONS (PVT.) LTD.	40,000
Q+A - TECH SYSTEMS (PVT) LTD	39,000
NH SECURITIES (PVT) LIMITED.	33,500
AMER SECURITIES (PVT) LTD	32,000
DELTA INDUSTRIES (PVT) LIMITED	30,500
BABA EQUITIES (PVT) LIMITED	30,000
MAAN SECURITIES (PVT) LTD.	29,500
GENERAL INVESTMENT & SECURITIES (PVT) LTD	29,500
UNEX SECURITIES (PVT) LTD	28,500
BANK ALFALAH LIMITED	25,000
SAL SECURITIES (PVT) LIMITED	25,000
TRUSTEE CHERAT CEMENT CO.LTD.EMP.PRO.FND	25,000
BAWA SECURITIES (PVT) LTD.	25,000
TRUSTEES OF OVERSEAS PAKISTANI PENSION	25,000
GENERAL INVEST. & SECURITIES (PVT) LTD.	23,500
BEAMING INVEST & SECURITIES(PVT.) LTD.	22,996
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	20,500
AL-ZAMIN LEASING CORPORATION LIMITED	20,000
STOCK MASTER SECURITIES (PVT.) LTD	20,000
FAIR EDGE SECURITIES (PRIVATE) LIMITED	17,000
DURVESH SECURITIES (PVT) LTD	16,500
STOCK MASTER SECURITIES (PRIVATE) LIMITED	15,500
IMPERIAL INVESTMENTS (PVT) LIMITED	15,500
AMCAP SECURITIES (PVT) LTD	15,000
H.S.Z. SECURITIES (PRIVATE) LIMITED	13,500
ZHV SECURITIES (PVT) LIMITED	13,000

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds	Number of shares held
M.R.A. SECURITIES (PVT) LIMITED	200,000
DOSSLANI'S SECURITIES (PVT) LIMITED	174,000
AWJ SECURITIES (SMC-PRIVATE) LIMITED.	172,000
AZEE SECURITIES (PRIVATE) LIMITED	158,003
ORIX INVESTMENT BANK PAKISTAN LIMITED	150,000
TRUSTEE MAYMAR HOUSING SERVICES LIMITED	150,000
FIRST NATIONAL EQUITIES LIMITED	150,000
CAPITAL VISION SECURITIES (PVT) LTD.	149,200
ESCORTS INVESTMENT BANK LIMITED	147,500
MAK SECURITIES (PVT.) LTD.	147,000
VALUE STOCK SECURITIES (PVT.) LIMITED	136,000
PROGRESIVE SECURITIES (PVT) LTD.	119,000
M.R. SECURITIES (SMC-PVT) LTD.	118,000
MEEZAN BANK LIMITED	110,000
HABIB BANK AG ZURICH, DEIRA DUBAI	102,000
FIRST ALNOOR MODARABA	100,000
AL-ZAMIN LEASING MODARABA	100,000
ALI HUSAIN RAJABALI LTD	100,000
ASHIANA COTTON PRODUCTS LTD	100,000
M/S S. FAZALILAH & SONS (PVT) LTD	100,000
M/S IHSAN INDUSTRIES (PVT) LIMITED	100,000
HABIB SUGAR MILLS LTD	100,000
HH MISBAH SECURITIES (PRIVATE) LIMITED	100,000
ZEPHYR TEXTILES LIMITED	100,000
MAHA SECURITIES (PVT.) LIMITED	100,000
GMI CAPITAL SECURITIES (PVT) LTD.	100,000
EXCEL SECURITIES (PRIVATE) LIMITED	95,500
HIGHLINK CAPITAL (PVT) LTD	88,000
SAT SECURITIES (PVT) LTD	87,500
FIRST IMROZ MODARABA	85,000
HABIB INSURANCE CO.LIMITED	80,000
CAPITAL VISION SECURITIES (PVT) LTD	72,500
FAIR DEAL SECURITIES (PVT) LTD	65,500
KSR STOCK BROKERAGE (PVT) LTD.	63,000

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Brokerage House and Mutual Funds	Number of shares held
HABIB BANK LIMITED-TREASURY DIVISION	16,017,000
FAYSAL BANK LIMITED	11,954,000
UNITED BANK LIMITED-STRATEGIC PORTFOLIO	10,071,500
ARIF HABIB SECURITIES LIMITED	7,400,000
BHAYANI SECURITIES (PVT) LTD.	6,000,500
SAUDI PAK INV. CO.	5,568,500
MUHAMMAD ANAF KAPADIA SECURITIES	4,322,000
SILKBANK LIMITED	2,739,925
UNITED BANK LIMITED - TRADING PORTFOLIO	2,500,000
BANK ALFALAH LIMITED	1,873,533
DARSON SECURITIES (PVT) LIMITED	1,606,788
HUM SECURITIES LIMITED	1,328,499
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	1,078,741
FIRST DAWOOD INVESTMENT BANK LTD.	1,000,010
AMIN TAI SECURITIES (PRIVATE) LIMITED	1,000,000
FIRST DAWOOD INVESTMENT BANK LIMITED	865,000
Y.S. SECURITIES & SERVICES (PVT) LTD.	722,000
FDIBL TRUSTEE - NAMCO BALANCED FUND	675,000
KAI SECURITIES (PVT) LIMITED	640,000
B & B SECURITIES (PRIVATE) LIMITED	545,000
LIVE SECURITIES LIMITED	543,500
NBP TRUSTEE - NI(U)T (LOC) FUND	507,410
SECURITY LEASING CORPORATION LIMITED	500,000
TIME SECURITIES (PVT.) LTD.	475,500
FIRST PAK MODARABA	410,000
CAPITAL INDUSTRIES (PVT) LTD	401,000
VALUE STOCK SECURITIES (PVT) LIMITED	375,000
ASLAM SONS (PVT) LTD	349,000
ACE SECURITIES (PVT.) LIMITED	304,500
FIRST PRUDENTIAL MODARABA	300,000
DARSON SECURITIES (PRIVATE) LIMITED	223,501
WASI SECURITIES (SMC-PVT) LTD.	207,000
CENTURY INSURANCE COMPANY LTD.	200,500
PREMIER INSURANCE LIMITED	200,000

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

Categories of Shareholders
As At June 30, 2009

CATEGORIES	Shareholders	Shareholding	Percentage
DIRECTORS, CEO & CHILDREN	8	19,547,629	5.0722
ASSOCIATED COMPANIES	6	46,325,415	12.0204
NIT & ICP	1	1,078,741	0.2799
BANKS, DFI & NBF1	18	53,560,685	13.8978
INSURANCE COMPANIES	4	481,000	0.1248
MODARABAS & MUTUAL FUNDS	10	2,217,910	0.5755
GENERAL PUBLIC (LOCAL)	12146	228,774,142	59.3616
GENERAL PUBLIC (FOREIGN)	77	2,637,427	0.6844
OTHERS	119	30,665,716	7.9570
FOREIGN COMPANIES	1	102,000	0.0265
	12390	385,390,665	100.00

Associated Companies	Number of shares held
TRG INVESTMENT HOLDINGS LIMITED	3,786,250
INTERNATIONAL FINANCE CORPORATION	39,790,665
LOADS LIMITED	500,000
TRAKKER (PRIVATE) LTD.	48,000
TREET CORPORATION LIMITED	2,200,500

Details of Holding in the shares by Directors, CEO, CFO, Company Secretary and their spouses and minor children	Number of shares held
MR. MUHAMMAD ZIAULLAH KHAN CHISTHI	10,684,034
MR. MUHAMMAD ALI JAMEEL	8,863,589
MR. RAFIQ DOSSANI	3
MR. JOHN LEONE	3

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

No. of Shareholders	NUMBER OF SHARES		Shares held
	From	To	
1	2995001	3000000	3000000
1	3200001	3205000	3201000
1	3240001	3245000	3242000
1	3380001	3385000	3383500
1	3645001	3650000	3650000
1	3750001	3755000	3750500
1	3785001	3790000	3786250
1	4020001	4025000	4024500
1	4320001	4325000	4322000
1	4930001	4935000	4934000
1	5565001	5570000	5568500
1	5795001	5800000	5800000
1	6000001	6005000	6000500
1	7070001	7075000	7072678
1	7395001	7400000	7400000
1	8415001	8420000	8419298
1	10070001	10075000	10071500
1	11950001	11955000	11954000
1	16015001	16020000	16017000
1	39790001	39795000	39790665
12390			385390665

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

No. of Shareholders	NUMBER OF SHARES		Shares held
	From	To	
1	720001	725000	722000
2	730001	735000	1470000
1	770001	775000	775000
1	795001	800000	800000
1	855001	860000	858000
1	860001	865000	865000
1	895001	900000	900000
1	900001	905000	902500
1	960001	965000	965000
7	995001	1000000	7000000
1	1000001	1005000	100010
1	1005001	1010000	1005500
1	1075001	1080000	1078741
1	1100001	1105000	1101000
1	1150001	1155000	1151000
1	1245001	1250000	1250000
1	1325001	1330000	1328499
1	1405001	1410000	1405500
1	1445001	1450000	1450000
1	1495001	1500000	1500000
1	1605001	1610000	1606788
1	1755001	1760000	1758000
1	1870001	1875000	1873533
1	1895001	1900000	1900000
1	2140001	2145000	2145000
1	2200001	2205000	2200500
1	2245001	2250000	2250000
1	2495001	2500000	2500000
1	2510001	2515000	2510356
1	2635001	2640000	2639000
1	2735001	2740000	2739925

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

No. of Shareholders	NUMBER OF SHARES		Shares held
	From	To	
2	340001	345000	686791
3	345001	350000	1049000
1	365001	370000	370000
1	370001	375000	375000
3	375001	380000	1137000
1	390001	395000	391500
2	395001	400000	800000
1	400001	405000	401000
1	405001	410000	410000
1	425001	430000	430000
2	430001	435000	864000
1	455001	460000	460000
1	460001	465000	462500
1	470001	475000	475000
3	475001	480000	1432500
3	495001	500000	1500000
2	505001	510000	1017410
1	515001	520000	516000
1	525001	530000	526000
3	540001	545000	1633500
1	550001	555000	554000
1	555001	560000	560000
1	580001	585000	582840
5	595001	600000	3000000
1	600001	605000	605000
1	625001	630000	630000
3	635001	640000	1917500
1	670001	675000	675000
1	690001	695000	695000
2	695001	700000	1400000
1	700001	705000	700500

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

No. of Shareholders	NUMBER OF SHARES		Shares held
	From	To	
6	140001	145000	853857
24	145001	150000	3590200
4	150001	155000	612000
4	155001	160000	638003
2	160001	165000	327000
6	165001	170000	1007500
8	170001	175000	1391000
4	175001	180000	713500
5	180001	185000	918000
3	185001	190000	566500
3	190001	195000	580000
25	195001	200000	4995500
2	200001	205000	402000
6	205001	210000	1252000
1	210001	215000	214500
1	215001	220000	217500
7	220001	225000	1573501
2	225001	230000	460000
4	230001	235000	926500
2	235001	240000	477000
5	245001	250000	1250000
1	250001	255000	255000
1	255001	260000	256500
1	265001	270000	267000
1	270001	275000	275000
1	275001	280000	278000
12	295001	300000	3599000
2	300001	305000	606500
1	305001	310000	310000
1	320001	325000	325000
1	330001	335000	332000

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009

No. of Shareholders	NUMBER OF SHARES		Shares held
	From	To	
75	1	100	2862
1072	101	500	526892
1983	501	1000	1976736
4543	1001	5000	14475446
1906	5001	10000	16274936
656	10001	15000	8726128
496	15001	20000	9362220
289	20001	25000	6937896
180	25001	30000	5214000
112	30001	35000	3744000
106	35001	40000	4145880
64	40001	45000	2783800
214	45001	50000	10610422
29	50001	55000	1547300
50	55001	60000	2945000
26	60001	65000	1649700
32	65001	70000	2207503
35	70001	75000	2571500
27	75001	80000	2121700
16	80001	85000	1337500
17	85001	90000	1504900
10	90001	95000	929600
113	95001	100000	11285500
17	100001	105000	1765001
16	105001	110000	1744398
10	110001	115000	1129000
10	115001	120000	1189500
10	120001	125000	1244800
8	125001	130000	1028200
4	130001	135000	535000
8	135001	140000	1107500

AUDITORS'

REVIEW REPORT

TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2009 prepared by the Board of Directors of TRG Pakistan Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Karachi:
Dated: October 30, 2009

Further, Sub-Regulation (xiiiia) of Listing Regulations 37 (now Regulation 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required to check the approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee, which were done in their respective meetings held on October 30, 2009. We have not carried out any procedures to determine 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 status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

A. F. Ferguson & Co.
Chartered Accountants

15. The Board has formed an audit committee. It comprises of three members, two of whom are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held during the three quarters prior to approval of financial results of the Company. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an internal audit function for the Group. Internal audit department has started functioning across the group.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.
21. The related party transactions entered during the year ended June 30th, 2009 have been placed before the audit committee and approved by the Board of Directors in their respective meetings held on October 30th, 2009 instead of each of their meetings held since January 19, 2009

Karachi

Dated: October 30, 2009

on behalf of the Board of Directors

Director

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of Karachi Stock Exchange 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 the principles contained in the Code in the following manner:

1. The Board comprises nine directors, including the CEO. The Company encourages representation of independent non-executive directors on its board including those representing minority interests. At present the Board includes seven non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board during the year which has not been filled within the requisite time frame.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which is in the process of being signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement and overall corporate strategy, and is in process of finalizing internal control documentation and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Notification of all the Board meetings held during the year were made at least seven days prior to the meetings. For certain meetings the supplementary material was circulated less than seven days in advance of the meetings. The minutes of the meetings were appropriately recorded. The circulation of the minutes occurred after the duration of the statutorily mandated timeframe.
9. The Board has been kept abreast with the applicable corporate laws and amendments introduced therein during the year.
10. The Board has approved appointments of CFO and Company Secretary including their remuneration and terms and conditions of employment as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholding.
14. Company has complied with all the corporate and financial reporting requirements of the Code.

Board Meetings during the year

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

Name of Director	Meetings attended
Mr. Muhammad Ziaullah Khan Chishti	6
Mr. Peter Riepenhausen	2
Mr. Rafiq Dossani	5
Mr. Ali Jameel	5
Mr. Saeed Iqbal	4
Mr. Patrick McGinnis	5
Mr. John Leone	4
Mr. Ameer Quereshi	6
Mr. Abu Chowdry*	5
Mr. Javed Hassan **	2

- Including attendance by alternate director

Appropriations

Due to the profit recognized at the level of the stand-alone accounts of the company, the Directors recommended cash appropriations of Rupees 0.01 per share (or Rupees 3.6 million in total) for the year.

Earnings per share

The basic loss per share of the company on a consolidated basis was Rupees (4.58) per share. On a stand-alone basis, the company recognized earnings per share of Rupees 1.99.

Auditors

The retiring auditors Messers A. F. Fergusons & Co., Chartered Accountants, being eligible offer themselves for re-appointment. As required by the Code of Corporate Governance, the Audit Committee has recommended the appointment of M/s. A. F. Fergusons & Co., Chartered Accountants as auditors till the next Annual General Meeting.

Shareholding Pattern

A statement showing pattern of shareholding of the Company and relevant additional information as at June 30, 2009 is included in this report.

Shareholder Acknowledgement

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.

by Order of the Board

Karachi

October 30, 2009

Muhammad Ziaullah Khan Chishti
Chairman and Chief Executive

discounted cash flow approach continues to be relevant as at June 30th, 2009 and that alternate measures such as investment price into TRG International by other third party investors such as EMP is not appropriate since those commitments were signed earlier in the year. Should future residual cash flows increase over and above the supportable assumptions as at June 30th, 2009, the value of the investment can be marked up further in future periods.

The reversal of the impairment charge against the investment is applicable only to the stand alone accounts of TRG Pakistan Limited and not to its consolidated accounts. As a result, the standalone accounts of TRG Pakistan Limited reflect a net income of Rupees 767 million.

Matter of Emphasis in Auditors Opinion

TRG Pakistan Limited's auditors, A.F. Fergusons & Company, have drawn emphasis to possibility of AIG enacting its drag right whereby it can cause the undertake a complete or partial liquidation of assets, including the shares of TRG IL to redeem their investment of \$30 million. TRG Pakistan has not received any notifications from AIG of its intention to exercise its drag right. Your management also believes that AIG's continued confidence in the Company despite the availability of the drag right is testament to the positive outlook and confidence they have in the Company to be able to deliver returns far superior to their original investment.

Penalties

Subsequent to the year end, the Company and its Directors were imposed a penalty on account of the delay in holding its Annual General Meeting and the delay in the circulation of the Annual Report to the shareholders. The Company was imposed a penalty of Rs. 100,000 and each of the Directors were imposed a penalty of Rs. 420,000.

Corporate and Financial Reporting Framework

As required by the Code of Corporate Governance, 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 board is in the process of finalizing internal control documentation and significant policies of the company.
- 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.

which is the difference between EBITDA at the operating subsidiary level of Rupees 469 million less corporate holding company overhead of Rupees 667 million (which reflects the continued investment in business development expenses). The final component of operating expenses is a substantial non-recurring portion of Rupees 633 million.

The non-recurring costs of Rupees 633 million embedded within the operating cost envelope require further elaboration. These costs consist of the following sub-categories:

- Pre-operating expenses related to the emerging businesses (such as SatMap) of Rupees 471 million, of which the SatMap related investment is Rupees 410 million.
- One-time costs related to the final portion of the TRG Customer Solutions restructuring (such as site shutdown costs and lease termination costs) of Rupees 50 million.
- Non-cash expenses of Rupees 107 million consisting primarily of write-offs related to the Central Voice sale and the TRG Europe investment.

The Company also recognized other income of Rupees 55 million comprising primarily of a refund of an amount held in escrow since the time of the Telespectrum acquisition in 2004.

As a result, the operating loss before finance and taxation costs for TRG Pakistan as recognized in our financial statements consists of Rupees 1,465 million.

The finance costs incurred during the year ended June 30th, 2008 amounted to Rupees 267 million, of which Rupees 202 million were cash interest costs paid by our subsidiaries for their borrowings and reflect the extremely high borrowing costs in the current credit markets.

Our taxation expense accrual was Rupees 124 million; however, this expense is largely of a non-cash nature at present, arising due to recognition of deferred tax liabilities. Furthermore, the Company recorded an expense of Rs. 60 million due to distributions to the minority shareholder in certain subsidiaries in excess of their initial equity investment.

As a result, the company has reported a consolidated net loss for the year ended 2009 of Rupees 1,916 million, of which a loss of Rupees 1,766 million is attributable to the shareholders of the holding company (TRG Pakistan) and a loss of Rupees 150 million is attributable to all the minority shareholders.

TRG Pakistan Limited Stand Alone Financial Statements

TRG Pakistan Limited essentially serves as a holding company with minimal operations of its own.

The Company had revenues of approximately Rupees 29 million consisting mainly of management fees from its TRG International subsidiary of Rupees 28 million against which it recorded operational expenses of Rupees 19 million associated with maintaining a corporate head office to support its listing on the Karachi Stock Exchange

As explained in Note 5 of the stand alone financial statements of TRG Pakistan Limited, we have recorded a write-up in the carrying value of TRG International shares by an amount of Rupees 774 million which is reflected in the income statement as a partial reversal of the impairment charge of Rupees 2,432 million recognized in FY2008. This reversal of the impairment charge reflects the difference between the carrying value of the shares against its fair value as arrived at per the prescriptions of IAS 36.

Management has taken the view that the fair value based on the

Current operations

Following the return to significant profitability of TRG-CS by June 2009, your company is now generating record profitability at the operating subsidiary level, with EBITDA at the subsidiary level currently at an approximate Rupees 90 million per month run rate. The holding company overhead (inclusive of the business development effort) has an expense base of approximately Rupees 45 million per month, resulting in a net EBITDA run rate of Rupees 65 million per month. This figure does not include the negative margins currently generated by the emerging SatMap operation, which is expected to break even towards the end of 2009.

Future Outlook and Strategy

Our focus for FY2010 is twofold - (i) to consolidate the profit margins from our traditional business subsidiaries, driven mainly by TRG-CS, and (ii) to attain cash breakeven and subsequent profitability at SatMap.

By the end of FY2010, we are targeting attaining subsidiary EBITDA (excluding SatMap) of Rupees 150 million per month, driven by deployment of new contractual wins. This would represent subsidiary EBITDA margins of 15% of revenues, which would place us in the higher end of services company profitability metrics. With a holding company overhead of Rupees 30 million, we would then recognize a net EBITDA run rate of approximately Rupees 120 million per month.

Assuming breakeven SatMap operations, the above operational run rate would generate a monthly net income of approximately Rupees 35 million per month. With the SatMap revenue run rate increasing to Rupees 60 million per month (based on current signed contracts) and resulting margins of Rupees 25 million per month, the monthly net income for TRG Pakistan would increase to Rupees 60 million per month (or Rupees 700 million per year) by the end of 2010.

Financial Performance:

TRG Pakistan's financial statements consist of the financial statements of the parent company on a stand alone basis, as well as the consolidated financial statements of the entire group. As TRG Pakistan essentially serves as a holding company for all its investments, the results of our operations are best understood by reviewing our consolidated financial statements.

Consolidated Financial Statements:

The subsidiaries and the nature of their businesses are summarized in Note I to the consolidated financial statements. Of these entities, TRG Pakistan, TRG International and TRG Holdings LLC do not generate external revenue and their expenses represent the corporate overhead to support our fund raising, acquisitions and portfolio management functions.

For the year ended June 30th, 2009 TRG Pakistan's operating subsidiaries recorded revenues of TRG Pakistan Rupees 11,147 million, representing a 26% increase against revenues of Rupees 8,841 million in the prior year. The increase in revenues in Rupees is significant mainly due to the depreciation of the Rupee against the US dollar, as in US dollar terms, revenues from FY2008 to FY2009 increased by less than 2%.

Against this revenue, TRG's subsidiaries incurred overall operating expenses (presented as Cost of Service Delivery, Administrative and General Expenses and Other Charges) of Rs. 12,668 million. Included in these expenses are non cash recurring expenses of Rupees 509 million representing depreciation and amortization charges and ESOP expenses of Rs. 182 million. Of the remaining expenses of Rupees 11,977 million, Rupees 11,344 million consist of ongoing (or recurring) costs at the operating subsidiary level, resulting in a recurring operating loss less depreciation, amortization and interest at the operating subsidiary level of Rupees 197 million,

business development resources at TRG Holdings (our US Corporate Head office) in anticipation of the successful completion of the restructuring of TRG-CS. During FY2009, we continued to incur these business development expenses at a level of Rupees 150 million over the year.

As a result of this business development effort, TRG-CS has been transformed into an inbound-dominated business with more stable revenues with large Fortune 100 clients. Over the course of FY2009, some of our noteworthy wins / ramps included a Rupees 1.1 billion per year deployment with one of the largest global technology manufacturers, a Rupees 700 million expansion with one of the largest telecommunications companies in the US that has subsequently resulted in a new client win with one of the largest rural telephony providers in the US and a Rupees 500 million deployment in Manila with one of the largest office products companies in the US. In addition, we have signed a significant new contract totaling Rupees 1.0 billion per year initially (increasing to Rupees 2.0 million per year) providing back office and customer support for one of the top 5 banks in the US. This contract is currently undergoing deployment.

After successfully transforming the revenue base at our TRG Customer Solutions subsidiary, our centralized business development team is broadening its efforts to develop large-scale opportunities at our other subsidiaries.

Financing

The past financial year was characterized by significant dislocation in the global credit markets, with credit availability retrenching dramatically. This development put significant pressure on several of our subsidiaries that used lines of credit to manage their working capital, as their existing providers attempted to retrench their overall exposures. In the face of an extremely challenging banking market, we were able to refinance our line of credit (and replace our legacy banking provider) for our TRG Customer Solutions and

iSky subsidiaries during the course of the financial year through a Rupees 1.6 million receivables backed facility. We have also refinanced our line of credit for our TRG Insurance Solutions subsidiary in October 2009, as well as arranged a working capital facility for our Digital Globe Systems subsidiary.

In other credit market developments, we arranged the recapitalization of a portion of our investment in Administrative Enterprises Inc (our Arizona based third party administrator) through a cash flow based term loan, closed in December 2008. This recapitalization has allowed us to fund a portion of our investment during FY2009 in SatMap without having to cause shareholder dilution by arranging external venture capital financing.

Operational issues at TRG's UK operations

During the course of FY2009, we experienced a series of client losses at our operations in the United Kingdom, resulting in negative margins towards the end of the financial year. We have undertaken a process of rationalization within our UK operations, appointed a new Managing Director of those operations and have written off the goodwill recorded in the balance sheet of our UK legal entity. It is important to place these developments in context - TRG's UK outsourcing operations are relatively small in scale, representing between 4% of Group revenues.

Settlement with Charter Communications

During the course of FY2009 and after a series of prolonged negotiations, we settled our commercial dispute with Charter Communications that occurred in FY2008. The dispute resulted from an extra-contractual termination by Charter of an outsourcing contract signed with us in late 2007. The settlement consisted of an upfront cash payment of Rupees 200 million, as well as new contracts signed with our Digital Globe Services and SatMap operations and the payment of another Rupees 200 million in the form of pre-paid revenues.

we have eight contracts currently signed and under implementation. In several of these contracts, we need to undergo a pilot / proof of concept stage (with the initial rollout being limited to a small subset of these clients' call center infrastructure). Nevertheless, the set of clients currently signed on represent a revenue potential for us (assuming deployment of SatMap across their entire call center infrastructure) of Rupees 800 million per year at a 90% plus gross margin.

Transformation of TRG Customer Solutions into significant profitability

As stated in our recent submissions to you, our largest operating unit, TRG Customer Solutions underwent a restructuring initiative in the middle of calendar 2008 after we determined that its current cost structure did not allow it to generate our targeted returns. This decline in performance (as compared to expectations) was mainly due to the increased volatility of outbound business (that represented a majority of TRG-CS's business at the time). Our cost restructuring consisted of rationalizing our North American capacity, phasing out of low margin outbound activity and a very significant reduction in overhead expenses at TRG-CS.

The cost rationalization at TRG-CS was completed in August 2008.

During the course of the subsequent six to seven months, TRG-CS underwent a period of ramp as it replaced a significant portion of its volatile outbound-oriented programs with newly-won inbound business with several large Fortune 100 companies. These ramps have allowed it to attain an EBITDA level of approximately Rupees 80 million per month. It expects this figure to increase as it deploys additional new business that it has recently contracted in the financial services and business services sectors.

Rollout and Ramp of SatMap

For the last two years, we have developed and commercialized our proprietary SatMap technology product, which we expect to become

a core value driver for the Company going forward. The product was extensively tested internally during the financial year 2008 at significant internal cost and then subsequently taken "live" on our outsourced call center clients during the latter part of 2008.

During the course of FY2009, following the commercialization of the SatMap product, we intensified our business development efforts with external clients, resulting in eight signed contracts with large global institutional customers. As a result, we have multiple implementations currently underway and have two deployments currently live. The results from our deployments have been extremely favorable, with clients experiencing sales conversion rate increases of 20-25% following SatMap implementation. While our technology has proven itself to be highly successful to our external clients, our revenue and deployment ramp on SatMap has been slower than expected due to the complexity of client infrastructure and the associated integration and engineering efforts. We now project that we will have sufficient deployments completed in order to cover our SatMap costs by the end of 2009.

Over the course of FY 2009, we invested a total of Rupees 410 million in the marketing and deployment of SatMap, resulting in a total of approximately Rupees 1,520 million invested since inception. The SatMap operation is highly scalable in financial terms, with gross margins of over 90%, and a fixed cost base of Rupees 30 million per month. Upon implementation of the initial / pilot phases of the current set of SatMap contracts, we expect to recognize revenues of Rupees 60 million per month, with full revenue potential from these clients (i.e. assuming deployment across their entire call center infrastructure) of Rupees 68 million per month.

Hence - assuming no further sales beyond our current set of clients, we would expect a return on invested capital of nearly 20% in the first quarter of profitable operations.

New Sales effort

Starting January 2008, we initiated a significant buildup in strategic

DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors is pleased to bring you the results for the year ended June 30th, 2009.

Key Developments in 2009

The year ended June 30th, 2009 was a turnaround year for the Company as our core call center operations, represented primarily by our TRG Customer Solutions (TRG-CS) subsidiary, returned to significant profitability. By the end of the financial year, TRG-CS had increased its earnings before interest, taxes, depreciation and amortization (EBITDA) to an annualized level of Rupees 1 billion (or Rupees 80 million per month), driven by new contracts as well as enhanced operating efficiencies.

As a result of the turnaround, the Company has now moved to a financial position where we are able to generate sufficient margin from our core operations to cover both our holding company overhead as well as our ongoing investment in our SatMap product.

As the turnaround of TRG-CS did not fully materialize until the end of the financial year, the results for FY2009 do not reflect the full effect of our operating transformation. Nevertheless, they still represent a significant shift in performance from the prior year, with recurring EBITDA from our operating subsidiaries of Rupees 469 million in FY 2009, against a similar figure of minus Rupees 258 million in the prior financial year - or a shift of over Rupees 700 million. During the months of June, July and August 2009, our annualized recurring subsidiary EBITDA has been approximately Rupees 1.35 billion, representing a further shift of approximately Rupees 900 million on an annualized basis from FY 2009 levels.

During this financial year, we continued to undertake significant one-time investment in two strategic areas which caused an increase

in our cost base on a non-recurring basis during FY2009. The first of these was in the rollout and implementation related to our proprietary SatMap product (that optimally matches agents to callers in a call center using demographic and psychographic analysis, substantially increasing sales, cost, and customer satisfaction performance within a call center). We incurred expenses of Rupees 410 million over the course of the financial year supporting our SatMap operation, with cash-flow breakeven targeted towards the end of 2009. The second was the continuation of our strategic business development activity over the course of the year, which has already borne results through the comprehensive replacement of the volatile outbound book of business within TRG-CS with more stable, longer-term institutional inbound business. We invested approximately Rupees 150 million in centralized business development expenses during FY2009.

Our remaining five operating subsidiaries (i.e. subsidiaries generating revenues from third parties) performed broadly to plan on a cumulative basis during the course of the financial year, with EBITDA of Rupees 399 million.

With the continuing emergence of the global economy from the current recession, the two core upside drivers of our business are our core outsourcing business and our SatMap technology business.

Our core outsourcing business has been experiencing significant institutional growth in recent months (capitalizing on the restructuring of TRG Customer Solutions) resulting from cost rationalization efforts by many Global 1000 companies (including our existing clients) in shifting service delivery to more efficient third party vendors as well as, more recently, resumption of corporate spending at large global institutions. We have experienced growth in our large-scale telecommunications clients and have also signed up two key financial services accounts.

Our SatMap technology business is currently live with two of the top five telecommunications providers in North America. In addition,

4. Members are requested to notify any change in their address immediately.
5. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 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 National Identity Card (NIC) 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 of meeting.

Karachi -
November 7, 2009

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 NIC numbers shall be mentioned on the form.
- (iii) Attested copies of NIC of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his / her original NIC 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.

By Order of the Board

Asghar Husain
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of TRG Pakistan Limited (the "Company") will be held at the Auditorium of the Institute of Bankers Pakistan, Moulvi Tamizuddin Khan Road, Karachi on Tuesday, December 01, 2009 at 10:00 a.m. to transact the following business:

Ordinary Business

1. To confirm the Minutes of the Sixth Annual General Meeting of the Company held on April 15, 2009.
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, 2009.
3. To appoint the Auditors for the ensuing year ending June 30, 2010 and fix their remuneration.

Notes

1. The share transfer books of the Company will remain closed from November 23, 2009 to December 01, 2009 (both days inclusive). Transfers received by our registrars, Messrs THK Associates (Pvt.) Limited, Second Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on November 22, 2009 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.

CORPORATE INFORMATION

Board of Directors

Muhammad Ziaullah Khan Chishti
Chairman and CEO

Muhammad Ali Jameel

Peter H.R. Riepenhausen

Ameer S. Qureshi

Saeed Iqbal

Patrick McGinnis

John Leone

Rafiq K. Dossani

Abu Chowdhary

Audit Committee

John Leone
Chairman

Muhammad Ali Jameel

Patrick McGinnis

Company Secretary

Asghar Husain

Legal Advisors

Bawaney & Partners

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Share Registrars

THK Associates (Pvt.) Ltd
Share Department,
Ground Floor State Life Bldg.No.3
Dr. Ziauddin Ahmed Road
Karachi.
Uan: 111-000-322
Fax: 5655595

Registered Office

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Finance and Trade Centre
Shahrah-e-Faisal, Karachi
P: (021) - 111-874-874, 566-1501
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TRG VISION

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

TRG 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.